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

FORM 10-Q

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

For the quarterly period ended June 30, 2020

OR

☐ 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)

(800) 674-3612
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically 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 ☒ No ☐

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	☐	Accelerated Filer	☐
Non-accelerated Filer	☒	Smaller Reporting Company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

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

The number of shares of common stock, $0.0001 par value per share, outstanding as of October 5, 2020 was 28,639,863.

Title of each class:	**Trading Symbol**	**Name of each exchange on which registered:**
Common Stock, $0.0001 par value		-

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 Balance Sheets

	June 30, 2020 (Unaudited)	March 31, 2020
ASSETS		
Current assets:		
Cash & cash equivalents	$ 591,851	$ 48,307
Prepaid & other current assets	7,302	12,693
Total current assets	599,153	61,000
Property and equipment, net	87,977	92,629
Intangible assets, net	224,961	235,007
TOTAL ASSETS	$ 912,091	$ 388,636
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 1,028,420	$ 1,262,389
Accrued expenses	575,297	765,201
Accrued interest	372,570	454,926
Notes payable, net of debt discount of $1,439,156 and $405,377, respectively	2,215,403	3,083,158
Warrant liability	2,314,152	1,733,718
Related party payable, net	49,741	49,741
Total current liabilities	6,555,583	7,349,133
Total liabilities	6,555,583	7,349,133
Commitments and Contingencies (Note 12)		
STOCKHOLDERS' DEFICIT:		
Preferred stock, par value $0.0001; 50,000,000 shares authorized, no shares outstanding	-	-
Common stock, par value $0.0001; 200,000,000 shares authorized; 24,777,701 shares outstanding as of June 30, 2020 and 17,324,333 shares outstanding as of March 31, 2020, respectively	2,478	1,733
Additional paid-in capital	21,264,419	9,486,129
Accumulated deficit	(26,910,389)	(16,448,359)
Total stockholders' deficit	(5,643,492)	(6,960,497)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 912,091	$ 388,636

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

CROWN ELECTROKINETICS CORP.
Condensed Statements of Operations
(Unaudited)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
Revenue	$ -	$ -
Cost of revenue	-	153,500
Gross loss	-	(153,500)
Operating expenses:		
Research and development	1,372,522	320,371
Selling, general and administrative	7,937,557	1,375,908
Total operating expenses	9,310,079	1,696,279
Loss from operations	(9,310,079)	(1,849,779)
Other income (expense):		
Interest expense	(1,234,213)	(523,279)
Loss on conversion of notes	(22,447)	-
Loss on extinguishment of debt	(18,200)	-
Change in fair value of warrant liability	122,909	147,808
Total other expense	(1,151,951)	(375,471)
Net loss	$ (10,462,030)	$ (2,225,250)
Net loss per share, basic and diluted:	$ (0.61)	$ (0.20)
Weighted average shares outstanding, basic and diluted:	17,342,533	11,000,824

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

CROWN ELECTROKINETICS CORP.
Condensed Statements of Stockholders' Deficit
Three Months Ended June 30, 2020 and 2019

	Common Stock				Additional Paid-in		Accumulated		Total Stockholders'
	Number		Amount		Capital		Deficit		Deficit
Balance as of March 31, 2020	**17,324,333**	**$**	**1,733**	**$**	**9,486,129**	**$**	**(16,448,359)**	**$**	**(6,960,497)**
Issuance of common stock in satisfaction of accounts payable	162,447		16		121,819		-		121,835
Issuance of common stock in connection with notes payable	825,000		83		750,667		-		750,750
Issuance of common stock in connection with conversion of notes	2,364,244		236		2,151,225		-		2,151,461
Exercise of common stock warrants	291,667		29		(29)		-		-
Beneficial conversion feature in connection with notes payable	-		-		618,657		-		618,657
Issuance of common stock to consultants	310,010		31		282,078		-		282,109
Stock-based compensation	4,000,000		400		8,078,823		-		8,079,223
Common stock repurchased and subsequently canceled	(500,000)		(50)		(224,950)		-		(225,000)
Net loss	-		-		-		(10,462,030)		(10,462,030)
Balance as of June 30, 2020 (Unaudited)	**24,777,701**	**$**	**2,478**	**$**	**21,264,419**	**$**	**(26,910,389)**	**$**	**(5,643,492)**

	Common Stock				Additional Paid-in		Accumulated		Total Stockholders'
	Number		Amount		Capital		Deficit		Deficit
Balance as of March 31, 2019	**9,875,000**	**$**	**988**	**$**	**3,448,857**	**$**	**(6,844,488)**	**$**	**(3,394,643)**
Stock-based compensation expense	6,000,000		600		831,823		-		832,423
Issuance of common stock and warrants in connection with cancellation of consulting agreement	100,000		10		264,510		-		264,520
Issuance of common stock in connection with notes payable	75,000		7		61,493		-		61,500
Beneficial conversion feature in connection with notes payable	-		-		27,918		-		27,918
Net loss	-		-		-		(2,225,250)		(2,225,250)
Balance as of June 30, 2019 (Unaudited)	**16,050,000**	**$**	**1,605**	**$**	**4,634,601**	**$**	**(9,069,738)**	**$**	**(4,433,532)**

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

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

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (10,462,030)	$ (2,225,250)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	8,079,223	832,423
Issuance of common stock to consultants	282,109	-
Issuance of common stock and warrants in connection with cancellation of consulting agreement	-	264,520
Depreciation and amortization	14,697	19,954
Loss on extinguishment of debt	18,200	-
Loss on conversion of notes	22,447	-
Amortization of debt discount	1,051,698	419,856
Change in fair value of warrant liability	(122,909)	(147,808)
Changes in operating assets and liabilities:		
Prepaid and other current assets	5,392	(78,192)
Deferred offering costs	-	(23,317)
Account payable	(112,134)	144,211
Accrued expenses	(189,905)	(2,552)
Accrued interest	126,556	103,758
Net cash used in operating activities	(1,286,656)	(692,397)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(26,603)
Net cash used in investing activities	-	(26,603)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of senior secured promissory note	(200,000)	-
Proceeds from PPP loan	205,200	-
Proceeds from issuance of senior secured convertible notes and common stock warrants	2,050,000	620,000
Common stock repurchased and subsequently canceled	(225,000)	-
Net cash provided by financing activities	1,830,200	620,000
Net increase (decrease) in cash	543,544	(99,000)
Cash — beginning of period	48,307	99,447
Cash — end of period	$ 591,851	$ 447
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Unpaid deferred offering costs	$ -	$ 127,458
Unpaid research and development license included in accounts payable	$ 100,000	$ 100,000
Beneficial conversion feature in connection with notes payable	$ 618,657	$ 27,918
Issuance of common stock in connection with conversion of notes	$ 2,151,461	$ -
Issuance of common stock in connection with notes payable	$ 750,750	$ 61,500
Issuance of common stock in satisfaction of accounts payable	$ 121,835	$ -
Exercise of common stock warrants	$ 29	$ -
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 55,959	$ -
Cash paid income taxes	$ -	$ -

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

Note 1 – Organization and Description of Business Operations

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.

Note 2 – Going Concern and Liquidity

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 financial statements, the Company had an accumulated deficit of approximately $26.9 million at June 30, 2020, a net loss of approximately $10.5 million, and approximately $1.3 million of net cash used in operating activities for the three months ended June 30, 2020.

The accompanying condensed 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 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 anticipates incurring additional losses until such time, if ever, that it can obtain marketing approval to sell, and then generate significant sales, of its technology that is currently in development. Substantial additional financing will be needed by the Company to fund its operations and to develop and commercialize its technology. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

The Company will seek to obtain additional capital through the sale of debt or equity financings or other arrangements to fund operations; 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 financial statements.

The impact of the worldwide spread of a novel strain of coronavirus (“COVID 19”) has been unprecedented and unpredictable, but based on the Company’s current assessment, the Company does not expect any material impact on its long-term strategic plans, operations and its liquidity due to the worldwide spread of COVID-19. However, the Company is continuing to assess the effect on its operations by monitoring the spread of COVID-19 and the actions implemented to combat the virus throughout the world and its assessment of the impact of COVID-19 may change.

Note 3 – Significant Accounting Policies

Basis of Presentation

The Company’s condensed 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 results of operations for the three months ended June 30, 2020 are not necessarily indicative of the results for the full year or the results for any future periods. These condensed financial statements should be read in conjunction with the audited financial statements and related notes for the fiscal year ended March 31, 2020 included in the Company’s Form 10-K dated as of September 4, 2020 and filed with the Securities and Exchange Commission (the “SEC”) on September 4, 2020.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. These estimates and assumptions are based on current facts, historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, the Company’s future results of operations will be affected.

Net Loss per Share

ASC 260, Earnings Per Share, requires dual presentation of basic and diluted earnings per share ("EPS") with a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilution. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Basic net loss per share of common stock excludes dilution and is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share of common stock reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity unless inclusion of such shares would be anti-dilutive. Since the Company has only incurred losses, basic and diluted net loss per share is the same.

Securities that could potentially dilute loss per share in the future that were not included in the computation of diluted loss per share at June 30, 2020 and 2019 are as follows:

	June 30,	
	2020	**2019**
	(Unaudited)	**(Unaudited)**
Warrants to purchase common stock	5,764,356	5,257,342
Options to purchase common stock	14,050,167	5,813,500
Unvested restricted stock awards	3,000,012	6,000,000
Convertible notes	8,417,824	11,319,822
	31,232,359	28,390,664

Recent Accounting Pronouncements

The Company is considered to be an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, as amended (JOBS Act). The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company has elected to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Securities and Exchange Act of 1934.

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB Topic 840, *Leases (Topic 840)* and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842) Land Easement Practical Expedient for Transition to Topic 842*, which amends ASU 2016-02 to provide entities an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 842. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date that the entity adopts Topic 842. The standard will be effective for non-public entities for fiscal years beginning after December 15, 2020 and interim periods beginning after December 15, 2021. The Company is currently evaluating the effect that the updated standard will have on its condensed financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-07, *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting,* which is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent with accounting for employee share-based compensation. The standard is effective for non-public entities for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year. Early adoption is permitted. The Company adopted this standard on April 1, 2020 and the adoption did not have a material impact on its condensed financial statements and related disclosures.

Note 4 – Fair Value Measurements

During the three months ended June 30, 2020, the Company issued warrants totaling 1,287,868 related to its convertible notes. The warrants were classified as liabilities and measured at fair value on the grant date, with changes in fair value recognized as other expense on the condensed statements of operations and disclosed in the condensed financial statements.

A summary of significant unobservable inputs (Level 3 inputs) used in measuring warrants granted during the three months ended June 30, 2020:

	Three Months Ended June 30, 2020 (Unaudited)
Dividend yield	0%
Expected price volatility	50%
Risk free interest rate	0.16% - 0.32%
Expected term	4 years

The following tables classify the Company's liabilities measured at fair value on a recurring basis into the fair value hierarchy as of June 30, 2020 and March 31, 2020:

	Fair value measured at June 30, 2020 (Unaudited)			
	Total carrying value at June 30, 2020	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:				
Warrant liability	$ 2,314,152	$ -	$ -	$ 2,314,152

	Fair value measured at March 31, 2020			
	Total carrying value at March 31, 2020	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:				
Warrant liability	$ 1,733,718	$ -	$ -	$ 1,733,718

For the three months ended June 30, 2020 and 2019, there was a change of approximately $0.1 million in Level 3 liabilities measured at fair value, respectively.

Unobservable inputs were used to determine the fair value of positions that the Company has classified within the Level 3 category. Unrealized gains and losses associated with liabilities within the Level 3 category include changes in fair value that were attributable to unobservable (e.g., changes in unobservable long- dated volatilities) inputs.

The following tables presents changes in Level 3 liabilities measured at fair value for the three months ended June 30, 2020 and 2019.

	Warrant Liability
Balance at March 31, 2020	**$ 1,733,718**
Issuance of warrants in connection with convertible notes	703,343
Change in fair value	(122,909)
Balance at June 30, 2020 (unaudited)	**$ 2,314,152**

	Warrant Liability
Balance at March 31, 2019	**$ 1,398,617**
Issuance of warrants in connection with convertible notes	200,333
Change in fair value	(147,808)
Balance at June 30, 2019 (unaudited)	**$ 1,451,142**

Note 5 – Property & Equipment, Net

Property and equipment, net, consists of the following:

	June 30, 2020 (Unaudited)	March 31, 2020
Equipment	$ 148,814	$ 148,814
Computer software	5,440	5,440
Leasehold improvements	6,640	6,640
Total	160,894	160,894
Less accumulated depreciation and amortization	(72,917)	(68,265)
Property and equipment, net	$ 87,977	$ 92,629

Depreciation expense for the three months ended June 30, 2020 and 2019 was approximately $5,000 and $10,000 respectively.

Note 6 – Intangible Assets

On January 31, 2016, the Company, entered into an IP agreement with HP to acquire a research license to determine the feasibility of incorporating HP's electro-kinetic display technology in the Company's products. Under the terms of the agreement, the license is to be used for research purposes only, has a purchase price of $200,000 for the technology and a two-year closing date. On April 12, 2016 the Company and HP entered into the first amendment to the agreement, which provided that, with respect to the remainder of the purchase price, $75,000 was payable upon completion of the technology transfer and $100,000 was payable upon the first anniversary of the agreement's effective date. The sales agreement entered into with HP concurrently with the first amendment to the agreement allocated $25,000 of the $200,000 purchase price to acquire equipment to be used in the research. On May 1, 2017, the Company and HP entered into the second amendment to the agreement which increased the purchase price for the technology to $375,000 and extended the closing date to January 31, 2020. Of such $375,000, $75,000 is payable upon completion of the technology transfer, $100,000 is payable upon the first anniversary of the agreement's effective date, $100,000 is payable upon the second anniversary of the agreement's effective date and $100,000 is payable upon the third anniversary of the agreement's effective date. On March 10, 2019, the Company and HP entered into the third amendment to the agreement, which extended the closing date to January 31, 2021, enumerated certain intellectual property owned by HP that is not subject to the exclusive license granted to the Company and revised the schedule of fees payable by the Company to HP, such that $100,000 is payable upon the first anniversary of the agreement's effective date, $100,000 is payable upon the second anniversary of the agreement's effective date and $100,000 is payable before April 20, 2019. The parties have subsequently agreed that such payment is not due until October 15, 2020.

As of the date of this report, the Company has paid $25,000 to HP, and the remaining $75,000 will be paid by the October 15, 2020 due date.

Under the guidance of ASC 350, *Intangibles – Goodwill and Other Intangibles*, the Company recorded the research license at the cost to acquire the license. As of June 30, 2020, the Company has paid $275,000 for the transfer of the technology. The remaining $100,000 has been accrued and will be paid over the remaining term of the license. The research license will be amortized over a 10-year useful life.

The carrying amounts related to the research license as of June 30, 2020 and March 31, 2020 were as follows:

	June 30, 2020 (Unaudited)	March 31, 2020
Research license	$ 375,000	$ 375,000
Total	375,000	375,000
Accumulated amortization	(150,039)	(139,993)
Research license, net	$ 224,961	$ 235,007

The following table represents the total estimated amortization for the research license for the five succeeding years and thereafter as of June 30, 2020 (unaudited):

	Estimated Amortization Expense
2021	$ 30,245
2022	40,290
2023	40,290
2024	40,400
2025	40,290
Thereafter	33,446
Total	$ 224,961

For the three months ended June 30, 2020 and 2019, amortization expense was approximately $10,000 for each period, respectively.

The Intellectual Property Agreement grants the Company an option to purchase the related assignable patents for a purchase price of $1.4 million and must be exercised at least 60 days prior to the closing date of January 31, 2021. The Company will be responsible for all costs associated with the assignable patents and will pay a royalty of 3.0% of the gross revenues received by the Company and its Affiliates for the sale, rental, license or other disposition of the licensed products. As of June 30, 2020 and the date of this report, the Company has not exercised this option.

Note 7 – Accrued Expenses

As of June 30, 2020 and March 31, 2020, the Company's accrued expenses consisted of the following:

	June 30, 2020 (Unaudited)	March 31, 2020
Payroll and other expenses	$ 531,268	$ 625,974
Consulting	32,664	124,914
Other	11,365	14,313
Total	$ 575,297	$ 765,201

Note 8 – Notes Payable:

Notes payable at June 30, 2020 and March 31, 2020 consist of the following:

	June 30, 2020 (Unaudited)	March 31, 2020
PPP loan	$ 205,200	$ -
Notes payable, due January 1, 2018	50,000	50,000
Senior secured promissory note, due April 20, 2020	-	200,000
Senior secured convertible notes, due April 23, 2020 - June 3, 2021	3,399,359	3,238,535
Repayment of secured promissory note	3,654,559	3,488,535
Less: unamortized debt discount	(1,439,156)	(405,377)
Total notes	$ 2,215,403	$ 3,083,158

Note payable – lease

As of March 31, 2020, the Company owed approximately $53,000 to an employee of the Company, which is recorded in accounts payable in the accompanying condensed balance sheet. The employee paid approximately $53,000 directly to Oregon State University in satisfaction of the Company's lease liability for the period August 2019 – February 2020. On April 10, 2020, the Company entered into a note payable with a principal balance of approximately $53,000, in place of the accounts payable balance. The note matured on May 15, 2020, and default interest was due at a rate of 8% if the Company fails to make an installment payment by the due date. During the three months ended June 30, 2020, the Company made installment payments timely, and as of June 30, 2020 the notes principal balance was paid in full.

PPP loan

On April 24, 2020, the Company entered into a Promissory Note dated April 24, 2020 (the "PPP Note") with Newtek Corp AVB as the lender (the "Lender"), pursuant to which the Lender agreed to make a loan to the Company under the Paycheck Protection Program (the "PPP Loan") offered by the U.S. Small Business Administration (the "SBA") in a principal amount of $197,200 pursuant to Title 1 of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act").

The PPP Loan proceeds are available to be used to pay for payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt. The Loan is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses (collectively, "Qualifying Expenses"), pursuant to the terms and limitations of the PPP. The Company intends to use a significant majority of the Loan amount for Qualifying Expenses. However, no assurance is provided that the Company will obtain forgiveness of the Loan in whole or in part.

The interest rate on the PPP Note is a fixed rate of 1% per annum. To the extent that the amounts owed under the PPP Loan, or a portion of them, are not forgiven, the Company will be required to make principal and interest payments in monthly installments beginning seven months from April 2020. The PPP Note matures in two years.

The PPP Note includes events of default. Upon the occurrence of an event of default, the Lender will have the right to exercise remedies against the Company, including the right to require immediate payment of all amounts due under the PPP Note.

On June 17, 2020, the Company received an Economic Injury Disaster Loan totaling $8,000 from the U.S. Small Business Administration.

Notes Payable

In June 2017, the Company issued notes payable with an aggregate principal balance of $50,000 for an equal amount of proceeds. The notes accrue interest at 15% per annum and were due and payable on January 1, 2018. Upon closing of a sale (or series of related sales) by the Company of its Preferred Stock prior to January 1, 2018, from which the Company receives gross proceeds of not less than $25,000 (excluding the aggregate amount of securities converted into Preferred Stock in connection with such sale), the principal balance of the notes, and all accrued interest thereon, automatically convert into the number of Preferred Stock sold in such offering at a conversion price equal to the lower of: i) 80% of the offering price, or ii) a conversion price determined by dividing $1,000,000 by the then-outstanding fully-diluted common shares outstanding. The notes may also be converted by the holder on or after the maturity date into the number of Series Seed preferred stock of the Company determined by dividing $1,000,000 by the then-outstanding fully-diluted common shares outstanding.

Upon certain defined fundamental transactions, the holder may either i) request conversion of the outstanding principal and accrued interest into the number of common shares of the Company at a conversion price determined by dividing $1,000,000 by the then-outstanding fully-diluted common shares outstanding, or ii) request cash settlement of the accrued interest and 200% of the outstanding principal.

Subsequent to June 30, 2020, the holders of the notes issued in June 2017, converted the note balances plus accrued interest into 1,194,030 shares of the Company's common stock. On July 7, 2020, the Company entered into common stock purchase warrants with the note holders and issued 624,000 warrants to purchase shares of the Company's common stock.

Senior Secured Promissory Note

On January 1, 2018, the Company issued a senior secured promissory note with a principal balance of $300,000, for proceeds of $250,000, resulting in an original issue discount of $50,000. The note is secured by the assets of the Company, has a maturity date of July 1, 2018 and may be prepaid at any time prior to the maturity date. The note bears no interest if the principal is repaid in full on or prior to the maturity date. Upon the occurrence of an event of default, the note will bear an annual interest rate of 10%. The discount is being amortized to interest expense over the term of the debt using the effective interest method.

On April 1, 2019, the Company entered into the third amendment which extended the note term to July 1, 2019. On August 27, 2019, the Company entered into the fourth amendment which extended the note term to November 12, 2019. On January 20, 2020, the Company entered into the fifth amendment which extended the note term to April 20, 2020. As consideration for the extension, the Company issued 200,000 shares of its common stock at a fair value of $150,000 or $0.75 per share. Under the guidance of ASC 470-50, *Debt Modifications and Extinguishments,* the Company accounted for the issuance of the shares as a debt extinguishment and recorded a $150,000 loss on extinguishment of debt during the year ended March 31, 2020.

During the three months ended June 30, 2020, the Company repaid the principal balance of $200,000 and accrued interest of approximately $56,000.

Senior Secured Convertible Note

On March 31, 2018, the Company issued a senior secured convertible notes with a principal balance of $315,000 for proceeds of $265,000, resulting in an original issue discount of $50,000. The notes bear interest at 12% per annum and mature on April 1, 2019. The notes are convertible by the holder at a price per common share equal to the lower of $3,000,000 divided by the number of common share outstanding on the date of conversion ("Fixed Conversion Price") or 67% of the per share price of the Company's first equity financing ("Variable Conversion Price"). Interest may be paid in cash or, if certain conditions are met, in shares of the Company, at the Company's discretion. The note is secured by the Company's intellectual property, including its registered trademarks, patents, and copyrights and any related applications, and all the associated goodwill related to the intellectual property. The notes may be prepaid by the Company, with 15 days' notice, at 125% of unpaid principal and interest, and the holder may exercise its conversion right during the notice period. In the event of default, the notes pay a default rate of 24% per annum, and the holder may put the notes for cash or convert into a variable number of the Company's shares at a 45% discount at 150% of the outstanding principal and accrued interest. The number of shares the holder may receive in either conversions is capped at 4.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon conversion of this note held by the holder.

In connection with issuance of the senior secured convertible notes, the Company issued the note holder a common stock purchase warrant with a term of four years, providing the holder with the right to purchase 1,009,008 shares of the Company's common stock at March 31, 2019. The purchase price of one share of common stock under the warrant shall be 125% of the Fixed Conversion Price of the senior secured convertible notes. The purchase price is subject to downward adjustment for any dilutive issuance, as defined. Additionally, the warrant holder has the option to require the Company to cash settle the warrant, for the Black Scholes value of the remaining unexercised portion of the warrant, upon a fundamental transaction, as defined.

After allocating issuance proceeds to the warrant liability, the effective conversion price of the senior secured convertible notes was below the quoted market price of the Company's common stock. As such, the Company recognized a beneficial conversion feature equal to the intrinsic value of the conversion feature on the issuance date, resulting in an additional discount to the initial carrying value of the senior secured convertible notes of $123,481 with a corresponding credit to additional paid-in capital.

Effective April 12, 2018, the holder transferred 20% of the 12% senior secured promissory note dated March 31, 2018 to a third party.

On April 10, 2019, the Company entered into the first amendment to its senior secured promissory note dated March 31, 2018. The amendment extends the notes maturity date to July 1, 2019, and as consideration for the extension, the Company issued 75,000 shares of its common stock for a fair value of $61,500 or $0.82 per share to the note holders. The Company accounted for the issuance of the shares as a debt modification using the guidance under ASC 470-50, *Debt Modifications and Extinguishments*, and during the three months ended June 30, 2019, recorded a debt discount of $61,500 related to the issuance of the shares. As of June 30, 2019, the debt discount was fully expensed and is included in the accompanying statement of operations as interest expense.

On August 27, 2019, the Company entered into the second amendment to its senior secured promissory note which extended the note term to October 1, 2019. As consideration for the extension, the Company issued 10,000 shares of its common stock at a fair value of $7,500 or $0.75 per share.

On January 24, 2020, the Company entered into the third amendment to its senior secured promissory note which extended the note term to July 23, 2020. As consideration for the extension, the Company issued 60,000 shares of its common stock at a fair value of $45,000 or $0.75 per share. Under the guidance of ASC 470-50, *Debt Modifications and Extinguishments,* the Company accounted for the issuance of the shares as a debt extinguishment and recorded a $45,000 loss on extinguishment of debt during the year ended March 31, 2020.

On August 24, 2020, the Company entered into the fourth amendment to its senior secured promissory note which extended the note term to October 23, 2020. As consideration for the extension, the Company issued 60,000 shares of its common stock at a fair value of $83,000 or $1.38 per share.

Financing Agreement

On May 23, 2018, the Company entered into a Financing Agreement to facilitate the growth of the Company and the Company's strategy for public listing by way of the filing of a Registration Statement Form S-1 with the U.S. Securities and Exchange Commission. The financing will consist of Four Investment Units of Senior Secured Notes with a minimum amount of $1.0 million and a maximum of $4.0 million. The lead investor will participate in this offering for a minimum of $500,000. Each Investment Unit will have a minimum amount of $250,000 and consist of a Senior Secured Note. These Notes will be secured by any and all stock held by the Company's management and all assets held by the Company and its subsidiaries.

On May 7, 2020 the Company entered into the first amendment to the Convertible Note Purchase Agreement which increases the aggregate borrowing from $4.0 million to $5.5 million.

Under the Convertible Note Purchase Agreement, the Company has issued convertible notes of approximately $5.3 million. As of the date of this report, the outstanding principal balance related to the Company's convertible notes is approximately $3.4 million. During the three months ended June 30, 2020, the Company issued convertible notes with a principal balance of $2,081,000 for proceeds of approximately $2,050,000, resulting in an original issue discount of $31,000.

12% Senior Secured Convertible Promissory Notes

On May 31, 2018, July 11, 2018, and July 27, 2018 the Company entered into senior secured convertible promissory notes to its senior secured convertible note issued on March 31, 2018, which provides the Company an additional $274,050 with an OID of $19,050 for net proceeds of $255,000. The notes bear interest at 12% per annum and mature on one year from the issuance date. Interest may be paid in cash or, if certain conditions are met, in shares of the Company, at the Company's discretion. The notes are convertible by the holder at a price per common share equal to the lower of $3,000,000 divided by the number of common share outstanding on the date of conversion ("Fixed Conversion Price") or 67% of the per share price of the Company's first equity financing ("Variable Conversion Price"). Interest may be paid in cash or, if certain conditions are met, in shares of the Company, at the Company's discretion. The note is secured by the Company's intellectual property, including its registered trademarks, patents, and copyrights and any related applications, and all the associated goodwill related to the intellectual property. The notes may be prepaid by the Company, with 15 days' notice, at 125% of unpaid principal and interest, and the holder may exercise its conversion right during the notice period. In the event of default, the notes pay a default rate of 24% per annum, and the holder may put the notes for cash or convert into a variable number of the Company's shares at a 45% discount at 150% of the outstanding principal and accrued interest. The number of shares the holder may receive in either conversions is capped at 4.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon conversion of this note held by the holder.

In connection with issuance of the senior secured convertible promissory notes, the Company issued the note holder a common stock purchase warrant with a term of four years, providing the holder with the right to purchase 848,611 shares of the Company's common stock. The purchase price of one share of common stock under the warrant shall be 125% of the Fixed Conversion Price of the senior secured convertible promissory notes. The purchase price is subject to downward adjustment for any dilutive issuance, as defined. Additionally, the warrant holder has the option to require the Company to cash settle the warrant, for the Black Scholes value of the remaining unexercised portion of the warrant, upon a fundamental transaction, as defined.

After allocating issuance proceeds to the warrant liability, the effective conversion price of the senior secured convertible promissory notes was below the quoted market price of the Company's common stock. As such, the Company recognized a beneficial conversion feature equal to the intrinsic value of the conversion feature on the issuance date, resulting in an additional discount to the initial carrying value of the senior secured convertible promissory notes of $116,779 with a corresponding credit to additional paid-in capital.

8% Senior Secured Convertible Promissory Notes

On August 13, 2018, November 14, 2018, December 24, 2018 and December 28, 2018, the Company entered into senior secured promissory notes for $1,082,474. The notes have an OID of $102,474 and the company received net proceeds of $980,000. The Company received proceeds of $750,000 related to its August 13, 2018 senior secured promissory note, of which $500,000 was disbursed to the Company and $250,000 was held in an escrow account. As of December 31, 2018, the $250,000 of proceeds held in escrow were disbursed to the Company. The notes bear interest at 8% per annum and the August and December notes mature one year from the issuance date. The November note matures on August 10, 2019 and the maturity date may be extended to August 10, 2020. Interest may be paid in cash or, if certain conditions are met, in shares of the Company, at the Company's discretion. The notes are convertible by the holder at a price per common share equal to the lower of $12,000,000 divided by the number of common share outstanding on the date of conversion ("Fixed Conversion Price") or in the event that the Company consummates any financing in which the pre-money valuation of the Company shall be less than $12,000,000 (the "Reduced Valuation"), then, from and after the consummation of such Reduced Valuation Transaction, the price shall be the quotient of 90% of the Reduced Valuation divided by the then-outstanding number of the Company's common stock. Interest may be paid in cash or, if certain conditions are met, in shares of the Company, at the Company's discretion. The notes are secured by the Company's intellectual property, including its registered trademarks, patents, and copyrights and any related applications, and all the associated goodwill related to the intellectual property. The notes may be prepaid by the Company, with 15 days' notice, at 125% of unpaid principal and interest, and the holder may exercise its conversion right during the notice period. In the event of default, the notes pay a default rate of 24% per annum, and the holder may put the notes for cash or convert into a variable number of the Company's shares at a 45% discount at 150% of the outstanding principal and accrued interest. The number of shares the holder may receive in either conversions is capped at 4.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon conversion of this note held by the holder.

Effective August 13, 2018, the holder transferred 20% of the 12% senior secured promissory notes dated May 31, 2018, July 11, 2018 and July 27, 2018 and 20% of the 8% senior secured promissory note dated August 13, 2018, to a third party.

On August 27, 2019, the Company entered into the first amendment related to its senior secured convertible promissory notes dated May 31, 2018, July 11, 2018, July 27, 2018 and August 13, 2018, which extended the notes term to November 12, 2019. As consideration for the extension, the Company issued 10,000 shares of its common stock at a fair value of $7,500 or $0.75 per share. On November 11, 2019, the Company entered into the second amendment which extended the notes term to January 4, 2020. On January 24, 2020, the Company entered into the third amendment which extended the notes term to July 23, 2020. As consideration for the extension, the Company issued 60,000 shares of its common stock at a fair value of $45,000 or $0.75 per share. Under the guidance of ASC 470-50, *Debt Modifications and Extinguishments,* the Company accounted for the issuance of the shares as a debt extinguishment and recorded a $45,000 loss on extinguishment of debt during the year ended March 31, 2020. On August 24, 2020, the Company entered into the fourth amendment which extended the notes term to October 23, 2020. As consideration for the extension, the Company issued 60,000 shares of its common stock at a fair value of $83,000 or $1.38 per share.

On August 27, 2019, the Company entered into the first amendment related to its senior secured convertible promissory note dated November 14, 2018, which extended the note term to November 12, 2019. As consideration for the extension, the Company issued 10,000 shares of its common stock at a fair value of $7,500 or $0.75 per share. On November 11, 2019, the Company entered into the second amendment which extended the note term to January 4, 2020. On January 24, 2020, the Company entered into the third amendment which extended the note term to April 23, 2020. As consideration for the extension, the Company issued 15,000 shares of its common stock at a fair value of $11,250 or $0.75 per share. The Company accounted for the issuance of the shares as a debt modification using the guidance under ASC 470-50, *Debt Modifications and Extinguishments*, and during the year ended March 31, 2020, recorded a debt discount of $11,250 related to the issuance of the shares. On April 23, 2020, the Company entered into the fourth amendment which extended the note term to May 23, 2020. On May 23, 2020, the Company entered into the fifth amendment, which extended the note term to June 23, 2020 and as consideration for the extension, the Company issued 5,000 shares of its common stock at a fair value of $4,550. The Company accounted for the issuance of the shares as a debt modification using the guidance under ASC 470-50, *Debt Modifications and Extinguishments*, and during the three months ended June 30, 2020, recorded a debt discount of $4,550 related to the issuance of the shares. As of June 30, 2020, the debt discount was nominal. On August 24, 2020, the Company entered into the sixth amendment, which extended the note term to September 2, 2020 and as consideration for the extension, the Company issued 5,000 shares of its common stock at an approximate fair value of $6,900 or $1.38 per share. On September 2, 2020, the Company entered into the seventh amendment, which extended the note term to December 2, 2020 and as consideration for the extension, the Company issued 5,000 shares of its common stock at an approximate fair value of $6,900 or $1.38 per share.

On January 24, 2020, the Company entered into the first amendment related to its senior secured convertible promissory note dated December 24, 2018, which extended the note term to April 23, 2020. As consideration for the extension, the Company issued 15,000 shares of its common stock at a fair value of $11,250 or $0.75 per share. Under the guidance of ASC 470-50, *Debt Modifications and Extinguishments,* the Company accounted for the issuance of the shares as a debt extinguishment and recorded a $11,250 loss on extinguishment of debt during the year ended March 31, 2020. On April 23, 2020, the Company entered into the second amendment related to its senior secured convertible promissory note dated December 24, 2018, which extended the note term to October 23, 2020. As consideration for the extension, the Company issued 15,000 shares of its common stock at a fair value of $13,650. Under the guidance of ASC 470-50, *Debt Modifications and Extinguishments,* the Company accounted for the issuance of the shares as a debt extinguishment and recorded a $13,650 loss on extinguishment of debt during the three months ended June 30, 2020, which is included on the accompanying condensed statement of operations.

On January 24, 2020, the Company entered into the first amendment related to its senior secured convertible promissory note dated December 28, 2018, which extended the note term to April 23, 2020. As consideration for the extension, the Company issued 5,000 shares of its common stock at a fair value of $3,750 or $0.75 per share. Under the guidance of ASC 470-50, *Debt Modifications and Extinguishments,* the Company accounted for the issuance of the shares as a debt extinguishment and recorded a $3,750 loss on extinguishment of debt during the year ended March 31, 2020. On April 23, 2020, the Company entered into the second amendment related to its senior secured convertible promissory note dated December 28, 2018, which extended the note term to October 23, 2020. As consideration for the extension, the Company issued 5,000 shares of its common stock at a fair value of $4,550. Under the guidance of ASC 470-50, *Debt Modifications and Extinguishments,* the Company accounted for the issuance of the shares as a debt extinguishment and recorded a $4,550 loss on extinguishment of debt during the three months ended June 30, 2020, which is included on the accompanying condensed statement of operations.

During the three months ended June 30, 2020, the holders of the notes issued on December 24, 2018 and December 28, 2018, converted the note principal balances of approximately $52,000 plus accrued interest of $6,000 into 63,889 shares of the Company’s common stock.

From January 11, 2019 through March 31, 2019, the Company entered into senior secured promissory notes for net proceeds totaling $521,000, recorded an OID of $46,010 and a principal balance totaling $567,010. The notes bear interest at 8% per annum and mature one year from the issuance date. Interest may be paid in cash or, if certain conditions are met, in shares of the Company, at the Company's discretion. The notes are convertible by the holder at a price per common share equal to the lower of $12,000,000 divided by the number of common share outstanding on the date of conversion ("Fixed Conversion Price") or in the event that the Company consummates any financing in which the pre-money valuation of the Company shall be less than $12,000,000 (the "Reduced Valuation"), then, from and after the consummation of such Reduced Valuation Transaction, the price shall be the quotient of 90% of the Reduced Valuation divided by the then-outstanding number of the Company's common stock. Interest may be paid in cash or, if certain conditions are met, in shares of the Company, at the Company's discretion. The notes are secured by the Company's intellectual property, including its registered trademarks, patents, and copyrights and any related applications, and all the associated goodwill related to the intellectual property. The notes may be prepaid by the Company, with 15 days' notice, at 125% of unpaid principal and interest, and the holder may exercise its conversion right during the notice period. In the event of default, the notes pay a default rate of 24% per annum, and the holder may put the notes for cash or convert into a variable number of the Company's shares at a 45% discount at 150% of the outstanding principal and accrued interest. The number of shares the holder may receive in either conversions is capped at 4.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon conversion of this note held by the holder.

On January 24, 2020, the Company entered into the first amendment related to its senior secured convertible promissory note dated January 11, 2019, which extended the note term to April 23, 2020.

On March 13, 2020, the Company entered into first amendments related to its senior secured convertible promissory notes dated February 15, 2019 through March 27, 2019, which extended the note terms by 180 days from the original maturity dates.

During the three months ended June 30, 2020, the holders of the notes issued from January 11, 2019 through March 31, 2019, converted the note principal balances of approximately $0.6 million plus accrued interest of $60,000 into 696,110 shares of the Company's common stock.

In connection with issuance of the senior secured promissory notes, the Company issued the note holder a common stock purchase warrant with a term of four years, providing the holder with the right to purchase 1,234,775 shares of the Company's common stock. The purchase price of one share of common stock under the warrant shall be 125% of the Fixed Conversion Price of the senior secured convertible promissory notes. The purchase price is subject to downward adjustment for any dilutive issuance, as defined. Additionally, the warrant holder has the option to require the Company to cash settle the warrant, for the Black Scholes value of the remaining unexercised portion of the warrant, upon a fundamental transaction, as defined.

After allocating issuance proceeds to the warrant liability, the effective conversion price of the senior secured promissory notes was below the quoted market price of the Company's common stock. As such, the Company recognized a beneficial conversion feature equal to the intrinsic value of the conversion feature on the issuance date, resulting in an additional discount to the initial carrying value of the senior secured promissory notes of $31,392 with a corresponding credit to additional paid-in capital.

From April 2, 2019 through June 10, 2019, the Company entered into convertible promissory notes with a principal balance totaling $639,175. The notes contain an OID totaling $19,175 and the Company received net proceeds of $620,000. The notes bear interest at 8% per annum and mature one year from the issuance date. Interest may be paid in cash or, if certain conditions are met, in shares of the Company, at the Company's discretion. The notes are convertible by the holder at a price per common share equal to the lower of $12,000,000 divided by the number of common share outstanding on the date of conversion ("Fixed Conversion Price") or in the event that the Company consummates any financing in which the pre-money valuation of the Company shall be less than $12,000,000 (the "Reduced Valuation"), then, from and after the consummation of such Reduced Valuation Transaction, the price shall be the quotient of 90% of the Reduced Valuation divided by the then-outstanding number of the Company's common stock. Interest may be paid in cash or, if certain conditions are met, in shares of the Company, at the Company's discretion. The notes are secured by the Company's intellectual property, including its registered trademarks, patents, and copyrights and any related applications, and all the associated goodwill related to the intellectual property. The notes may be prepaid by the Company, with 15 days' notice, at 125% of unpaid principal and interest, and the holder may exercise its conversion right during the notice period. In the event of default, the notes pay a default rate of 24% per annum, and the holder may put the notes for cash or convert into a variable number of the Company's shares at a 45% discount at 150% of the outstanding principal and accrued interest. The number of shares the holder may receive in either conversions is capped at 4.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon conversion of this note held by the holder.

On March 13, 2020, the Company entered into first amendments related to its senior secured convertible promissory notes dated April 2, 2019 through June 10, 2019, which extended the note terms by 180 days from the original maturity dates.

During the three months ended June 30, 2020, the holders of the notes issued in April 2019, converted the note principal balances of approximately $0.5 million plus accrued interest of $51,000 into 651,667 shares of the Company's common stock.

In connection with issuance of the senior secured promissory notes, the Company issued the note holder a common stock purchase warrant with a term of four years, providing the holder with the right to purchase 658,508 shares of the Company's common stock. The purchase price of one share of common stock under the warrant shall be 125% of the Fixed Conversion Price of the senior secured convertible promissory notes. The purchase price is subject to downward adjustment for any dilutive issuance, as defined. Additionally, the warrant holder has the option to require the Company to cash settle the warrant, for the Black Scholes value of the remaining unexercised portion of the warrant, upon a fundamental transaction, as defined.

After allocating issuance proceeds to the warrant liability, the effective conversion price of the senior secured promissory notes was below the quoted market price of the Company's common stock. As such, the Company recognized a beneficial conversion feature equal to the intrinsic value of the conversion feature on the issuance date, resulting in an additional discount to the initial carrying value of the senior secured promissory notes of $27,918 with a corresponding credit to additional paid-in capital.

Convertible Promissory Notes

On January 10, 2020 and March 9, 2020, the Company entered into a convertible promissory notes with a principal balance totaling $360,825. The notes contain an OID totaling $10,825 and the Company received net proceeds of $350,000. The notes bear interest at 8% and 12% per annum, respectively, and mature one year from the issuance date. The notes are convertible by the holder at a price per common share equal to the lower of $12,000,000 divided by the number of common share outstanding on the date of conversion ("Fixed Conversion Price") or in the event that the Company consummates any financing in which the pre-money valuation of the Company shall be less than $12,000,000 (the "Reduced Valuation"), then, from and after the consummation of such Reduced Valuation Transaction, the price shall be the quotient of 90% of the Reduced Valuation divided by the then-outstanding number of the Company's common stock. Interest may be paid in cash or, if certain conditions are met, in shares of the Company, at the Company's discretion. The notes are secured by the Company's intellectual property, including its registered trademarks, patents, and copyrights and any related applications, and all the associated goodwill related to the intellectual property. The notes may be prepaid by the Company, with 15 days' notice, at 125% of unpaid principal and interest, and the holder may exercise its conversion right during the notice period. In the event of default, the notes pay a default rate of 24% per annum, and the holder may put the notes for cash or convert into a variable number of the Company's shares at a 45% discount at 150% of the outstanding principal and accrued interest. The number of shares the holder may receive in either conversions is capped at 4.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon conversion of this note held by the holder.

In connection with the March 9, 2020, convertible promissory note, the Company issued 100,000 shares of its common stock with a fair value of $75,000. The $75,000 related to the issuance of the shares has been recorded as a debt discount as of the date of issuance and will be amortized over the note term.

During the three months ended June 30, 2020, the holder of the note issued on March 9, 2020, converted the notes principal balance of approximately $0.3 million plus accrued interest of $31,000 into 320,733 shares of the Company's common stock.

Subsequent to June 30, 2020, the holder of the note issued on January 10 2020, converted the note balances plus accrued interest into 123,711 shares of the Company's common stock.

In connection with issuance of the senior secured promissory notes, the Company issued the note holder a common stock purchase warrant with a term of four years, providing the holder with the right to purchase 222,222 shares of the Company's common stock at March 31, 2020. The purchase price of one share of common stock under the warrant shall be 125% of the Fixed Conversion Price of the senior secured convertible promissory notes. The purchase price is subject to downward adjustment for any dilutive issuance, as defined. Additionally, the warrant holder has the option to require the Company to cash settle the warrant, for the Black Scholes value of the remaining unexercised portion of the warrant, upon a fundamental transaction, as defined.

After allocating issuance proceeds to the warrant liability, the effective conversion price of the senior secured promissory notes was below the quoted market price of the Company's common stock. As such, the Company recognized a beneficial conversion feature equal to the intrinsic value of the conversion feature on the issuance date, resulting in an additional discount to the initial carrying value of the senior secured promissory notes of $232,160 with a corresponding credit to additional paid-in capital.

On March 28, 2020, the Company entered into a convertible promissory note with a principal balance of $257,732. The notes contains an OID totaling $7,732, matures on March 29, 2021 and accrues interest at a rate of 12% per annum. The note was not fully executed until April 2, 2020 and the Company received net proceeds of $250,000. In connection with the convertible promissory note, the Company issued 100,000 shares of its common stock with a fair value of $91,000.

From April 29, 2020 through June 3, 2020, the Company entered into convertible promissory notes with a principal balance of approximately $1.8 million. The notes contain an OID of approximately $23,000 and the Company received net proceeds of $1.8 million. The notes bear interest at 12% per annum and mature one year from the issuance date. In connection with the convertible promissory notes, the Company issued 700,000 shares of its common stock with a fair value of $0.6 million.

In connection with issuance of the senior secured promissory notes, the Company issued the note holder a common stock purchase warrant with a term of four years, providing the holder with the right to purchase 1,287,868 shares of the Company's common stock at June 30, 2020. The purchase price of one share of common stock under the warrant shall be 125% of the Fixed Conversion Price of the senior secured convertible promissory notes. The purchase price is subject to downward adjustment for any dilutive issuance, as defined. Additionally, the warrant holder has the option to require the Company to cash settle the warrant, for the Black Scholes value of the remaining unexercised portion of the warrant, upon a fundamental transaction, as defined.

After allocating issuance proceeds to the warrant liability, the effective conversion price of the senior secured promissory notes was below the quoted market price of the Company's common stock. As such, the Company recognized a beneficial conversion feature equal to the intrinsic value of the conversion feature on the issuance date, resulting in an additional discount to the initial carrying value of the senior secured promissory notes of $618,657 with a corresponding credit to additional paid-in capital.

During the three months ended June 30, 2020, the holders of notes issued during the period April 2, 2020 through June 3, 2020, converted the notes principal balance of approximately $0.5 million plus accrued interest of $61,000 into 631,844 shares of the Company's common stock.

Subsequent to June 30, 2020, the holders of the notes issued in during the period April 2, 2020 through June 3, 2020, converted the note balances plus accrued interest into 1,024,422 shares of the Company's common stock.

The carrying value of the senior secured convertible notes, as of June 30, 2020 and March 31, 2020, is comprised of the following:

	June 30, 2020 (Unaudited)	March 31, 2020
Principal value of convertible notes	$ 3,399,359	$ 3,238,535
Original issue discount	(278,462)	(247,535)
Discount resulting from allocation of proceeds to warrant liability	(1,823,209)	(1,119,866)
Discount resulting from beneficial conversion feature	(1,150,387)	(531,730)
Discount resulting from issuance of common stock	(1,379,800)	(647,250)
Amortization of discount	3,192,702	2,141,004
Net carrying value of Senior Secured Convertible Notes	$ 1,960,203	$ 2,833,158

The aggregate discount to the senior secured convertible note will be amortized to interest expense over the term of the note using the effective interest method. As of June 30, 2020, the total accrued interest in connection with the convertible notes was approximately $0.4 million.

Note 9 – Stockholders' Deficit

Preferred Stock

As of June 30, 2020 and March 31, 2020, there were no shares of the Company's par value $0.0001, 50,000,000 shares, of authorized preferred stock outstanding

Common Stock and Warrants

During the three months ended June 30, 2020, the Company issued 10 shares of common stock and 4,000,000 shares of fully vested restricted common stock to its Chief Executive Officer. The Company purchased 500,000 shares of the restricted stock, at a fair value of approximately $0.5 million, to reimburse the Company's Chief Executive Officer for amounts previously lent to the Company, to pay deferred compensation to the Chief Executive Officer and to cover the withholding taxes related to the restricted stock.

During the three months ended June 30, 2020, the Company issued 310,010 shares of its common stock with a fair value of approximately $0.3 million to consultants.

During the three months ended June 30, 2020, the Company issued 2,364,244 shares of its common stock with a fair value of $2.2 million or $0.91 per share, upon conversion of its senior secured convertible notes (See Note 8).

During the three months ended June 30, 2020, the Company issued 825,000 shares of its common stock with a fair value of approximately $0.8 million in connection with its convertible notes (see Note 8).

On April 27, 2020, the Company issued 162,447 shares of its common stock in satisfaction of accounts payable of approximately $122,000 owed for advisory services.

On June 6, 2020, the Company issued a warrant to purchase 350,000 shares of the Company's common stock with a fair value of approximately $0.1 million. The warrant was exercised on a cashless basis on June 30, 2020, and the Company issued 291,667 shares of its common stock.

Note 10 – Stock-Based Compensation, Restricted Stock and Stock Options:

The Company grants equity-based compensation under its 2016 Equity Incentive Plan (the "Plan"). The Plan allows the Company to grant incentive and nonqualified stock options, and shares of restricted stock to its employees, directors and consultants. As of June 30, 2020, there is a total of 22,000,000 shares of the Company's common stock available under the Plan.

Stock-based compensation:

The Company recognized total expenses for stock-based compensation during the three months ended June 30, 2020 and 2019, which are included in the accompanying statements of operations, as follows (unaudited):

	Three months ended June 30,	
	2020	**2019**
Research and development expenses	$ 1,152,341	$ 258,908
Selling, general and administrative expenses	6,926,882	838,035
Total stock-based compensation	$ 8,079,223	$ 1,096,943

Restricted stock awards:

A summary of the Company's restricted stock activity during the three months ended June 30, 2020 is as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at March 31, 2020	3,750,009	$ 0.82
Granted	4,000,000	$ 1.38
Vested	(4,749,997)	$ 1.28
Unvested at June 30, 2020 (unaudited)	3,000,012	$ 0.82

During the three months ended June 30, 2020, the Company issued 4,000,000 shares of fully vested restricted common stock to its Chief Executive Officer. The Company repurchased 500,000 shares of the restricted stock (See Note 9).

The fair value of restricted stock awards is measured based on their fair value at the grant date and amortized over the vesting period, which is generally 24 months. As of June 30, 2020, the unrecognized stock-based compensation expense related to restricted stock awards was approximately $0.7 million to be recognized over a period of 0.5 years.

Stock Options:

The Company provides stock-based compensation to employees, directors and consultants under the Plan. The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model. The Company historically has been a private company and lacks company-specific historical and implied volatility information. Therefore, it estimates its expected stock volatility based on the historical volatility of a publicly traded set of peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded stock price. The risk-free interest rate is determined by referencing the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

On April 13, 2020, the Company granted 6,970,000 options to purchase shares of its common stock with a fair value of approximately $3.2 million to executives and employees of the Company. The options will vest over a period of 24 months.

During the three months ended June 30, 2020, the Company granted 1,166,667 options to purchase shares of its common stock with a fair value of approximately $0.3 million for consulting services.

In June 2020, the Company granted 100,000 options to purchase shares of its common stock with a fair value of approximately $40,000 to members of the Company's Board of Directors.

On June 22, 2020, the Company's Board of Directors adopted a resolution to accelerate the vesting of all options granted to be fully vested as of June 22, 2020. As of June 30, 2020, the Company had no unrecognized compensation expense related to its stock options granted under the Company's equity incentive plan.

The following was used in determining the fair value of stock options granted during the three months ended June 30, 2020. No stock options were granted and for the three months ended June 30, 2019.

	June 30, 2020 (Unaudited)
Dividend yield	0%
Expected price volatility	50.0%
Risk free interest rate	0.16% - 0.44%
Expected term	5-6 years

A summary of activity under the Plan for the three months ended June 30, 2020 is as follows:

	Shares Underlying Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at March 31, 2020	5,813,500	$ 0.18	8.2	$ 4,243,610
Granted	8,236,667	$ 0.75	9.1	-
Outstanding at June 30, 2020 (unaudited)	14,050,167	$ 0.51	8.6	$ 6,840,042
Exercisable at June 30, 2020 (unaudited)	14,050,167	$ 0.51	8.6	$ 6,840,042

Warrants:

During the three months ended June 30, 2020, the Company issued 350,000 warrants to purchase shares of the Company's common stock. During the three months ended June 30, 2020, the Company recognized approximately $137,000 of stock-based compensation expense related to the warrants. The Company estimated the fair value of the warrants using the Black-Scholes pricing model consisting of; an expected term of 5 years, a risk-free interest rate of 2.37%, a stock price of $0.91 per share and a volatility of 50%.

Note 11 – Related Parties, net

As of June 30, 2020 and March 31, 2020, the Company owed approximately $50,000 for net advances from Mr. Doug Croxall, the Company's chief executive officer. The advances are non-interest bearing, and a formal agreement has not been finalized as of the date of this report.

Note 12 – Commitments and Contingencies

Leases

On March 8, 2016, the Company entered into a lease agreement with Oregon State University, to lease office and laboratory space located at HP Campus Building 11, 1110 NE Circle Blvd, Corvallis, Oregon, for approximately $400 monthly. On July 1, 2016, the Company entered into the first amendment to the lease agreement which increased the monthly lease expense to approximately $1,200. On October 1, 2017, the Company entered into a sublease agreement, which provides for additional office space and the monthly lease payment increased to approximately $1,800. The lease expired on June 30, 2018 and the Company extended the lease through June 30, 2019. The monthly lease payment increased to approximately $4,500 for the months ended June 30 2018 through November 30, 2018, and increased to approximately $7,550 for the months ended December 31, 2018 through June 30, 2019.

On July 1, 2019, the Company entered into the fourth amendment to its lease with Oregon State University, which extends the lease expiration date to June 30, 2022. Beginning on July 1, 2020, and each July 1 thereafter, the monthly Operating Expense Reimbursement, as defined will be increased by no more than three percent.

On July 1, 2020, the Company entered into the fifth amendment to its lease with Oregon State University which adjusts the Operating Expense Reimbursement payment due dates from monthly to quarterly, with the payments due in advance on the first of July, October, January and April. Effective July 1, 2020, the quarterly operating expense will be $23,097.

As of June 30, 2020, future minimum lease payments are as follows (unaudited):

	June 30, 2020
Year ended March 31, 2021	$ 69,291
Year ended March 31, 2022	92,388
Year ended March 31, 2023	23,097
Total	$ 184,776

Litigation

The Company is not a party to any material legal proceedings and is not aware of any pending or threatened claims. From time to time, the Company may be subject to various legal proceedings and claims that arise in the ordinary course of its business activities.

Note 13 – Subsequent Events

The Company has evaluated all events that occurred after the balance sheet date of June 30, 2020, through October 6, 2020, the date when condensed financial statements were issued to determine if they must be reported.

Common Stock

On September 11, 2020, the Company, entered into a Securities Purchase Agreement with certain institutional and accredited investors (each, a "Purchaser" and collectively, the "Purchasers") to sell to the Purchasers an aggregate of 1,390,000 unregistered shares of the Company's common stock, par value $0.0001 per share and 695,000 warrants to purchase common stock in a private placement transaction, for gross proceeds of approximately $1.7 million. The shares were issued at a price of $1.25 per share. The Warrants have a five year term, and an exercise price of $1.50 per share, subject to customary adjustments as set forth in the Warrant. The Company is not required to issue common stock upon exercise of any portion of a Warrant if doing so results in the holder thereof beneficially owning more than 4.99% of the outstanding common stock after giving effect to such exercise.

Stock Options

On September 16, 2020, the Company granted 2,233,932 options to purchase shares of its common stock to its chief financial officer. The options fully vest thirty days from the grant date and have a fair value of approximately $1.0 million.

Subsequent to June 30, 2020, the Company granted 200,000 options to purchase shares of its common stock with a fair value of approximately $0.1 million for consulting services.

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 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.

Management's plans and basis of presentation:

Crown Electrokinetics Corp. (the "Company" "we", "our", or "us"), 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 Hewlett-Packard Company.

Crown's Research & Development Operation currently occupies 1,700 square feet of space, located on the HP Inc. campus in Corvallis, Oregon in the Advanced Technology and Manufacturing Institute (ATAMI). ATAMI is an academic-industrial research center and business incubator designed to provide an advanced materials development environment to private sector partner tenants performing research and development. The facility includes access to shared state-of-the-art tooling capabilities. ATAMI has grown to 80,000 square feet since its inception in 2004 and now offers Crown all the space requirements it needs for the foreseeable future.

On November 15, 2017, the Company entered into a license agreement with Asahi Glass Co., Ltd. ("Asahi"). The Asahi agreement provides that the Company will provide samples to be used by Asahi for the sole purpose of determining the feasibility of integrating the Company's film technology in Asahi's auto and train glass products. The Company began performing development activities in April of 2018. On February 1, 2019, the Company and Asahi entered into a new license agreement, terminating the prior agreement. Under such new license agreement, the Company will provide samples to be used by Asahi to evaluate the appearance of and measure optical properties of the Company's film technology. At Asahi's option, the Company will provide additional samples to be used by Asahi to measure the durability of such sample for the purpose of determining the feasibility of integrating the Company's film technology in Asahi's auto and train glass products. The performance related to the new agreement is a continuation of the work being performed as of April 2018. On November 14, 2019, the Company entered into a new agreement with Asahi, which terminates the February 1, 2019 agreement as of June 16, 2019, (the "Effective Date") of the new agreement. Under the terms of the new agreement, Asahi will pay the Company $0.1 million within 60 days of the Effective Date. On December 10, 2019, the Company received the $0.1 million payment from Asahi and the Company delivered three pieces of updated samples to Asahi on September 28, 2020.

On August 23, 2017, the Company entered into a collaborative agreement with Eastman Chemical Company ("Eastman"). The Eastman agreement provides that the Company and Eastman will jointly develop electrokinetic films and determine their suitability for commercial use in applied films and interlayers for automobile windows. The Company and Eastman will be exchanging Intellectual Property ("IP") for the development of the films. The Company began performing development activities in April of 2018.

Results of Operations for the three months ended June 30, 2020 and 2019 (income):

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
Revenue	$ -	$ -
Cost of revenue	-	(153,500)
Research and development	(1,372,522)	(320,371)
Selling, general and administrative	(7,937,557)	(1,375,908)
Other expense	(1,151,951)	(375,471)
Net Loss	$ (10,462,030)	$ (2,225,250)

Revenue

The Company did not recognize revenue for the three months ended June 30, 2020 and 2019. We are not able to estimate the total amount of development service under an efforts-based perspective and, therefore, the amount of performance that will be required in our contracts cannot be reliably estimated under the proportional performance revenue recognition model. Accordingly, we recognize revenue up to the amount of costs incurred.

Cost of Revenue

There was no cost of revenue recognized during the three months ended June 30, 2020. The cost of revenue for the three months ended June 30, 2019, was approximately $154,000 million and consists of approximately $125,000 related to the costs incurred with respect to our contract with Eastman and approximately $30,000 with respect to our contract with Asahi.

Research and Development

Research and development expenses were $1.4 million for the three months ended June 30, 2020 compared to $0.3 million for the three months ended June 30, 2019. The increase of $1.1 million is primarily related to stock-based compensation expenses recognized for stock options granted to our employees and officers during the three months ended June 30, 2020.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses were $7.9 million and $1.4 million for the three months ended June 30, 2020 and 2019, respectively. The $6.5 million increase in SG&A expenses is primarily attributable to stock-based compensation of $3.6 million recognized with the issuance of 4,000,000 shares of restricted stock to our chief executive officer, and $2.7 million of stock-based compensation related to stock options granted to our employees and officers during the three months ended June 30, 2020.

Other Expense

Other expense was approximately $1.1 million and $0.4 million for the three months ended June 30, 2020 and 2019, respectively. The $0.7 million increase is primarily due to increased interest expense related to our convertible notes.

Liquidity

Going Concern

We have incurred substantial operating losses since our inception, and we expect to continue to incur significant operating losses for the foreseeable future, and may never become profitable. We had an accumulated deficit of approximately $26.9 million at June 30, 2020, a net loss of approximately $10.5 million, and approximately $1.3 million of net cash used in operating activities for the three months ended June 30, 2020.

We anticipate incurring additional losses until such time, if ever, that we can obtain marketing approval to sell, and then generate significant sales, of our technology that is currently in development. Substantial additional financing will be needed by the Company to fund our operations and to develop and commercialize our technology. These factors raise substantial doubt about the Company's ability to continue as a going concern.

We will seek to obtain additional capital through the sale of debt or equity financings or other arrangements 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 the Company's 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 date of issuance of the financial statements.

Cash Flows

	Three Months Ended June 30,			
	2020		2019	
Cash and cash equivalents at the beginning of the period	**$**	**48,307**	**$**	**99,447**
Net cash used in operating activities		(1,286,656)		(692,397)
Net cash used in investing activities		-		(26,603)
Net cash provided by financing activities		1,830,200		620,000
Cash and cash equivalents at the end of the period	**$**	**591,851**	**$**	**447**

Operating Activities

For the three months ended June 30, 2020, net cash used in operating activities was $1.3 million, which primarily consisted of our net loss of $10.5 million, adjusted for non-cash expenses of $9.3 million including, $8.4 million of stock-based compensation expenses and $1.1 million of amortization related to the debt discount recognized for our convertible notes payable, offset by $0.1 million for the change in fair value of our warrant liability. The net change in operating assets and liabilities was $0.2 million and was primarily due to increases in accounts payable and accrued expenses totaling $0.3 million, offset by a $0.1 million decrease in accrued interest related to our convertible notes.

For the three months ended June 30, 2019, net cash used in operating activities was $0.7 million, which primarily consisted of our net loss of $2.2 million, adjusted for non-cash expenses of $1.4 million including, $1.1 million of stock-based compensation expenses, $0.4 million of amortization related to the debt discount recognized for our convertible notes payable, off-set by $0.1 million for the change in fair value of our warrant liability. The net change in operating assets and liabilities was $0.1 million and primarily due to the increase in accrued interest related to our convertible notes.

Investing Activities

There were no investing activities during the three months ended June 30, 2020.

For the three months ended June 30, 2019, net cash used in investing activities was approximately $27,000, related to the purchase of computer equipment and computer software.

Financing Activities

For the three months ended June 30, 2020, net cash provided by financing activities was $1.8 million. The net cash provided is primarily related to $2.1 million of proceeds received from the issuance of our senior secured convertible notes and the related stock warrants, and $0.2 million of proceeds received from our PPP loan, offset by $0.2 million for the repurchase of shares of our common stock and $0.2 million for the repayment of our senior secured promissory note.

For the three months ended June 30, 2019, net cash provided by financing activities was $0.6 million. The net cash provided is primarily related to $0.6 million of proceeds received from the issuance of our senior secured convertible notes and the related stock warrants.

Critical accounting policies and significant judgments and estimates

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of our 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. Our most critical accounting policies are summarized below. See Note 3 to our condensed financial statements for a description of our other significant accounting policies.

Recent accounting pronouncements

See Note 3 to our condensed 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 financial statements may not be comparable to the 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

We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, to allow timely decisions regarding required disclosure.

The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

With respect to the quarter ended June 30, 2020, under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures. Based upon this evaluation, our Chief Executive Officer has concluded that our disclosure controls and procedures are effective.

Management does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

Changes in Internal Control over Financial Reporting:

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended June 30, 2020 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In August 2019, Spencer Clarke LLC ("Spencer Clarke") filed a lawsuit against Crown Electrokinetics Corp. ("Crown") in the Supreme Court of the State of New York, County of New York, Index No. 654592/2019. Spencer Clarke has asserted claims arising from a 2018 Placement Agent Agreement (the "Placement Agent Agreement") under which Spencer Clarke agreed to assist Crown in raising money for a potential public offering. Spencer Clarke claims that Crown failed to make certain payments under that Placement Agent Agreement. On September 27, 2019, Crown filed a motion to dismiss the complaint. On October 7, 2019, Spencer Clarke amended the complaint. On November 8, 2019, Crown filed an Answer and asserted Counterclaims against Spencer Clarke alleging breach of contract, anticipatory repudiation, and tortious interference with prospective business relations. Crown disputes that it owes any money to Spencer Clarke and is vigorously defending the claims against it.

Item 1A. Risk Factors

The extent to which the coronavirus ("COVID-19") outbreak impacts our business, results of operations and financial condition will depend on future developments, which cannot be predicted.

The COVID-19 pandemic has caused us to modify our business practices (including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers and business partners. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus or otherwise be satisfactory to government authorities.

The extent to which COVID-19 impacts our business, results of operations and financial condition will depend on future developments, which are uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Even after the coronavirus outbreak has subsided, we may continue to experience materially adverse impacts to our business as a result of its global economic impact, including any recession that has occurred or may occur in the future.

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

31.1	**Certification of the Principal Executive Officer, Principal Financial Officer and Principal Accounting 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, Principal Financial Officer and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document

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: October 6, 2020	/s/ Doug Croxall
	Doug Croxall Chief Executive 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 June 30, 2020;

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: October 6, 2020

/s/ Doug Croxall

Doug Croxall
Chief Executive Officer
(Principal Executive and 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 June 30, 2020 (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.

Dated: October 6, 2020

/s/ Doug Croxall

Doug Croxall
Chief Executive Officer
(Principal Executive and 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.