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 September 30, 2022

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 November 9, 2022 was 20,243,509.

Title of each class:	**Trading Symbol**	**Name of each exchange on which registered:**
Common Stock, $0.0001 par value	CRKN	The Nasdaq Capital Market

CROWN ELECTROKINETICS CORP.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

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

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

PART I - FINANCIAL INFORMATION

Item 1. - Financial Statements.

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

	September 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
Current assets:		
Cash	$ 342	$ 6,130
Prepaid and other current assets	380	687
Total current assets	722	6,817
Property and equipment, net	1,416	895
Intangible assets, net	1,654	1,761
Right of use asset	1,971	-
Other assets	403	179
TOTAL ASSETS	$ 6,166	$ 9,652
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,211	$ 358
Accrued expenses	133	298
Lease liability - current portion	253	-
Notes payable	8	8
Total current liabilities	1,605	664
Lease liability	1,815	-
Total liabilities	3,420	664
Commitments and Contingencies (Note X)		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $0.0001; 50,000,000 shares authorized, no shares outstanding	-	-
Series A preferred stock, par value $0.0001; 300 shares authorized, 251 shares outstanding as of September 30, 2022 and December 31 2021	-	-
Series B preferred stock, par value $0.0001; 1,500 shares authorized, 1,443 shares outstanding as of September 30, 2022 and December 31 2021	-	-
Series C preferred stock, par value $0.0001; 600,000 shares authorized, 500,756 shares outstanding as of September 30, 2022 and December 31, 2021	-	-
Series D preferred stock, par value $0.0001; 7,000 shares authorized, 1,058 shares issued and outstanding as of September 30, 2022; liquidation preference $1,081 as of September 30, 2022; No shares authorized, or outstanding, and no liquidiation peference as of December 31, 2021	-	
Common stock, par value $0.0001; 200,000,000 shares authorized; 18,523,072, and 14,530,126 shares outstanding as of September 30, 2022 and December 31, 2021, respectively	2	1
Additional paid-in capital	88,597	82,677
Accumulated deficit	(85,853)	(73,690)
Total stockholders' equity	2,746	8,988
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,166	$ 9,652

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

CROWN ELECTROKINETICS CORP.
Condensed Statements of Operations
Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating expenses:				
Research and development	$ 955	$ 787	$ 3,523	2,127
Selling, general and administrative	2,160	4,865	8,634	14,184
Total operating expenses	3,115	5,652	12,157	16,311
Loss from operations	(3,115)	(5,652)	(12,157)	(16,311)
Other income (expense):				
Other income (expense)	-	(49)	-	(42)
Interest expense	(1)	(2)	(6)	(535)
Loss on exchange of notes payable for common stock and warrants	-	-	-	(6)
Gain (loss) on extinguishment of debt	-	-	-	(13,805)
Change in fair value of warrant liability	-	-	-	(1,024)
Change in fair value of derivative liability	-	-	-	(51)
Total other income (expense)	(1)	(51)	(6)	(15,463)
Net loss	(3,116)	(5,703)	(12,163)	(31,774)
Cumulative dividends on Series D preferred stock	(23)	-	(23)	-
Net loss attributable to common stockholders	$ (3,139)	$ (5,703)	$ (12,186)	$ (31,774)
Net loss per share attributable to common stockholders	$ (0.18)	$ (0.39)	$ (0.73)	$ (2.32)
Weighted average shares outstanding, basic and diluted:	17,644,188	14,510,818	16,646,616	13,669,445

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

CROWN ELECTROKINETICS CORP.
Condensed Statements of Stockholders' Equity (Deficit)
Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited)
(in thousands, except share and per share amounts)

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Series D Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount			
Balance as of January 1, 2022	**251**	**$ -**	**1,443**	**$ -**	**500,756**	**$ -**	**-**	**$ -**	**14,530,126**	**$ 1**	**$ 82,677**	**$ (73,690)**	**$ 8,988**
Delivery of restricted common stock	-	-	-	-	-	-	-	-	1,095,237	1	-	-	1
Issuance of common stock and warrants, net of fees	-	-	-	-	-	-	-	-	1,250,000		855		855
Issuance of common stock warrants in connection with SLOC	-	-	-	-	-	-	-	-	-	-	223	-	223
Issuance of Series D preferred stock and warrants, net of fees	-	-	-	-	-	-	1,058	-	-	-	1,039	-	1,039
Issuance of common stock/At-the-market offering, net of offering costs	-	-	-	-	-	-	-	-	1,647,709	-	706	-	706
Issuance of common stock warrants in connection with consideration payable	-	-	-	-	-	-	-	-	-	-	86	-	86
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	3,011	-	3,011
Net loss	-	-	-	-	-	-	-	-	-	-	-	(12,163)	(12,163)
Balance as of September 30, 2022 (Unaudited)	**251**	**$ -**	**1,443**	**$ -**	**500,756**	**$ -**	**1,058**	**$ -**	**18,523,072**	**$ 2**	**$ 88,597**	**$ (85,853)**	**$ 2,746**

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Series D Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount			
Balance as of July 1, 2022 (Unaudited)	**251**	**$ -**	**1,443**	**$ -**	**500,756**	**$ -**	**$ -**	**$ -**	**14,614,627**	**$ 1**	**$ 85,489**	**$ (82,737)**	**$ 2,753**
Delivery of restricted common stock	-	-	-	-	-	-	-	-	1,061,905	1	-	-	1
Issuance of common stock and warrants, net of fees	-	-	-	-	-	-	-	-	1,250,000	-	855		855
Issuance of Series D preferred stock and warrants, net of fees	-	-	-	-	-	-	1,058	-	-	-	1,039	-	1,039
Issuance of common stock/At-the-market offering, net of offering costs	-	-	-	-	-	-	-	-	1,596,540	-	648	-	648
Issuance of common stock warrants in connection with consideration payable											86		86
Stock-based compensation	-	-	-	-	-	-	-	-			480		480
Net loss	-	-	-	-	-	-	-	-	-	-	-	(3,116)	(3,116)
Balance as of September 30, 2022 (Unaudited)	**251**	**$ -**	**1,443**	**$ -**	**500,756**	**$ -**	**1,058**	**$ -**	**18,523,072**	**$ 2**	**$ 88,597**	**$ (85,853)**	**$ 2,746**

CROWN ELECTROKINETICS CORP.
Condensed Statements of Stockholders' Equity (Deficit)
Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited)
(in thousands, except share and per share amounts)

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Capital	Deficit	Equity
Balance as of January 1, 2021	**-**	**$ -**	**-**	**$ -**	**-**	**$ -**	**7,599,716**	**$ 1**	**$ 29,758**	**$ (36,530)**	**$ (6,771)**
Issuance of common stock and warrants, net of fees	-	-	-	-	-	-	4,772,500	-	19,326	-	19,326
Issuance of common stock and preferred stock in connection with conversion of notes	251	-	1,443	-	500,756	-	1,261,277	-	19,222	-	19,222
Repurchased beneficial conversion feature in connection with conversion of notes payable	-	-	-	-	-	-	-	-	(6,647)	-	(6,647)
Issuance of common stock warrants in connection with note exchange agreements	-	-	-	-	-	-	-	-	4,918	-	4,918
Restricted stock awards exchanged for restricted stock units	-	-	-	-	-	-	(800,000)	-	-	-	-
Exercise of common stock warrants	-	-	-	-	-	-	219,199	-	180	-	180
Issuance of common stock to consultants	-	-	-	-	-	-	64,954	-	247	-	247
Issuance of common stock warrants	-	-	-	-	-	-		-	772	-	772
Stock-based compensation	-	-	-	-	-	-	1,038,095	-	8,131	-	8,131
Stock option exercise	-	-	-	-	-	-	434,385	-	186	-	186
Canceled restricted stock awards	-	-	-	-	-	-	(60,000)	-	-	-	-
Reclassification of warrant liabilities	-	-	-	-	-	-	-	-	3,566	-	3,566
Net loss	-	-	-	-	-	-	-	-	-	(31,774)	(31,774)
Balance as of September 30, 2021 (Unaudited)	**251**	**$ -**	**1,443**	**$ -**	**500,756**	**$ -**	**14,530,126**	**$ 1**	**$ 79,659**	**$ (68,304)**	**$ 11,356**

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Capital	Deficit	Equity
Balance as of July 1, 2021 (Unaudited)	**251**	**$ -**	**1,443**	**$ -**	**500,756**	**$ -**	**14,920,741**	**$ 1**	**$ 76,376**	**$ (62,601)**	**$ 13,776**
Restricted stock awards exchanged for restricted stock units	-	-	-	-	-	-	(800,000)	-	-	-	-
Issuance of common stock warrants	-	-	-	-	-	-	-	-	772	-	772
Stock option exercise	-	-	-	-	-	-	409,385	-	182	-	182
Stock-based compensation	-	-	-	-	-	-	-	-	2,329	-	2,329
Net loss	-	-	-	-	-	-	-	-	-	(5,703)	(5,703)
Balance as of September 30, 2021 (Unaudited)	**251**	**$ -**	**1,443**	**$ -**	**500,756**	**$ -**	**14,530,126**	**$ 1**	**$ 79,659**	**$ (68,304)**	**$ 11,356**

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

CROWN ELECTROKINETICS CORP.
Condensed Statements of Cash Flows
Nine Months Ended September 30, 2022 and 2021
(Unaudited)
(in thousands)

	Nine months ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (12,163)	$ (31,774)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	3,011	8,903
Issuance of common stock to consultants	-	247
Depreciation and amortization	360	184
Loss on extinguishment of debt	-	13,805
Loss on exchange of notes payable for common stock and warrants	-	6
Amortization of debt discount	-	458
Change in fair value of warrant liability	-	1,024
Change in fair value of derivative liability	-	51
Loss on disposal of equipment	52	-
Amortization of right of use assets	365	-
Changes in operating assets and liabilities:		
Prepaid and other assets	392	(479)
Accounts payable	367	(757)
Accrued expenses	(165)	123
Accrued interest	-	72
Lease liability	(268)	-
Net cash used in operating activities	(8,049)	(8,137)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(278)	(392)
Purchase of patents	(61)	(1,706)
Net cash used in investing activities	(339)	(2,098)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of common stock and warrants, net of fees	855	19,326
Proceeds from the issuance of common stock / At-the-market offering	732	-
Offering costs for the issuance of common stock / At-the-market offering	(26)	-
Proceeds from issuance of Series D preferred stock and warrants, net of fees	1,039	-
Proceeds from the exercise of common stock warrants	-	180
Proceeds from PPP loan	-	233
Proceeds from exercise of stock options	-	186
Repayment of related party non interest bearing advance	-	(25)
Net cash provided by financing activities	2,600	19,900
Net increase (decrease) increase in cash	(5,788)	9,665
Cash — beginning of period	6,130	36
Cash — end of period	$ 342	$ 9,701
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock warrants in connection with SLOC	$ 223	$ -
Issuance of common stock and preferred stock in connection with conversion of notes	$ -	$ 19,222
Repurchase beneficial conversion feature in connection with conversion of notes payable	$ -	$ 6,647
Reclassification of warrant liabilities	$ -	$ 3,566
Issuance of common stock warrants in connection with note exchange agreements	$ -	$ 4,918
Issuance of common stock warrants in connection with consideration payable	$ 86	$ -
Unpaid equipment included in accounts payable	$ 486	$ -
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 3	$ 5

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").

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

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

On July 19, 2022, the Company entered into an underwriting agreement relating to the Company's public offering of its common stock, par value $0.0001 per share. The Company agreed to sell 1,250,000 shares of its common stock to the underwriters, at a purchase price per share of $0.744 (the offering price to the public of $0.80 per share minus the underwriters' discount), pursuant to the Company's registration statement on Form S-3 (File No. 333-262122), under the Securities Act of 1933, as amended. The Company has also granted the underwriters a 30-day option to purchase up to 187,500 additional shares of common stock to cover over-allotments. On July 22, 2022, the Company received net proceeds of $855,000, net of underwriter fees and commissions of approximately $70,000, and offering costs of $75,000.

In connection with the Company's public offering, the Company issued a warrant to the underwriters to purchase 62,500 shares of its common stock. The warrant may be exercised beginning on the date that is 180 days after July 22, 2022 until July 19, 2027. The exercise price of the warrant is $0.80 per share.

Note 2 - Liquidity and Financial Condition

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 $85.9 million and negative working capital of approximately $0.9 million at September 30, 2022, a net loss of approximately $12.2 million, approximately $8.0 million of net cash used in operating activities for the nine months ended September 30, 2022. The Company expects to continue to incur ongoing administrative and other expenses, including public company expenses.

On March 23, 2022, the Company entered into an Irrevocable $10 million Standby Letter of Credit ("SLOC"). The SLOC accrues interest at a rate of 12% per annum and matures 2 years from the issuance date of the SLOC. Interest is payable quarterly. In connection with the SLOC, the Company issued a warrant for 200,000 shares of common stock with an exercise price of $2.00. Additionally, the Company will issue 50,000 shares of its restricted common stock with each cash draw of $1.0 million. Drawdowns are capped at a maximum of $5 million in the first six months. The Company intends to sign and drawdown on the available funds as necessary in 2022 and 2023.

As of September 30, 2022, the Company settled $1.1 million of shares liability, by issuing 1,058 shares of Series D preferred stock in July 2022 (See Note 7).

The Company entered into a Sales Agreement with A.G.P./Alliance Global Partners (the "Sales Agents") dated March 30, 2022 (the "Sales Agreement"), pursuant to which the Company may, from time to time, sell up to $5 million in shares (the "Placement Shares") of the Company's common stock through the Sales Agents, acting as the Company's sales agent and/or principal, in a continuous at-the-market offering (the "ATM Offering"). The Company will pay the Sales Agents a commission of up to 3.0% of the aggregate gross proceeds the Company receives from all sales of the Company's common stock under the Sales Agreement. The Placement Shares will be offered and sold pursuant to the Company's shelf registration statement on Form S-3 (Registration No. 333- 262122) and the related base prospectus included in the registration statement, as supplemented by the prospectus supplement dated March 30, 2022.

On October 5, 2022, the Company and the Sales Agents filed the first amendment to the Sales Agreement (the "First Amendment to the Sales Agreement"). Pursuant to the First Amendment to the Sales Agreement, the Company may from time to time, sell up to $3.5 million in Placement Shares of the Company's common stock through the Sales Agents in a continuous At-the-Market Offering (the Amended ATM Offering"). According to the First Amendment to the Sales Agreement, the Company will pay the Sales Agents a commission of up to 3.0% of the aggregate gross proceeds the Company receives from all sales of its common stock in the Amended ATM Offering.

As of September 30, 2022, the Company has received net proceeds on sales of 1,647,709 shares of common stock under the Sales Agreement of approximately $706,000 (after deducting $26,000 in commissions and expenses) at a weighted average price of $0.44 per share.

Subsequent to September 30, 2022, the Company received net proceeds of approximately $0.5 million on sales of 1,720,437 shares of common stock under the Sales Agreement at a weighted average price of $0.32 per share.
Additionally, the Company received $3.2 million in funding related to the issuance of Convertible Notes on October 19, 2022. This issuance was reported by the Company in the 8-K filed October 20, 2022. (See Note 10)

Although it is difficult to predict the Company's liquidity requirements as of September 30, 2022, based upon the Company's current operating plan, cash on hand, SLOC funding, and ATM facility, management believes that the Company will have sufficient cash to meet its projected operating requirements for at least the next 12 months following the issuance of these condensed financial statements.

Risks and Uncertainties

Management is constantly monitoring the impact of the COVID-19 pandemic on operations and financials of the Company. To date the main impact has been the delayed evaluation of potential manufacturing partnerships. These delays have been caused by Covid lockdowns i) restricting site tour opportunities by potential partners and ii) driving strong demand for potential partners existing product lines, limiting their capacity to assess new partnership opportunities. The Company has concluded that while it is reasonably possible that the virus could still have a negative effect on the Company's financial position, the specific impact is not readily determinable as of the date of these condensed financial statements.

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

The condensed financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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 and nine months ended September 30, 2022 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 December 31, 2021 included in the Company's Form 10-KT filed with the Securities and Exchange Commission (the "SEC") on March 30, 2022.

Use of Estimates

The preparation of condensed 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 condensed 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.

Significant Accounting Policies:

For a detailed discussion about the Company's significant accounting policies, see the Company's December 31, 2021 financial statements included in its 2021 Annual Report.

Leases

The Company accounts for its leases under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 842, *Leases.* Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the condensed balance sheet as both a right of use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right of use asset result in straight-line rent expense over the lease term.

In calculating the right of use asset and lease liability, the Company elects to combine lease and non-lease components as permitted under ASC 842. The Company excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election and recognizes rent expense on a straight-line basis over the lease term.

Warrants

<u>SLOC</u>

The Company accounts for its warrants related to the SLOC in accordance with ASC 815-40, *Contracts in Entity's Own Equity.* The warrants to purchase the Company's common stock meet the criteria in ASC 815-40 to be classified within stockholders' equity, and therefore, the warrants are not revalued after issuance. The Company uses a Black-Scholes model to value the warrants at issuance.

Under the guidance of ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*, the Company concluded the warrants should be recorded as a deferred asset. At issuance and as of September 30, 2022, since no loan amounts were drawn down, the SLOC warrant is recorded as a deferred asset at fair value and will be amortized over the life of the SLOC. Upon a draw down, the remaining balance of the deferred asset would be reclassified to debt discount and amortized under the effective interest method over the one-year term of the loan.

<u>*Purchase Order Warrants*</u>

The Company accounts for its warrants issued in connection with purchase orders in accordance with ASC 606, *Revenue Recognition.* With respect to the warrant, the Company accounts for it as consideration payable to a customer under ASC 606, as it relates to the future purchase of the Company's Smart Window Inserts™. Pursuant to ASC 718 *Compensation - Stock Compensation ("*ASC 718*")*, the Company measured the fair value of the warrant using the Black-Scholes valuation model on the issuance date, with the value being recognized as a prepaid asset up to the recoverable value represented by the value of the contract (See Note 8).

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 September 30, 2022 and 2021 are as follows:

	September 30, 2022	**September 30, 2021**
	(Unaudited)	
Series A preferred stock	188,311	188,311
Series B preferred stock	2,019,038	2,019,038
Series C preferred stock	560,757	560,757
Series D preferred stock	814,102	-
Warrants to purchase common stock (excluding penny warrants)	5,901,779	4,300,177
Options to purchase common stock	9,838,486	10,920,432
Unvested restricted stock units	887,462	2,039,683
	20,209,935	20,028,398

Emerging Growth Company

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.

Recent Accounting Pronouncements

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 lease 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, 2022 and interim periods beginning after December 15, 2023. The Company adopted this standard on January 1, 2022, and the adoption did not have a material impact on the Company's financial statements or disclosures.

In August 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-06, *Debt-Debt with Conversion and Other Options* (Subtopic 470-20) and *Derivatives and Hedging-Contracts in Entity's Own Equity* (Subtopic 815-40): *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, and it also simplifies the diluted earnings per share calculation in certain areas. This ASU is effective for annual reporting periods beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. This update permits the use of either the modified retrospective or fully retrospective method of transition. On January 1, 2022, the adoption of ASU 2020-06 did not have a material impact on the Company's condensed financial statements or disclosures.

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share* (Topic 260), *Debt-Modifications and Extinguishments* (Subtopic 470-50), *Compensation-Stock Compensation* (Topic 718), and *Derivatives and Hedging-Contracts in Entity's Own Equity* (Subtopic 815-40). This ASU reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. This ASU provides guidance for a modification or an exchange of a freestanding equity-classified written call option that is not within the scope of another Topic. It specifically addresses: (1) how an entity should treat a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange; (2) how an entity should measure the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange; and (3) how an entity should recognize the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange. This ASU will be effective for all entities for fiscal years beginning after December 15, 2021. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. Early adoption is permitted, including adoption in an interim period. On January 1, 2022, the adoption of ASU 2021-04 did not have a material impact on the Company's condensed financial statements or disclosures.

Note 4 - Property & Equipment, Net

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

	September 30, 2022 (Unaudited)	December 31, 2021
Equipment	$ 1506	$ 1,013
Computers	52	37
Leasehold improvements	284	28
Total	1,842	1,078
Less accumulated depreciation and amortization	(426)	(183)
Property and equipment, net	$ 1,416	$ 895

Depreciation expense for the three months ended September 30, 2022 and 2021 was $69,000 and $21,000, respectively. Depreciation expense for the nine months ended September 30, 2022 and 2021 was $191,000 and $56,000, respectively.

Note 5 - Intangible Assets, Net

IBM Patents

On July 23, 2021, the Company entered into a Patent Assignment Agreement with International Business Machines Corporation ("IBM") to acquire an ownership interest in assigned patents. As consideration for the patents, the Company paid $264,000 (including legal fees of approximately $38,000).

Intellectual Property

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 reduced the purchase price of the technology to $175,000. 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. 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. Under the terms of the fourth amendment with HP (see details below), $75,000 will be included in the purchase price for the option to purchase assignable patents, which was paid on February 9, 2021.

Under the guidance of ASC 350, *Intangibles - Goodwill and Other Intangibles*, the Company recorded the research license at the cost to acquire the license. The Company has paid $375,000 for the transfer of the technology. The research license will be amortized over a 10-year useful life.

HP Patents

On February 4, 2021, the Company entered into the fourth amendment to the IP agreement with HP. Under the terms of the amendment, the parties agreed to amend the list of patent and patent applications, which includes two additional patents that are assignable to the Company by HP. The Company exercised the option to purchase the assignable patents and paid HP $1.55 million dollars on February 9, 2021. Upon assignment of the patents, the Company will pay HP a royalty fee based on the cumulative gross revenue received by the Company from the patents as follows:

1. Prior to December 31, 2029:
    - Less than $70,000,000, royalty rate of 0.00%
    - $70,000,000 - $500,000,000, royalty rate of 1.25%
    - $500,000,000 and beyond, royalty rate of 1.00%
2. After January 1, 2030 and onward, royalty rate of 0.00%

Under the terms of the amendment, HP waived any interest that would have been accrued on the open payable of $75,000 which was due from the Company related to the license agreement dated January 31, 2016.

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

	September 30, 2022	December 31, 2021
	(Unaudited)	
Patents	$ 1,801	$ 1,739
Research license	375	375
Total	2,176	2,114
Accumulated amortization	(522)	(353)
Intangible assets, net	$ 1,654	$ 1,761

The following table represents the total estimated amortization of intangible assets for the five succeeding years and thereafter as of September 30, 2022 (in thousands):

	Estimated Amortization Expense
Nine months ended December 31, 2022	$ 56
Year ended December 31, 2023	220
Year ended December 31, 2024	221
Year ended December 31, 2025	220
Year ended December 31, 2026 and thereafter	937
Total	$ 1,654

For the three months ended September 30, 2022 and 2021, amortization expense was approximately $55,000 and $51,000, respectively. For the nine months ended September 30, 2022 and 2021, amortization expense was approximately $168,000 and $128,000, respectively.

Note 6 - Accrued Expenses

As of September 30, 2022 and December 31, 2021, the Company's accrued expenses consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
	(Unaudited)	
General liability insurance	$ 7	$ 234
Professional fees	-	7
Rent	-	57
Bonus	125	-
Other expenses	1	-
Total	$ 133	$ 298

Note 7 - Stockholders' Deficit

Preferred Stock

As of September 30, 2022 and December 31, 2021, there were 50,000,000 authorized shares of the Company's preferred stock, par value $0.0001**.**

Series A Preferred Sock

As of September 30, 2022 and December 31, 2021, the Company had 251 shares of its Series A preferred stock issued and outstanding.

Series B Preferred Stock

As of September 30, 2022 and December 31, 2021, the Company had 1,443 shares of its Series B preferred stock issued and outstanding.

Series C Preferred Stock

As of September 30, 2022 and December 31, 2021, the Company had 500,756 shares of its Series C preferred stock issued and outstanding.

Series D Preferred Stock

On July 8, 2022, the Company's Board of Directors authorized 7,000 shares of Series D preferred stock with a par value of $0.0001 per share. Each preferred share of Series D preferred stock has a stated valued of $1,000 per share, is convertible into shares of the Company's common stock at an initial conversion price of $1.30 per share, and is entitled to a dividend of 12% per annum. The cumulative dividends shall be paid in common stock based on the conversion price in effect on the applicable conversion date. All accrued but unpaid dividends on shares of Series D preferred stock shall increase the stated value of such shares. The Company may redeem all, but not less than all, of the Series D preferred stock for cash, at a price per share of Series D preferred stock equal to 125% of the stated value. The Series D preferred stock has no voting rights.

In July 2022, the Company issued 1,058 shares of Series D preferred stock for approximately $1.1 million, which was included on the condensed balance sheet in shares liability as of June 30, 2022, as the proceeds were received by the Company in June 2022, prior to issuance of the shares.

In connection with the issuance of the 1,058 shares of Series D preferred stock, the Company issued 814,102 equity-classified warrants to purchase shares of the Company's common stock with an exercise price of $1.30 per share. The proceeds from the Series D preferred stock were allocated between the warrants and the Series D preferred stock based on their relative fair values.

The Company entered into a Registration Rights Agreement ("RRA") with the holders of the Series D preferred stock, whereby the Company was to use its best efforts to file a registration statement registering the resale of the shares of common stock issuable upon conversion of the Series D preferred stock and upon exercise of the warrants within thirty (30) calendar days following the closing of the Series D preferred stock offering. The Company was to use its best efforts to have the registration statement declared "effective" within ninety (90) calendar days from closing, or one hundred and twenty (120) from closing in the event the registration statement is reviewed by the SEC. If the Company fails to meet these requirements, the RRA states that the Company shall pay to each holder an amount in cash, as partial liquidated damages and not as a penalty, equal to the product of 1.0% multiplied by the aggregate subscription amount paid by such holder pursuant to the purchase agreement, up to an aggregate of 10% of the aggregate subscription amount paid by such holder pursuant to the purchase agreement for all such liquidated damages.

Using the guidance provided by ASC 825-20 Financial Instruments, the Company determined that the RRA should be accounted for as a separate unit of account from the Series D preferred stock. Accordingly, under ASC 825-20, a financial instrument that is both within the scope of ASC 825-20 and subject to a registration payment arrangement shall be recognized and measured in accordance with ASC 825-20 without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement.

The RRA called for the Company to file a registration statement by August 25, 2022 and declare it effective within 90 days of July 26, 2022. The Company did not successfully file a registration statement by August 26, 2022, and as of September 30, 2022, recognized a contingent liability of approximately $1,000 to be paid to the holders of the Series D preferred stock, which is included in accrued expenses on the accompanying condensed balance sheet.

The Series D preferred stock and warrants sold were not registered under the Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state and were offered and sold in reliance on the exemption from registration afforded by Section 4(a)(2) under the Securities Act and Regulation D promulgated thereunder and corresponding provisions of state securities laws, which exempt transactions by an issuer not involving any public offering. The holders of Series D preferred stock are "accredited investors" as such term is defined in Regulation D promulgated under the Securities Act.

Common Stock

Public Offering

On July 19, 2022, the Company entered into an underwriting agreement relating to the Company's public offering of its common stock, par value $0.0001 per share. The Company agreed to sell 1,250,000 shares of its common stock to the underwriters, at a purchase price per share of $0.744 (the offering price to the public of $0.80 per share minus the underwriters' discount), pursuant to the Company's registration statement on Form S-3 (File No. 333-262122), under the Securities Act of 1933, as amended. The Company has also granted to the underwriters a 30-day option to purchase up to 187,500 additional shares of common stock to cover over-allotments. On July 22, 2022, the Company received net proceeds of $855,000, net of underwriter fees and commissions of approximately $70,000, and offering costs of $75,000.

In connection with the Company's public offering, the Company issued a warrant to the underwriters to purchase 62,500 shares of its common stock. The warrant may be exercised beginning on the date that is 180 days after July 22, 2022 until July 19, 2027. The exercise price of the warrant is $0.80 per share.

ATM Offering

As of September 30, 2022, the Company has received net proceeds on sales of 1,647,709 shares of common stock under its ATM Offering (See Note 2) of approximately $706,000 (after deducting $26,000 in commissions and expenses) at a weighted average price of $0.44 per share.

Restricted Stock

During the nine months ended September 30, 2022, the Company issued 1,095,237 shares of common stock in connection with vested restricted stock units.

Note 8 - Stock Options, Restricted Stock Units and Warrants:

On December 16, 2020, the Company adopted its 2020 Long-Term Incentive Plan (the "2020 Plan"). Under the 2020 Plan, there are 5,333,333 shares of the Company's common stock available for issuance and the 2020 Plan has a term of 10 years. The available shares in the 2020 Plan will automatically increase on the first trading day in January of each calendar year during the term of this Plan, commencing with January 2021, by an amount equal to the lesser of (i) five percent (5%) of the total number of shares of common stock issued and outstanding on December 31 of the immediately preceding calendar year, (ii) 1,000,000 shares of common stock or (iii) such number of shares of common stock as may be established by the Company's Board of Directors.

The Company grants equity-based compensation under its 2020 Plan and its 2016 Equity Incentive Plan (the "2016 Plan"). The 2020 Plan and 2016 Plan allows the Company to grant incentive and nonqualified stock options, and shares of restricted stock to its employees, directors and consultants. On June 14, 2019, the Board of Directors of the Company approved increasing the number of shares allocated to the Company's 2016 Equity Incentive Plan from 5,500,000 to 7,333,333.

Under the 2016 Plan and the 2020 Plan, upon the exercise of stock options and issuance of fully vested restricted common stock, shares of common stock may be withheld to satisfy tax withholdings.

Stock-based compensation:

The Company recognized total expenses for stock-based compensation during the three and nine months ended September 30, 2022 and 2021, which are included in the accompanying statements of operations, as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Research and development expenses	$ 136	$ 113	$ 636	$ 647
Selling, general and administrative expenses	344	2,988	2,375	8,503
Total stock-based compensation	$ 480	$ 3,101	$ 3,011	$ 9,150

Stock Options:

The Company provides stock-based compensation to employees, directors and consultants under both the 2016 and 2020 Plans. 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.

The Company utilized assumptions in the estimation of fair value of stock-based compensation for the three and nine months ended September 30, 2022 and 2021 as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Dividend yield	0%	0%	0%	0%
Expected price volatility	88.8%	50.0%	88.8% - 91.7%	50.0%
Risk free interest rate	3.96%	0.66% - 1.12%	3.96% - 3.25%	0.22% - 1.12%
Expected term	5.0 - 6.5 years	6.0 - 7.0 years	5.0 - 7.0 years	3.0 - 7.0 years

A summary of activity under the 2016 and 2020 Plans for the nine months ended September 30, 2022 is as follows:

	Shares Underlying Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2021	11,135,432	$ 2.85	7.6	$ 13,031
Granted	832,500	$ 0.40	-	
Canceled	(652,776)	$ 3.50	-	
Forfeited	(1,476,670)	$ 2.60	-	
Outstanding at September 30, 2022	9,838,486	$ 2.63	6.9	$ 53
Exercisable at September 30, 2022	8,513,589	$ 2.79	6.5	$ 53

During the nine months ended September 30, 2022, the Company cancelled 652,776 stock options with a weighted average exercise price of $3.50 per share. Of these stock option cancellations, 33,332 were related to an exchange for restricted stock units (see restricted stock units below) and 619,444 stock options were canceled in connection with employee departures.

During the nine months ended September 30, 2022 the Company modified the expiration dates of 789,527 vested stock options related to terminated employees. The modification of the equity awards modified the expiration date based on the options original terms. During the nine months ended September 30, 2022, the Company recognized incremental stock-based compensation of $0.6 million.

Restricted stock units:

A summary of the Company's restricted stock activity during the nine months ended September 30, 2022 is as follows:

	Number of Shares		Weighted Average Grant-Date Fair Value
Unvested at December 31, 2021	1,939,683	$	3.40
Granted	576,350	$	0.62
Vested	(566,666)	$	2.81
Issued	(1,061,905)	$	4.50
Unvested at September 30, 2022	887,462	$	2.30

During the nine months ended September 30, 2022, the Company granted 576,350 restricted stock units ("RSUs") to employees and members of its board of directors with a fair value of approximately $0.35 million. Included in the RSUs granted during 2022, 33,332 RSUs were exchanged for 33,332 cancelled stock options. The cancellation of the stock options and the issuance of the RSUs was accounted for as a modification of the equity awards, and during the nine months ended September 30, 2022, the Company recognized incremental stock-based compensation of $0.1 million.

During the nine months ended September 30, 2022, the Company accelerated the vesting of 242,593 RSU's. The accelerated vesting was accounted for as a modification of the equity awards, and during the nine months ended September 30, 2022 the Company recognized incremental stock-based compensation of $0.3 million.

Warrants:

Hudson Pacific Properties, L.P.

On August 12, 2022, the Company entered into two Purchase Orders (PO's) with Hudson Pacific Properties, L.P. ("Hudson") for the purchase of the Company's Smart Window Inserts™ ("Inserts"). Hudson is a unique provider of end-to-end real estate solutions for tech and media tenants. The PO's have a value of $85,450 and represent the first orders the Company has received prior to the launch of its Inserts. Delivery and installation are expected to begin in December 2022.

On August 12, 2022, as additional consideration for the PO's, the Company issued a warrant to Hudson to purchase 300,000 shares of the Company's common stock at $0.75 per share. The warrant has a five-year life and expires on August 12, 2027.

Because Hudson is a customer, the Company accounts for the PO's and warrants under Accounting Standards Codification ("ASC") 606 *Revenue Recognition* ("ASC 606"). As the performance obligations have not yet been satisfied, the Company has not recognized any revenue during the nine months ended September 30, 2022.

The Company accounts for the equity-classified warrant as consideration payable to a customer under ASC 606, as it relates to the future purchase of the Inserts. Pursuant to ASC 718 *Compensation - Stock Compensation ("*ASC 718*")*, the Company measured the fair value of the warrant using the Black-Scholes valuation model on the issuance date, with the value being recognized as a prepaid asset up to the recoverable value represented by the value of the contract. The fair value of the warrant on the issuance date totaled $161,700, and as of September 30, 2022, the Company recorded a prepaid asset of $85,450, representing the recoverable value from the PO's, which is included in prepaid and other current assets on the accompanying condensed balance sheet.

SLOC

In connection with the SLOC, the Company issued a warrant for 200,000 shares of common stock with an exercise price of $2.00, and a total fair value of approximately $0.2 million. This amount is included in the condensed balance sheet as deferred debt issuance costs included in other assets.

A summary of the Company's warrant (excluding penny warrants) activity during the nine months ended September 30, 2022 is as follows:

	Shares Underlying Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2021	4,525,177	$ 2.65	4.0	$ 7,088
Issued	1,376,602	$ 1.26		
Outstanding at September 30, 2022	5,901,779	$ 2.32	3.6	$ -

No warrants were exercisable at of September 30, 2022.

The Company estimated the fair value of the warrants using the Black-Scholes pricing model as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Expected price volatility	87.3%-87.5%	50.0%	87.3%-103.0%	50.0%
Risk free interest rate	2.9%-3.0%	0.8%-1.0%	2.2%-3.0%	0.4%-1.0%
Expected term (years)	5.0	5.0	5.0	5.0

Note 9 - Commitments and Contingencies

Leases

Oregon State University

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 which includes Service fees of $11,979 and Facility Tooling fees of $11,118.

On July 1, 2021, the Company entered into the sixth amendment to its lease with Oregon State University which adjusts the Operating Expense Reimbursement to a quarterly payment of $23,805. The quarterly Operating Expense Reimbursement payment includes Service fees of $12,337 and Facility Tooling fees of $11,468.

On September 1, 2021, the Company entered into the seventh amendment to its lease with Oregon State University which expands the lease to now include approximately 703 square feet of lab space, 576 square feet of cubicle space, 1096 square feet of Highbay lab space, and 376 square feet of High bay storage space in a building commonly known as Building 11. Effective September 1, 2021, the quarterly operating expense will be $31,647 covering all utility and facility tooling costs. The sublease is extended until June 30, 2025.

On January 24, 2022, the Company entered into the eighth amendment to its lease with Oregon State University which expands the lease to now include approximately 703 square feet of lab space, 768 square feet of cubicle space, 2,088 square feet of Highbay lab space, and 376 square feet of High bay storage space in a building commonly known as Building 11. Effective January 24, 2022, the quarterly operating expense will be $44,252 covering all utility and facility tooling costs. The sublease expires June 30, 2025.

<u>Hudson 11601 Wilshire, LLC</u>

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

- Months 1-12 - $18,375
- Months 13-24 - $19,018
- Months 25-36 - $19,683
- Months 37-39 - $20,372

The Company paid a security deposit totaling $20,373 at the lease inception date.

<u>HP Inc.</u>

On May 4, 2021, the Company entered into a lease agreement with HP Inc. to lease office and lab space located in Corvallis, Oregon. The lease term is 5 years, and the lease commencement date is April 1, 2021. The monthly lease expense is $7,388 and increases 3% on each anniversary of the lease commencement date. The Company will pay a security deposit totaling $8,315. The Company has the option to extend the lease for an additional 5 years. On January 26, 2022, the Company entered into the first amendment to its lease with HP Inc., which amends the lease commencement date to January 26, 2022 and the lease expiration date to January 31, 2027.

<u>Pacific N.W. Properties, LLC</u>

On October 5, 2021, the Company entered into a lease agreement with Pacific N.W. Properties, LLC to lease 26,963 square feet of warehouse, manufacturing, production and office space located in Salem Oregon. The commencement date of the lease is October 1, 2021, the lease term is 62 months and expires on November 30, 2026.

On December 9, 2021, the Company entered into the first amendment to its lease agreement with Pacific N.W. Properties, LLC. The lease amendment revises the lease commencement date to December 9, 2021 and the lease expiration date to February 28, 2027. The revised monthly lease expense is as follows:

- Months 1-2 - $15,357
- Months 3-12 - $21,500
- Months 13-24 - $22,145
- Months 25-36 - $22,809
- Months 37-48 - $23,494
- Months 49-60 - $24,198
- Months 61-62 - $24,924

As of September 30, 2022, the Company had operating lease liabilities of approximately $2.1 million and right-of-use assets of approximately $2.0 million, which are included in the condensed balance sheet.

The components of lease expense were as follows:

	Three months ended September 30, 2022	Nine months ended September 30, 2022
Operating leases:		
Operating lease cost	$ 190	$ 570
Variable lease cost	17	33
Operating lease expense	$ 207	$ 603

Supplemental cash flow information related to leases were as follows:

	Three months ended September 30, 2022	Nine months ended September 30, 2022
Operating cash flows - operating leases	$ 190	$ 570
Right-of-use assets obtained in exchange for operating lease liabilities	$ -	$ 2,336
Weighted-average remaining lease term – operating leases (in years)	3.5	3.5
Weighted-average discount rate – operating leases	12.0%	12.0%

As of September 30, 2022, future minimum payments are as follows (in thousands):

	Operating Leases
Three months ended December 31, 2022	$ 190
Year ended December 31, 2023	776
Year ended December 31, 2024	678
Year ended December 31, 2025	475
Year ended December 31, 2026	390
Year ended December 31, 2027	57
Total	2,566
Less present value discount	(498)
Operating lease liabilities	$ 2,068

During the three months ended September 30, 2022 and 2021, the Company recognized rent expense of approximately $0.2 million and $0.1 million, respectively. During the nine months ended September 30, 2022 and 2021, the Company recognized rent expense of approximately $0.6 million and $0.2 million, respectively.

Litigation

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

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

Note 10 - Subsequent Events

The Company has evaluated all subsequent events through the date of filing of this Quarterly Report on Form 10-Q with the SEC, to ensure that this filing includes appropriate disclosure of events both recognized in the condensed financial statements as of September 30, 2022, and events which occurred after September 30, 2022, but which were not recognized in the condensed financial statements.

Amended ATM Offering

On October 5, 2022, the Company and the Sales Agents filed the first amendment to the Sales Agreement (the "First Amendment to the Sales Agreement"). Pursuant to the First Amendment to the Sales Agreement, the Company may from time to time, sell up to $3.5 million in Placement Shares of the Company's common stock through the Sales Agents in a continuous At-the-Market Offering (the Amended ATM Offering"). According to the First Amendment to the Sales Agreement, the Company will pay the Sales Agents a commission of up to 3.0% of the aggregate gross proceeds the Company receives from all sales of its common stock in the Amended ATM Offering.

ATM Offering

Subsequent to September 30, 2022, the company received approximately $0.5 million in net proceeds from the Company's ATM offering through the sale of 1,720,437 common shares at a weighted average price of $0.32.

Convertible Note Offering

On October 19, 2022, Crown Electrokinetics Corp. (the "Company") entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain accredited investors as purchasers (the "Investors"). Pursuant to the Securities Purchase Agreement, the Company sold, and the Investors purchased, approximately $5.4 million in principal amount of senior secured convertible notes (the "Senior Notes") and warrants (the "Warrants").

The Senior Notes were issued with a conversion price at a 54% premium to the most recent closing price, an original issue discount of 35%, do not bear interest, and mature upon the earlier of twelve months from the date of issuance or the closing of a change of control transaction (as defined in the Senior Notes). The Senior Notes are convertible into shares of the Company's common stock, par value $0.0001 per share ("Common Stock"), at a conversion price per share of $0.49, subject to adjustment under certain circumstances described in the Senior Notes. To secure its obligations thereunder and under the Securities Purchase Agreement, the Company has granted a security interest over all of its assets to the collateral agent for the benefit of the Investors, pursuant to a security agreement, subject to exceptions for certain strategic transactions.

The Warrants are exercisable for five (5) years to purchase an aggregate of 21,759,403 shares of Common Stock at an exercise price of $0.32, subject to adjustment under certain circumstances described in the Warrants.

The Company received $3.2 million in net proceeds after placement fees and expenses of approximately $0.3 million.

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

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

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

Management's plans and basis of presentation:

The Company was incorporated in the State of Delaware on April 20, 2015. Effective January 14, 2016, the Company's name was changed to 3D Nanocolor Corp. ("3D Nanocolor") from 2D Nanocolor Corp. Subsequently, effective October 6, 2017, the Company's name was changed to Crown Electrokinetics Corp. from 3D Nanocolor Corp.

The Company is commercializing technology for smart or dynamic glass with its first product being the Smart Window Insert by DynamicTint. The Company's electrokinetic glass technology is an advancement on microfluidic technology that was originally developed by Hewlett-Packard Company.

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

On January 22, 2021, the Company's Board of Directors authorized a reverse stock split at an exchange ratio of one (1) share of common stock for every three (3) shares of common stock. The reverse stock split was effective on January 25, 2021, such that every three (3) shares of common stock have been automatically converted into one (1) share of common stock. The Company will not issue fractional certificates for post-reverse split shares in connection with the reverse stock split. Rather, all shares of common stock that are held by a stockholder will be aggregated and each stockholder shall be entitled to receive the number of whole shares resulting from the combination of the shares so aggregated. Any fractions resulting from the reverse stock split computation shall be rounded up to the next whole share.

<u>Public Offerings</u>

On January 26, 2021, the Company entered into an underwriting agreement relating to the Company's public offering of its common stock, par value $0.0001 per share. The Company agreed to sell 4,150,000 shares of its common stock to the underwriters, at a purchase price per share of $4.14 (the offering price to the public of $4.50 per share minus the underwriters' discount), pursuant to the Company's registration statement on Form S-1 (File No. 333-249833), as amended, under the Securities Act of 1933, as amended, and the related registration statement on Form S-1 (File No. 333-252418) that was filed by the Company under Rule 462(b) under the Securities Act. The Company has also granted the underwriters a 30-day option to purchase up to 622,500 additional shares of common stock to cover over-allotments. On January 28, 2021, the Company received net proceeds from its public offering of approximately $19.3 million, net of underwriter fees and commissions of approximately $1.7 million, and offering costs of $0.4 million.

Additionally, there were 251 shares of our Series A Preferred Stock issued and outstanding, 1,443 shares of our Series B Preferred Stock issued and 500,756 shares of our Series C Preferred Stock issued, with one shareholder of record of each such series of our preferred stock.

On July 19, 2022, the Company entered into an underwriting agreement relating to the Company's public offering of its common stock, par value $0.0001 per share. The Company agreed to sell 1,250,000 shares of its common stock to the underwriters, at a purchase price per share of $0.744 (the offering price to the public of $0.80 per share minus the underwriters' discount), pursuant to the Company's registration statement on Form S-3 (File No. 333-262122), under the Securities Act of 1933, as amended. The Company has also granted the underwriters a 30-day option to purchase up to 187,500 additional shares of common stock to cover over-allotments. On July 22, 2022, the Company received net proceeds of $855,000, net of underwriter fees and commissions of approximately $70,000, and offering costs of $75,000.

In connection with the Company's public offering, the Company issued a warrant to the underwriters to purchase 62,500 shares of its common stock. The warrant may be exercised beginning on the date that is 180 days after July 22, 2022 until July 19, 2027. The exercise price of the warrant is $0.80 per share.

<u>ATM Offering</u>

The Company entered into a Sales Agreement with A.G.P./Alliance Global Partners (the "Sales Agents") dated March 30, 2022 (the "Sales Agreement"), pursuant to which the Company may, from time to time, sell up to $5 million in shares (the "Placement Shares") of the Company's common stock through the Sales Agents, acting as the Company's sales agent and/or principal, in a continuous at-the-market offering (the "ATM Offering"). The Company will pay the Sales Agents a commission of up to 3.0% of the aggregate gross proceeds the Company receives from all sales of the Company's common stock under the Sales Agreement. The Placement Shares will be offered and sold pursuant to the Company's shelf registration statement on Form S-3 (Registration No. 333- 262122) and the related base prospectus included in the registration statement, as supplemented by the prospectus supplement dated March 30, 2022.

On October 5, 2022, the Company and the Sales Agents filed the first amendment to the Sales Agreement (the "First Amendment to the Sales Agreement"). Pursuant to the First Amendment to the Sales Agreement, the Company may from time to time, sell up to $3.5 million in Placement Shares of the Company's common stock through the Sales Agents in a continuous At-the-Market Offering (the Amended ATM Offering"). According to the First Amendment to the Sales Agreement, the Company will pay the Sales Agents a commission of up to 3.0% of the aggregate gross proceeds the Company receives from all sales of its common stock in the Amended ATM Offering.

As of September 30, 2022, the Company has received net proceeds on sales of 1,647,709 shares of common stock under the Sales Agreement of approximately $706,000 (after deducting $26,000 in commissions and expenses) at a weighted average price of $0.44 per share.

Subsequent to September 30, 2022, the Company received net proceeds on sales of 1,720,437 shares of common stock under the Sales Agreement of approximately $540,000 (after deducting approximately $20,000 in commissions and expenses) at a weighted average price of $0.32 per share.

<u>Series D Preferred Stock</u>

On July 8, 2022, the Company's Board of Directors authorized 7,000 shares of Series D preferred stock with a par value of $0.0001 per share. Each preferred share of Series D preferred stock will have a stated valued of $1,000 per share, will be convertible into shares of the Company's common stock at an initial conversion price of $1.30 per share and will be entitled to a dividend of 12%. The Company may redeem all, but not less than all, of the Series D preferred stock for cash, at a price per share of Series D Preferred Stock equal to 125% of the stated value. The Series D preferred stock has no voting rights. As of June 30, 2022, the Company recorded $1.1 million of shares liability in its condensed balance sheet related to cash received for 1,058 shares of Series D preferred stock that were issued in July 2022. In connection with the issuance of the 1,058 shares of Series D preferred stock, the Company issued 814,102 warrants to purchase shares of the Company's common stock with an exercise price of $1.30 per share.

<u>Leases</u>

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.

On March 4, 2021, the Company entered into a standard office lease with Hudson 11601 Wilshire, LLC, to lease 3,500 square feet of office space located at 11601 Wilshire Boulevard, Los Angeles, California 90025. The base monthly rent for the first year of the lease is $18,375 per month, which increases to $19,018.13 per month for the second year, $19,683.76 for the third year and $20,372.69 for the final three months of the lease. The lease expires on June 30, 2024. We believe that our facilities are adequate to meet our needs for the immediate future and that, should it be needed, we will be able to secure additional space to accommodate the expansion of our operations. This office space, along with ATAMI, offers Crown all the space requirements it needs for the foreseeable future.

On October 5, 2021, the Company entered into a lease agreement with Pacific N.W. Properties, LLC to lease 26,963 square feet of warehouse, manufacturing, production and office space located in Salem Oregon. The commencement date of the lease is October 1, 2021, the lease term is 62 months and expires on November 30, 2026.

Master Supply Agreements

On March 25, 2022, Crown executed a Master Supply Agreement (the “BDN MSA”) with Brandywine Operating Partnerships L.P. to install its Smart Window Inserts powered by DynamicTintTM in Brandywine office buildings. The BDN MSA provides the master terms and conditions under which purchase orders will be executed for Crown to supply units to retrofit windows at certain locations.

On December 27, 2021, Crown executed a Master Supply Agreement (the “HPP MSA”) with Hudson Pacific Properties L.P. for the installation of Crown’s energy saving Smart Window Inserts in several office properties across its West Coast portfolio. The HPP MSA provides the master terms and conditions under which purchase orders will be executed for Crown to supply units to retrofit windows at certain locations.

Prior to this, on September 27, 2021, Crown had entered into a Master Supply Agreement with MetroSpaces Inc., Crown’s first commercial customer, install its Smart Window Inserts in MetroSpaces’ 70,000 square-foot Houston, Texas office building.

Additionally, discussions with multiple other building owners to buy Crown Smart Window Inserts are progressing as the regulatory and consumer pressure to reduce the level of energy consumption and carbon emissions, continues to build.

Purchase Orders

On August 12, 2022, the Company entered into two Purchase Orders (PO’s) with Hudson Pacific Properties, L.P. (“Hudson”) for the purchase of the Company’s Smart Window Inserts™ (“Inserts”). Hudson is a unique provider of end-to-end real estate solutions for tech and media tenants. The PO’s have a value of $85,450 and represent the first orders the Company has received prior to the launch of its Inserts. Delivery and installation are expected to begin in December 2022.

On August 12, 2022, as additional consideration for the PO’s, the Company issued a warrant to Hudson to purchase 300,000 shares of the Company’s common stock at $0.75 per share. The warrant has a five year life and expires on August 12, 2027.

Results of Operations for the three months ended September 30, 2022 compared to the three months ended September 30, 2021 (in thousands):

	Three Months Ended September 30,	
	2022	**2021**
Research and development	$ 955	$ 787
Selling, general and administrative	2,160	4,866
Other (income)/expense	1	51
Net loss	$ 3,116	$ 5,703

Research and Development

Research and development expenses were $1.0 million for the three months ended September 30, 2022 compared to $0.8 million for the three months ended September 30, 2021. The increase of $0.2 million is primarily related to additional salaries and benefits ($0.3 million), offset by a decrease in stock compensation ($0.1 million).

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses were $2.2 million and $4.9 million for the three months ended September 30, 2022 and 2021, respectively. The $2.7 million decrease in SG&A expenses is primarily due to decrease in stock-based compensation of $2.6 million and other G&A expense ($0.2 million), offset by an increase in lease expense of $0.1 million.

Other (Income) Expense

Other (income) expense was immaterial for the three months ended September 30, 2022. Other (income) expense for the three months ended September 30, 2021 was a $0.05 million loss.

Results of Operations for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 (in thousands):

	Nine months ended September 30,	
	2022	2021
Research and development	$ 3,523	$ 2,127
Selling, general and administrative	8,634	14,184
Other (income)/expense	6	15,463
Net loss	$ 12,163	$ 31,774

Research and Development

Research and development expenses were $3.5 million for the nine months ended September 30, 2022 compared to $2.1 million for the nine months ended September 30, 2021. The increase of $1.4 million is primarily related to additional salaries and benefits of $1.6 million offset by a decrease in stock compensation of $0.2 million.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses were $8.6 million and $14.2 million for the nine months ended September 30, 2022 and 2021, respectively. The $5.6 million decrease in SG&A expenses is primarily due to decrease in stock-based compensation of $5.9 million, offset by an increase in rent and other G&A expenses of $0.3 million.

Other (Income) Expense

Other (income) expense was immaterial for the nine months ended September 30, 2022. Other (income) expense for the nine months ended September 30, 2021 was a $15.5 million loss, which primarily consisted of a loss on extinguishment of debt in the amount of $13.8 million, interest expense of $0.5 million recorded in connection with our convertible notes, the change in fair value of our warrant liability of $1.0 million and the change in fair value of our derivative liability of $0.05 million.

Liquidity

	Nine months ended September 30,	
	2022	2021
Cash and cash equivalents at the beginning of the period	**$ 6,130**	**$ 36**
Net cash used in operating activities	(8,049)	(8,137)
Net cash used in investing activities	(339)	(2,098)
Net cash provided by financing activities	2,600	19,900
Cash and cash equivalents at the end of the period	**$ 342**	**$ 9,701**

The Company had an accumulated deficit of approximately $85.9 million, and a net loss of $12.2 million, and used approximately $8.0 million in net cash in operating activities for the nine months ended September 30, 2022. The Company expects to continue to incur ongoing administrative and other expenses, including public company expenses.

On March 23, 2022, the Company entered into an Irrevocable $10 million Standby Letter of Credit ("SLOC"). The SLOC accrues interest at a rate of 12% per annum and matures 2 years from the issuance date of the SLOC. Interest is payable quarterly. In connection with the SLOC, the Company issued a warrant for 200,000 shares of common stock with an exercise price of $2. Additionally, the Company will issue 50,000 shares of its restricted common stock with each cash draw of $1.0 million. Drawdowns are capped at a maximum of $5 million in the first six months. The Company intends to sign and drawdown on the available funds as necessary in 2022 and 2023.

The Company entered into a Sales Agreement with A.G.P./Alliance Global Partners (the "Sales Agents") dated March 30, 2022 (the "Sales Agreement"), pursuant to which the Company may, from time to time, sell up to $5 million in shares (the "Placement Shares") of the Company's common stock through the Sales Agents, acting as the Company's sales agent and/or principal, in a continuous at-the-market offering (the "ATM Offering"). The Company will pay the Sales Agents a commission of up to 3.0% of the aggregate gross proceeds the Company receives from all sales of the Company's common stock under the Sales Agreement. The Placement Shares will be offered and sold pursuant to the Company's shelf registration statement on Form S-3 (Registration No. 333- 262122) and the related base prospectus included in the registration statement, as supplemented by the prospectus supplement dated March 30, 2022. As of September 30, 2022 the Company has received net proceeds on sales of 1,647,709 shares of common stock under the Sales Agreement of approximately $706,000 (after deducting $26,000 in commissions and expenses) at a weighted average price of $0.44 per share.

Subsequent to September 30, 2022, the Company received net proceeds of approximately $0.5 million on sales of 1,720,437 shares of common stock under the Sales Agreement at a weighted average price of $0.32 per share.

Additionally, the Company received $3.2 million in funding related to the issuance of Convertible Notes on October 19, 2022. This issuance was reported by the Company in the 8-K filed October 20, 2022.

Although it is difficult to predict the Company's liquidity requirements as of September 30, 2022, based upon the Company's current operating plan, cash on hand, SLOC funding, and ATM facility, management believes that the Company will have sufficient cash to meet its projected operating requirements for at least the next 12 months following the issuance of these condensed financial statements.

Cash Flows

Operating Activities

For the nine months ended September 30, 2022, net cash used in operating activities was $8.0 million, which primarily consisted of our net loss of $12.2 million, adjusted for non-cash expenses of $3.8 million which primarily consisted of stock-based compensation expenses totaling $3.0 million, amortization of right of use assets of $0.4 million, and depreciation and amortization of $0.4 million. The net change in operating assets and liabilities was $0.3 million, primarily consisting of a decrease in prepaid and other current assets.

For the nine months ended September 30, 2021, net cash used in operating activities was $8.1 million, which primarily consisted of our net loss of $31.8 million, adjusted for non-cash expenses of $24.7 million which primarily consisted of loss on extinguishment of debt of $13.8 million, stock-based compensation totaling $8.9 million, and depreciation and amortization of $0.2 million, change in fair value of our warrant liability of $1.0 million and amortization of debt discount of $0.5 million, and change in fair value of derivative liability of $0.05 million. The net change in operating assets and liabilities was $1.0 million and primarily consisted of an increase in prepaid and other assets totaling $0.5 million and a decrease in accounting payable and accrued expenses of $0.5 million.

Investing Activities

For the nine months ended September 30, 2022, net cash used in investing activities was approximately $0.3 million

For the nine months ended September 30, 2021, net cash used in investing activities was approximately $2.1 million, consisting of $1.7 million related to the purchase of for the purchase of the HP patents and $0.4 million for the purchase of equipment.

Financing Activities

For the nine months ended September 30, 2022, net cash provided by financing activities was $2.6 million, and consisted of proceeds of the issuance of common stock and warrants of $0.8 million, $1.0 million received in connection with the issuance of our Series D preferred stock and $0.7 million received from the issuance of common stock in connection with our ATM Offering.

For the nine months ended September 30, 2021, net cash provided by financing activities was $19.9 million, related to the proceeds of issuance of common stock and warrants.

Off-balance sheet arrangements

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

Revenue Recognition

We adopted the new revenue standard, ASC 606, on March 31, 2019 using the full retrospective approach. The adoption did not have an effect on 2020 or 2019 revenue recognition or a cumulative effect on opening equity, as the timing and measurement of revenue recognition is materially the same as under ASC 605. The core principle of the new revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

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

For contracts where the period between when we transfer a promised good or service to the customer and when the customer pays is one year or less, we have elected the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component.

Our performance obligation is to provide a development service that enhances an asset that the customer controls. We receive upfront payments in advance of providing services and payment upon reaching milestones.

We are not able to reasonably measure the outcome of our performance obligations that are satisfied over time because we are in the early stages of the contracts. Therefore, the amount of performance that will be required in our contracts cannot be reliably estimated and we recognize revenue up to the amount of costs incurred.

No revenue was recognized by the Company during the nine months ended September 30, 2022 and 2021.

Stock-based compensation

We measure and recognize compensation expense for all options based on the estimated fair value of the award on the grant date. We use the Black-Scholes option-pricing model to estimate the fair value of option awards. The fair value is recognized as expense on a straight-line basis over the requisite service period. We account for forfeitures as they occur. We recognize expense for awards where vesting is subject to a market or performance condition based on the derived service period. Expense for awards with performance conditions would be estimated and adjusted on a quarterly basis based upon our assessment of the probability that the performance condition will be met.

The determination of the grant date fair value of options using an option pricing model is affected principally by our estimated fair value of shares of our common stock and requires management to make a number of other assumptions, including the expected life of the option, the volatility of the underlying shares, the risk-free interest rate and expected dividends. The assumptions used in our Black-Scholes option-pricing model represent management's best estimates at the time of measurement. These estimates are complex, involve a number of variables, uncertainties and assumptions and the application of management's judgment, as they are inherently subjective. If any assumptions change, our stock-based compensation expense could be materially different in the future.

These assumptions are estimated as follows:

- Expected Term. The expected term of options represents the period that our stock-based awards are expected to be outstanding based on the simplified method, which is the half-life from vesting to the end of its contractual term. The simplified method was used because we do not have sufficient historical exercise data to provide a reasonable basis for an estimate of expected term.

- Expected Volatility. We historically have lacked company-specific historical and implied volatility information. Therefore, we estimate our expected stock volatility based on the historical volatility of a publicly traded set of peer companies and expect to continue to do so until such time as we have adequate historical data regarding the volatility of our own traded stock price.

- Risk-Free Interest Rate. We base the risk-free interest rate on the implied yield available on U. S. Treasury zero-coupon issues with an equivalent remaining term.

- Expected Dividend Yield. We have never declared or paid any cash dividends on our common shares and do not plan to pay cash dividends in the foreseeable future, and, therefore, we use an expected dividend yield of zero in our valuation models.

We account for forfeited awards as they occur.

Fair Value of Common Stock

Historically, the fair values of the shares of common stock underlying our options were estimated on each grant date by our board of directors. In order to determine the fair value, our board of directors considered, among other things, contemporaneous valuations of our common stock and preferred stock prepared by unrelated third-party valuation firms in accordance with the guidance provided by the American Institute of Certified Public Accountants 2013 Practice Aid, Valuation of Privately-Held- Company Equity Securities Issued as Compensation, or the Practice Aid. Given the absence of a public trading market of our capital stock, our board of directors exercised reasonable judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of our common stock, including:

- contemporaneous third-party valuations of our common stock;
- the prices, rights, preferences and privileges of our preferred stock relative to our common stock;
- our business, financial condition and results of operations, including related industry trends affecting our operations;
- the likelihood of achieving a liquidity event, such as an initial public offering or sale of our company, given prevailing market conditions;
- the lack of marketability of our common stock;
- the market performance of comparable publicly traded companies; and
- U.S. and global economic and capital market conditions and outlook.

Critical accounting policies and significant judgments and estimates

Our condensed financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of our condensed 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 condensed financial statements.

JOBS Act Transition Period

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for a Smaller Reporting Company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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 September 30, 2022, 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 September 30, 2022 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

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

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

Item 1A. Risk Factors

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

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

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

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

N/A

Item 5. Other Information

N/A

Item 6. Exhibits

31.1	Certification of the Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certifications of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

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

	Crown Electrokinetics Corp.
Dated: November 10, 2022	/s/ Doug Croxall
	Doug Croxall Chief Executive Officer and Principal Executive Officer
Dated: November 10, 2022	/s/ Joel Krutz
	Joel Krutz Chief Financial Officer and Principal Financial Officer

Exhibit 31.1

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of the registrant for the period ended September 30, 2022;

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: November 10, 2022

/s/ Doug Croxall

Doug Croxall
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of the registrant for the period ended September 30, 2022;

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: November 10, 2022

/s/ Joel Krutz

Joel Krutz
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

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

(1) The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: November 10, 2022

/s/ Doug Croxall

Doug Croxall
Chief Executive Officer
(Principal Executive Officer)

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

Exhibit 32.2

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

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

(1) The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2022 (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: November 10, 2022

/s/ Joel Krutz
Joel Krutz
Chief Financial Officer
(Principal Financial Officer)

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