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More on REFR's "Press-Release Puffery"

According to the Securities and Exchange Commission ("SEC") web site, "Pump and Dump" schemes "involve the touting of a company's stock...through false and misleading statements to the marketplace." Investors will find it difficult to find a public company that better fits the SEC's criteria for a pump and dump scam than Research Frontiers, Inc. ("REFR"). For over 43 years REFR's executives have used questionable tactics, including misleading promotional statements, to raise funds from investors. From 1965 to 1986, REFR's founder, Robert Saxe, collected millions of dollars from family and friends. Despite the faith of his investors, REFR produced no profits and a \$1,200,000 debt.

After repeatedly failing to sell REFR's glass device, Saxe sold 29% of the company in 1986 for \$4 million. In 1991, Saxe sold an additional 19%, this time for \$4.4 million. Since it became a public company in 1986, REFR has regularly released press statements announcing new licensing agreements with companies expected to develop commercial products using REFR's glass device. Not a single press release has led to profits. In fact, REFR has suffered uninterrupted losses for 43 years. As The Motley Fool's Tom Jacobs wrote in 2001, "this money-losing company seems to do nothing else but enrich its 13 employees and managers, as well as directors, through...press release puffery."

Since becoming a public company 22 years ago, REFR executives have engaged in the following well-documented stock promotions:

- In 1993, Saxe told Forbes, that he hoped "to deliver the technology needed for a commercial product by the end of next year." The article followed a REFR promotional statement announcing several new licensing agreements. However, 1994 came and went without any comment from Saxe or REFR about the status of this commercial product. Still, the announcement drove share prices up from below \$5 to \$10.
- In 1995, REFR announced a licensing agreement with GE. Gene Marcial of BusinessWeek was among those facilitating the hype; Marcial's article (September 1995) cited sources predicting a GE takeover. On August 2, the day of the announcement, REFR's shares jumped from \$8.25 to \$13.63. At the height of the promotion, REFR's shares reached a high of over \$15.
- In 2000, REFR released two press statements announcing new licenses with reputable companies, including Polaroid. This time the shares peaked as high as \$40.
- In June 2001, REFR announced that it expected to achieve its first full-year of profit in 2003. The stock hit \$30, before falling back below \$10.

In 2007, many years after REFR's first promotional campaign, Saxe and REFR are at it again. The 43-year-old company's latest pump and dump scheme started in February when REFR issued a press release involving Raytheon Aircraft Company. REFR's stock had traded as low as \$5 in January. Three days after the Raytheon Announcement on February 9, the price spiked to \$12.33. The rise in price is solely attributable to REFR's press statement. Then in July,

REFR issued another press release announcing that “Hitachi Chemical...completed factories specifically tailored for Research Frontiers’ smart-glass film and is gearing up for production.” REFR-friend Gene Marcial followed with a column in BusinessWeek (See Related Article) and the price of REFR rose to above \$15.

The only thing REFR is gearing up for is another baseless stock promotion. None of REFR’s promotional campaigns have led to profits and there is no reason to believe this year’s promotions will bring different results. As recently as October 25, 2007 REFR issued one of these press statements, a shameless attempt to recycle an announcement from a previous promotion (See Related Article).

So how is REFR able to get away with 43 years of this nonsense? In addition to its press releases and promotional schemes, the company maintains rigid control over the stock distribution process. Unlike many questionable companies, REFR does not rely on various outside fraudulent stock promoters, so often the focus of regulatory investigations. Instead, REFR uses its tight group of insiders and friends to execute these stock schemes.

The SEC web site includes this warning to help investors avoid microcap frauds:

Fraudsters often issue press releases that contain exaggerations or lies about the microcap company’s sales, acquisitions, revenue projections, or new products or services. These fraudulent press releases are then disseminated through legitimate financial news portals on the Internet.

It is as though REFR uses the SEC’s warning as its business strategy. The only remaining question is how many uninformed investors will become victims of REFR’s promotional schemes before the company is stopped?