COMPETITIVE TECHNOLOGIES INC
Form 10-Q
August 13, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period endedJune 30, 2013

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-8696

COMPETITIVE TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

www.competitivetech.net

Delaware	36-2664428
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)

1375 Kings Highway East, Suite 400 Fairfield, Connecticut	06824
(Address of principal executive offices)	(Zip Code)

(203) 368-6044
(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.

Yes [X]

No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer, large accelerated filer and smaller reporting company" as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [x]

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act).

Yes [ ]

No [X]

The number of shares of the registrant s common stock outstanding as of August 13, 2013 was 16,354,804 shares.

COMPETITIVE TECHNOLOGIES, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Interim Financial Statements

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARY

Condensed Consolidated Balance Sheets

	June 30, 2013 (Unaudited)	December 31, 2012
Assets		
Current Assets:		
Cash	$ 23,746	$ 74,322
Receivables, net of allowance of $101,154 at June 30, 2013, and December 31, 2012	17,050	216,365
Inventory, finished goods	4,348,220	4,360,156
Prepaid expenses and other current assets	60,964	78,727
Total current assets	4,449,980	4,729,570
Property and equipment, net	13,894	26,817
Security deposits	15,000	15,000
TOTAL ASSETS	$ 4,478,874	$ 4,771,387
Liabilities and Shareholders' Interest (Deficit)		
Current Liabilities:		
Accounts payable, general	$ 1,816,244	$ 1,806,346
Accounts payable, GEOMC	4,182,380	4,181,225
Accrued expenses and other liabilities	665,358	773,364
Notes payable	2,630,000	1,310,000
Deferred Revenue	8,000	9,600
Derivative liability	111,194	119,922
Preferred stock liability	375,000	375,000
Total current liabilities	9,788,176	8,575,457
Long Term Notes Payable	-	225,000
Total Liabilities	9,788,176	8,800,457
Commitments and Contingencies		
Shareholders interest (deficit):		

5% preferred stock, $25 par value, 35,920 shares authorized, 2,427 shares issued and outstanding		**60,675**		60,675
Series B preferred stock, $0.001 par value, 20,000 shares authorized, no shares issued and outstanding		**-**		-
Series C convertible preferred stock, $1,000 par value, 750 shares authorized, 375 shares issued and outstanding		**-**		-
Common stock, $.01 par value, 40,000,000 shares authorized, 16,354,804 shares issued and outstanding at June 30, 2013 and 15,237,304 shares issued and outstanding at December 31, 2012 (see Note 12)		**163,548**		152,373
Capital in excess of par value		**45,535,258**		45,367,796
Accumulated deficit		**(51,068,783)**		(49,609,914)
Total shareholders interest (deficit)		**(5,309,302)**	$	(4,029,070)
TOTAL LIABILITIES AND SHAREHOLDERS' INTEREST (DEFICIT)	**$**	**4,478,874**	$	4,771,387

See accompanying notes

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Operations

(Unaudited)

	Three months ended June 30, 2013	Three months ended June 30, 2012
Revenue		
Product sales	**$ 136,100**	$ 62,500
Cost of product sales	**45,845**	45,220
Gross profit from product sales	**90,255**	17,280
Other Revenue		
Retained royalties	**4,384**	51,979
Other income	**9,643**	7,990
Total other revenue	**14,027**	59,969
Expenses		
Selling expenses	**35,758**	94,318
Personnel and consulting expenses	**278,732**	502,195
General and administrative expenses	**413,417**	423,726
Interest expense	**43,971**	12,782
Unrealized loss (gain) on derivative instrument	**9,439**	(13,901)
Total Expenses	**781,317**	1,019,120
Income (loss) before income taxes	**(677,035)**	(941,871)
Provision (benefit) for income taxes	**-**	-
Net income (loss)	**$ (677,035)**	$ (941,871)
Basic income (loss) per share	**$ (0.04)**	$ (0.06)
Basic weighted average number of common shares outstanding:	**16,146,013**	14,691,180
Diluted income (loss) per share	**$ (0.04)**	$ (0.06)

Diluted weighted average number of common shares outstanding:	**16,146,013**	14,691,180

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Operations

(Unaudited)

	Six months ended June 30, 2013	Six months ended June 30, 2012
Revenue		
Product sales	$ **136,100**	$ 392,246
Cost of product sales	**65,193**	195,791
Gross profit from product sales	**70,907**	196,455
Other Revenue		
Retained royalties	**17,760**	64,382
Interest income	**-**	1,497
Other income	**58,322**	22,694
Total other revenue	**76,082**	88,573
Expenses		
Selling expenses	**103,933**	181,258
Personnel and consulting expenses	**619,739**	833,565
General and administrative expenses	**814,176**	976,105
Interest expense	**76,738**	22,295
Unrealized loss (gain) on derivative instrument	**(8,728)**	8,883
Total Expenses	**1,605,858**	2,022,106
Income (loss) before income taxes	**(1,458,869)**	(1,737,076)
Provision (benefit) for income taxes	**-**	-
Net income (loss)	$ **(1,458,869)**	$ (1,737,076)
Basic income (loss) per share	$ **(0.09)**	$ (0.12)
Basic weighted average number of common shares outstanding:		

		15,868,892		14,802,436
Diluted income (loss) per share	**$**	**(0.09)**	$	(0.12)
Diluted weighted average number of common shares outstanding:		**15,868,892**		14,802,436

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARY

Condensed Consolidated Statement of Changes in Shareholders' Interest (Deficit)

For the Six Months Ended June 30, 2013

(Unaudited)

	Preferred Stock Shares outstanding	**Preferred Stock Amount**	**Common Stock Shares outstanding**	**Common Stock Amount**	**Capital in excess of par value**	**Accumulated deficit**	**Total shareholders interest (deficit)**
		$		$	$	$	$
Balance January 1, 2013	2,427	60,675	15,237,304	152,373	45,367,796	(49,609,914)	(4,029,070)
Net income (loss)	-	-	-	-	-	(1,458,869)	(1,458,869)
Common shares issued into escrow (Note 12)	-	-	1,000,000	10,000	(10,000)	-	-
Common shares issued to settle accounts payable, general and accrued expenses	-	-	100,000	1,000	42,000	-	43,000
Common stock issued to directors	-	-	17,500	175	6,825	-	7,000
Stock option compensation expense	-	-	-	-	128,637		128,637
		$		$	$	$	$
Balance June 30, 2013	2,427	60,675	16,354,804	163,548	45,535,258	(51,068,783)	(5,309,302)

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Six months ended June 30, 2013	Six months ended June 30, 2012
Cash flows from operating activities:		
Net income (loss)	**$ (1,458,869)**	$ (1,737,076)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	**4,859**	7,454
Stock option compensation expense	**128,637**	138,630
Share-based compensation common stock	**7,000**	-
Bad debt expense	**5,000**	-
Unrealized loss (gain) on derivative instrument	**(8,728)**	8,883
Changes in assets and liabilities:		
Receivables	**194,315**	19,834
Restricted cash	**-**	750,000
Prepaid expenses and other current assets	**60,763**	(61,672)
Inventory	**20,000**	(220,000)
Accounts payable, accrued expenses and other liabilities	**(96,953)**	635,394
Deferred revenue	**(1,600)**	-
Net cash used in operating activities	**(1,145,576)**	(458,553)
Cash flows from investing activities:		
Purchase of property and equipment	**-**	(19,740)
Cash used in investing activities	**-**	(19,740)
Cash flows from financing activities:		
Proceeds from note payable	**1,095,000**	470,000
Cash provided by financing activities	**1,095,000**	470,000
Net decrease in cash	**(50,576)**	(8,293)
Cash at beginning of period	**$ 74,322**	$ 28,485
Cash at end of period	**$ 23,746**	$ 20,192

Supplemental Cash Flow Information:		
Cash paid for interest	**$ 12,011**	$ 312

Supplemental disclosure of non-cash transactions:

During the six months ended June 30, 2013, the Company transferred a rental asset with a Net Book Value (NBV) of approximately $8,000 to inventory.

During May 2013, the Company issued 500,000 shares of its common stock into escrow, pending the completion of potential financing with a European investment group.

During March 2013, the Company issued 150,000 shares of its common stock into escrow, pending the completion of potential financing with a European investment group.

During March 2013, the Company issued 100,000 shares of its common stock at $0.43 per share for legal services.

During January 2013, the Company issued 350,000 shares of its common stock into escrow, pending the completion of potential financing with a European investment group.

During June 2012, the Company issued 120,000 common shares at $0.8333 per share to settle $3,178 of accrued liabilities and to prepay $96,822 in legal expenses.

During March 2012, the Company issued 100,000 common shares at $1.111 per share to settle $111,100 of accrued liabilities.

During February 2012, the Company issued 14,415 shares at $1.19 per share to settle $17,154 of accrued liabilities.

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARY

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

1.

BASIS OF PRESENTATION

The interim condensed consolidated financial information presented in the accompanying condensed consolidated financial statements and notes hereto is unaudited.

Competitive Technologies, Inc. ("CTTC") and its majority-owned (56.1%) subsidiary, Vector Vision, Inc. ("VVI"), (collectively, "we" or "us") provide patent and technology licensing and commercialization services throughout the world, with concentrations in the U.S., Europe and Asia, with respect to a broad range of life and physical sciences, electronics, and nanotechnologies originally invented by individuals, corporations and universities.

These consolidated financial statements include the accounts of CTTC and VVI. Inter-company accounts and transactions have been eliminated in consolidation.

We believe we made all adjustments necessary, consisting only of normal recurring adjustments, to present the unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the U.S. The results for the three and six months ended June 30, 2013 are not necessarily indicative of the results that can be expected for the next full fiscal year ending December 31, 2013.

The interim unaudited condensed consolidated financial statements and notes thereto, should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission ("SEC") on May 31, 2013.

During the three and six months ended June 30, 2013, we had a significant concentration of revenues from our Calmare® pain therapy medical device. The percentages of gross revenue attributed to sales and rentals of Calmare® devices was 96% and 80% in the three and six months ended June 30, 2013, respectively; and 58% and 87% in the three and six months ended June 30, 2012, respectively. Additionally, the percentage of gross revenue attributed to other Calmare related sales of equipment and training was 2 % and 1.5% in the three and six months ended June 30, 2013, respectively; and 4% and 2.5% in the three and six months ended June 30, 2012, respectively. We continue to attempt to expand our sales activities for the Calmare® device and expect the majority of our revenues to come from this technology for at least the next two years. However, we continue to seek revenue from new or existing technologies or products to mitigate the concentration of revenues, and replace revenues from expiring licenses and patents on other technologies.

The Company has incurred operating losses since fiscal 2006. The Company has taken steps to significantly reduce its operating expenses going forward and expects revenue from sales of Calmare® medical devices to grow. However, even at the reduced spending levels, should the anticipated increase in revenue from sales of Calmare® devices not occur the Company may not have sufficient cash flow to fund operating expenses beyond the first quarter of 2014. These conditions raise substantial doubt about the Company s ability to continue as a going concern. The financial statements do not include adjustments to reflect the possible future effect of the recoverability and classification of assets or amounts and classifications of liabilities that may result from the outcome of this uncertainty.

The Company's continuation as a going concern is dependent upon its developing recurring revenue streams sufficient to cover operating costs. The company does not have any significant individual cash or capital requirements in the budget going forward. If necessary, CTTC will meet anticipated operating cash requirements by further reducing costs, issuing debt and/or equity, and/or pursuing sales of certain assets and technologies while we pursue licensing and distribution opportunities for our remaining portfolio of technologies. There can be no assurance that the Company will be successful in such efforts. Failure to develop a recurring revenue stream sufficient to cover operating expenses would negatively affect the Company s financial position.

Our liquidity requirements arise principally from our working capital needs, including funds needed to sell our current technologies and obtain new technologies or products, and protect and enforce our intellectual property rights, if necessary. We fund our liquidity requirements with a combination of cash on hand, short and long term borrowing, sales of common stock and cash flows from operations, if any, including royalty legal awards. At June 30, 2013, the Company had $2,630,000 of outstanding debt.

During 2011, the Company entered into a Factoring Agreement with Versant Funding, LLC ("Versant") to accelerate receivable collection and better manage cash flow. Under the Factoring Agreement the Company had agreed to sell to Versant certain of the Company's accounts receivables. For those accounts receivable the Company tendered to Versant and Versant chose to purchase, Versant agreed to advance 75% of the face value to the Company, and to submit a percentage of the remainder to the Company upon collection on the account. The percentage is based on the time it takes Versant to collect on the account. As part of the Factoring Agreement, the Company and Versant entered into a Security Agreement whereby the Company granted Versant a security interest in certain of the Company s assets to secure the Company s performance of the representations made with respect to the purchase of the accounts receivable. During the fourth quarter of 2012, the Company ended its Factoring Agreement with Versant and entered into a new Factoring Agreement with LSQ Funding. The new Factoring Agreement with LSQ Funding provides for an 85% advance of factored accounts, lower fees, a faster payout of both advances and balances due, and the possibility of over-advances. At June 30, 2013, the Company had no factored accounts and had approximately $8,000 in its reserve account with LSQ.

Sales and rentals of our Calmare device and associated supplies continue to be the major source of revenue for the Company. The Company initially acquired the exclusive, worldwide rights to the *Scrambler Therapy*® technology in 2007. The Company's 2007 agreement with Giuseppe Marineo ("Marineo"), the inventor of *Scrambler Therapy* technology, and Delta Research and Development ("Delta"), authorized CTTC to manufacture and sell worldwide the device developed from the patented *Scrambler Therapy* technology; the territorial rights were modified in the July 2012 amendment discussed below. The *Scrambler Therapy* technology is patented in Italy and in the U.S., effective in February 2013. Applications for patents have been filed internationally as well and are pending approval. The Calmare device has CE Mark certification from the European Union as well as U.S. FDA 510(k) clearance.

In July 2012, the Company negotiated a five-year extension to the agreement with Marineo and Delta. That agreement had provided an initial five-year term expiring March 30, 2016, which has been extended to March 30, 2021.

The agreement with Marineo and Delta enabled the Company to establish an agreement with GEOMC Co., Ltd. ("GEOMC", formerly Daeyang E & C Co., Ltd.) of Seoul, South Korea, to manufacture the Calmare pain therapy medical device, based on Marineo's *Scrambler Therapy* technology. This original GEOMC agreement is for a period of ten (10) years, through 2017, and outlines each company's specific financial obligations.

In negotiating the extension of its Agreement with Marineo and Delta, which was signed in July 2012, the Company agreed to focus its sales and marketing programs for the Calmare device primarily in the Western Hemisphere including the USA, Canada, Mexico and the countries of Central and South America, as well as Australia and New Zealand. As opportunities arise for Calmare-related sales or distribution activities in countries outside the focus region, CTTC will coordinate with Marineo who will be managing such activities for the mutual benefit of the partners. As agreed, Marineo has assumed, or is in the process of assuming, management responsibility for pre-existing distribution agreements for countries outside the focus region.

In 2010, the Company became its own distributor for the Calmare device in the U.S, contracting with commissioned sales representatives to sell devices. During 2011 and 2012, the Company and its representatives developed plans to increase awareness of the Calmare device among critical medical specialties and began to implement those plans targeting specific customers and locations in fiscal 2012. Over the past 30 months, the Company has entered into several sales agreements for the Calmare device, including sales to U.S. government entities within the U.S. Department of Defense and the U.S. Department of Veterans Affairs. Sales to these physicians and medical practices and to others with whom the Company had existing sales agreements continue to generate revenue for the Company.

We record revenue from the sales of inventory when the terms of the sales arrangement are accepted by all parties including a fee that is fixed and determinable, delivery has occurred and our customer has taken title, and collectability is reasonably assured. We are the primary obligor, responsible for delivering devices as well as for training our customers in the proper use of the device. We deal directly with customers, setting pricing and providing training; work directly with the inventor of the technology to develop specifications and any changes thereto and to select and contract with manufacturing partners; and retain significant credit risk for amounts billed to customers. Therefore, all product sales are recorded following a gross revenue methodology.

2.

NET INCOME (LOSS) PER COMMON SHARE

The following sets forth the denominator used in the calculations of basic net income (loss) per share and net income (loss) per share assuming dilution:

	Three months ended June 30, 2013	**Six months ended June 30, 2013**	Three months ended June 30, 2012	Six months ended June 30, 2012
Denominator for basic net income (loss) per share, weighted average shares outstanding	**16,146,013**	**15,868,892**	14,691,180	14,802,436
Dilutive effect of common stock options	**N/A**	**N/A**	N/A	N/A
Dilutive Effect of Series C convertible preferred stock	**N/A**	**N/A**	N/A	N/A
Denominator for diluted net income (loss) per share, weighted average shares outstanding	**16,146,013**	**15,868,892**	14,691,180	14,802,436

Options to purchase 1,367,000 and 373,000 shares of our common stock outstanding at June 30, 2013, and 2012, respectively, were outstanding but not included in the computation of diluted net income (loss) per share because they were anti-dilutive. The outstanding 375 shares of convertible preferred stock outstanding at June 30, 2013 and 2012, and $2,630,000, and $570,000 in convertible debt at June 30, 2013 and 2012, respectively, were not included in the computation of diluted net income (loss) per share because they were also anti-dilutive.

3.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

No new accounting pronouncements issued or effective during the quarter ended June 30, 2013 has had or is expected to have a material impact on the consolidated financial statements.

4.

RECEIVABLES

Receivables consist of the following:

	June 30, 2013	December 31, 2012
Calmare® Sales Receivable	**$ 4,406**	$ 212,774
Royalties, net of allowance of $101,154 at June 30, 2013 and December 31, 2012	**-**	-
LSQ Funding	**8,659**	-
Other	**3,985**	3,591
Total receivables	**$ 17,050**	$ 216,365

5.

AVAILABLE-FOR-SALE AND EQUITY SECURITIES

The fair value of the equity securities we held were categorized as available-for-sale securities, which were carried at a fair value of zero, consisted of shares in Security Innovation and Xion Pharmaceutical Corporation ("Xion"). We own 223,317 shares of stock in the privately held Security Innovation, an independent provider of secure software located in Wilmington, MA.

In September 2009 we announced the formation of a joint venture with Xion for the commercialization of our patented melanocortin analogues for treating sexual dysfunction and obesity. CTTC currently owns 60 shares of common stock or 30% of the outstanding stock of privately held Xion.

6.

FAIR VALUE MEASUREMEMENTS

The Company measures fair value in accordance with Topic 820 of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), "Fair Value Measurement" ("ASC 820"), which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 -

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 -

Inputs to the valuation methodology include:

•

Quoted prices for similar assets or liabilities in active markets;

•

Quoted prices for identical or similar assets or liabilities in inactive markets;

•

Inputs other than quoted prices that are observable for the asset or liability;

•

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 -

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company values its derivative liability associated with the variable conversion feature on its Series C Convertible Preferred Stock (Note 12) based on the market price of its common stock. For each reporting period the Company calculates the amount of potential common stock that the Series C Preferred Stock could convert into based on the conversion formula (incorporating market value of our common stock) and multiplies those converted shares by the market price of its common stock on that reporting date. The total converted value is subtracted by the consideration paid to determine the fair value of the derivative liability.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

The Company classified the derivative liability of $111,194 and $119,922 at June 30, 2013 and December 31, 2012, respectively, in Level 2 of the fair value hierarchy.

The carrying amounts reported in our Condensed Consolidated Balance Sheet for Cash, Accounts Receivable, Accounts Payable, Notes Payable, Accrued Expenses and Other Liabilities, Deferred Revenue, and Preferred Stock Liability approximate fair value due to the short-term maturity of those financial instruments.

7.

PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	June 30, 2013	December 31, 2012
Prepaid royalties	**$ 25,000**	$ -
Prepaid legal fees	**15,000**	46,813
Prepaid insurance	**6,354**	17,473
Prepaid stock listing fees	**7,500**	-
Other	**7,110**	14,441
Prepaid expenses and other current assets	**$ 60,964**	$ 78,727

8.

PROPERTY AND EQUIPMENT

Property and equipment, net, consist of the following:

	June 30, 2013	December 31, 2012
Property and equipment, gross	**177,537**	$ 189,633
Accumulated depreciation and amortization	**(163,643)**	(162,816)
Property and equipment, net	**$ 13,894**	$ 26,817

Depreciation and amortization expense was $2,523 and $4,859 during the three and six months ended June 30, 2013, and $3,990 and $7,454 for the three and six months ended June 30, 2012.

9.

ACCOUNTS PAYABLE, GENERAL

	June 30, 2013	December 31, 2012
	$	$
Legal fees payable	**941,140**	930,353
Consulting fees payable	**619,496**	563,787
Directors fees and expenses payable	**148,096**	147,254
Audit/accounting fees payable	**8,816**	103,503
Patent fees payable	**17,615**	-
Marketing/PR/IR expenses payable	**23,852**	-
Public company expenses payable	**17,103**	-
Other payables	**40,126**	61,449
	$	$
Accounts Payable, General	**1,816,244**	1,806,346

10.

ACCRUED EXPENSES AND OTHER LIABILITIES

	June 30, 2013	December 31, 2012
Royalties payable	**$ 107,590**	$ 182,052
Accrued audit fees payable	**55,500**	80,000
Over advance, factoring fees LSQ Funding	**-**	77,464
Commissions payable	**3,687**	48,722
Accrued interest payable	**149,418**	85,184
Accrued consulting fees	**181,726**	167,726
Accrued directors fees and expenses	**50,718**	-
Customer deposit	**20,000**	20,000
Other	**96,719**	112,216
Accrued expenses and other liabilities	**$ 665,358**	$ 773,364

11.

NOTES PAYABLE

In December 2011, the Company issued a 90-day note payable to borrow $100,000 from a director, now the chairman of our Board. Additional notes payable were issued to the same individual in January 2012 ($100,000); in April 2012 ($100,000), in May 2012 ($25,000); in June 2012 ($20,000); in July 2012 ($325,000); in August 2012 ($50,000); in September 2012 ($15,000); in October 2012 ($165,000); in November 2012 ($130,000); in December 2012 ($280,000); in January 2013 ($190,000); in February 2013 ($115,000); in March 2013($200,000); in April 2013 ($320,000); in May 2013 ($230,000); and in June 2013 ($40,000). The proceeds from these notes ($2,405,000) were used for general corporate purposes. These notes have been extended several times. A conversion feature was added to the Notes when they were extended, which allows for conversion of the eligible principal amounts to common stock at any time after the six month anniversary of the effective date (the date the funds are received) at a rate of $1.05 per share. Additional terms have been added to all Notes to include additional interest payments to all Notes if extended beyond their original maturity dates and to provide the lender with a security interest in unencumbered inventory and intangible assets of the Company other than proceeds relating to the Calmare device and accounts receivable. The full amount of principal and 6.00% simple interest per annum are now due in the quarter ended September 30, 2013.

In March 2012, the Company issued a 24-month convertible promissory note to borrow $100,000 for general corporate purposes. Additional 24-month convertible promissory notes were issued in April 2012 ($25,000) and in June 2012 ($100,000). Conversion of the eligible principal amounts to common stock is allowed at any time after the six month anniversary of the effective date of each note at a rate of $1.05 per share The full amount of principal was outstanding at June 30, 2013; 6.00% simple interest is payable monthly in advance; all of these notes are classified as short term, with due dates in March, April and June of 2014.

At June 30, 2013, $2,505,000 of the outstanding were Notes payable to related parties; $2,405,000 to the chairman of our Board and $100,000 to another director. Subsequent to June 30, 2013, an additional $53,000 was borrowed from our chairman. The terms and conditions are as noted above.

Subsequent to June 30, 2013, the Company entered into a securities purchase agreement with Tonaquint, Inc. under which Tonaquint, Inc. was issued a $112,500 convertible promissory note in consideration for $100,000. The note is convertible at a conversion price of $0.30 per share at any time. The note bears interest at 7% and is due in May 2014. Tonaquint, Inc. was also issued a market-related warrant with a cashless exercise feature for the note value.

12.

SHAREHOLDERS INTEREST

Stock Option Plan

On May 2, 2011 the Company adopted and executed the Employees Directors and Consultants Stock Option Plan (the Plan). During the three months ended March 31, 2013, the Company granted 50,000 options to non-employee directors which were fully vested upon issuance. During the three months ended March 31, 2012, the Company granted 70,000 options to non-employee directors which were fully vested upon issuance.

During the three months ended March 31, 2013, the Company granted 1,000,000 options to our CEO. As approved by the Board of Directors these options granted will vest over a four year period, with 200,000 options vesting upon issuance. No options were granted to employees during the three and six months ended June 30, 2012.

During the three months ended March 31, 2013 and 2012, the Board of Directors extended the expiration dates for all options previously granted to one and two, respectively, departing Board members in recognition for service. Those options will expire per their original term specified in each individual option agreement, typically either 5 or 10 years from the date of granting, rather than expiring within the specified time period, typically 90 or 180 days following the Board members termination dates. The Company considered the extension as a modification to the option agreements recording incremental compensation expense of $16,920 and $80,000 for the three months ended March 31, 2013 and 2012, respectively.

We estimated the fair value of each option on the grant date using a Black-Scholes option-pricing model with the following weighted average assumptions:

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Dividend yield (1)	**0.00%**	0.00%
Expected volatility (2)	**99.2% - 100.3%**	86.7% - 87.1%
Risk-free interest rates (3)	**0.63%**	0.89%
Expected lives (2)	**2.0-4.0 YEARS**	5 YEARS

(1)

We have not paid cash dividends on our common stock since 1981, and currently do not have plans to pay or declare cash dividends. Consequently, we used an expected dividend rate of zero for the valuations.

(2)

Estimated based on our historical experience. Volatility was based on historical experience over a period equivalent to the expected life in years.

(3)

Based on the U.S. Treasury constant maturity interest rate with a term consistent with the expected life of the options granted.

During the three and six months ended June 30, 2013, the Company recognized expense of $0 and $14,250 for stock options issued to directors and expense of $17,200 and $97,467 for stock options issued to our CEO. During the three and six months ended June 30, 2012, the Company recognized expense of $0 and $58,630, for stock options issued to directors. No stock options were issued to directors or employees during the three months ended June 30, 2012.

Preferred Stock

Holders of 5% preferred stock are entitled to receive, if, as, and when declared by the Board of Directors, out of funds legally available therefore, preferential non-cumulative dividends at the rate of $1.25 per share per annum, payable quarterly, before any dividends may be declared or paid upon or other distribution made in respect of any share of common stock. The 5% preferred stock is redeemable, in whole at any time or in part from time to time, on 30 days' notice, at the option of the Company, at a redemption price of $25. In the event of voluntary or involuntary liquidation, the holders of preferred stock are entitled to $25 per share in cash before any distribution of assets can be made to holders of common stock.

Each share of 5% preferred stock is entitled to one vote. Holders of 5% preferred stock have no preemptive or conversion rights. The preferred stock is not registered to be publicly traded.

At its December 2, 2010 meeting, the CTTC Board of Directors declared a dividend distribution of one right (each, a Right) for each outstanding share of common stock, par value $0.01, of the Company (the Common Shares). The dividend is payable to holders of record as of the close of business on December 2, 2010 (the Record Date). Issuance of the dividend may be triggered by an investor purchasing more than 20% of the outstanding shares of common stock. This shareholder rights plan and the subsequent authorization of 20,000 shares of Class B Preferred Stock were announced with a Form 8-K filing on December 15, 2010, following CTTC's finalization of the Rights Agreement with CTTC's Rights Agent, American Stock Transfer & Trust Company, LLC. The Rights Agreement was filed with the December 15, 2010, Form 8-K. It is intended to provide the CTTC Board of Directors with time for proper valuation of the Company should other entities attempt to purchase a controlling interest of CTTC shares.

On December 15, 2010 the Company issued a $400,000 promissory note. The promissory note was scheduled to mature on December 31, 2012 with an annual interest rate of 5%.

On December 15, 2010, the Company's Board of Directors authorized the issuance of 750 shares of Series C Convertible Preferred Stock ($1,000 par value) with a 5% cumulative dividend to William R. Waters, Ltd. of Canada. On December 30, 2010, 750 shares were issued. The Company converted a $400,000 promissory note into 400 shares and received cash of $350,000 for the remaining 350 shares. These transactions were necessitated to replenish the Company's operating cash which had been drawn down by the $750,000 cash collateral previously posted by CTTC in a prejudgment remedy action styled *John B. Nano v. Competitive Technologies, Inc.,* Docket No. CV10 5029318 (Superior Court, Bridgeport, CT), see Note 13 below for details.

On June 17, 2011, William R. Waters, Ltd. of Canada, advised the Company of its intent to convert one half of its Series C Convertible Preferred Stock, 375 shares, to common stock, with a conversion date of June 16, 2011. On July 14, 2011, American Stock Transfer & Trust Company was asked to issue the certificate for 315,126 shares of CTTC common stock. In accordance with the conversion rights detailed below, the conversion price for these shares was $1.19, which is 85% of the mid-point of the last bid price ($1.35) and the last ask price ($1.45) on June 16, 2011, the agreed upon conversion date.

The rights of the Series C Convertible Preferred Stock are as follows:

Dividend rights The shares of Series C Convertible Preferred Stock accrue a 5% cumulative dividend on a quarterly basis and is payable on the last day of each fiscal quarter when declared by the Company s Board. As of June 30, 2013, dividends declared were $56,247, of which $4,675 and $9,298 were declared during the three months and six ended June 30, 2013, respectively, and $37,500 have not been paid and are shown in accrued and other liabilities at June 30, 2013.

Voting rights Holders of these shares of Series C Convertible Preferred Stock shall have voting rights equivalent to 1,000 votes per $1,000 par value Series C Convertible Preferred share voted together with the shares of common stock

Liquidation rights Upon any liquidation these Series C Convertible Preferred Stock shares shall be treated as equivalent to shares of Common stock to which they are convertible.

Redemption rights The redemption rights were associated with the $750,000 that had been held in escrow by the Company in the event that the funds were released and returned to the company. However, the funds were withdrawn from escrow and paid out in accordance with the settlement agreement (see Note 13 for details). Therefore the redemption rights no longer apply to the remaining Series C Convertible Preferred Stock.

Conversion rights Holder has right to convert each share of Series C Convertible Preferred Stock at any time into shares of the Company's common stock at a conversion price for each share of common stock equal to 85% of the lower of (1) the closing market price at the date of notice of conversion or (2) the mid-point of the last bid price and the last ask price on the date of the notice of conversion. The variable conversion feature creates an embedded derivative that was bifurcated from the Series C Convertible Preferred Stock on the date of issuance and was recorded at fair value. The derivative liability will be recorded at fair value on each reporting date with any change recorded in the Statement of Operations as an unrealized gain (loss) on derivative instrument.

On the date of conversion of the 375 shares of Series C Convertible Preferred Stock the Company calculated the value of the derivative liability to be $81,933. Upon conversion, the $81,933 derivative liability was reclassified to equity.

The Company recorded a convertible preferred stock derivative liability of $111,194 and $119,922, associated with the 375 shares of Series C Convertible Preferred Stock outstanding at June 30, 2013, and December 31, 2012, respectively.

The Company has classified the Series C Convertible Preferred Stock as a liability at June 30, 2013 and December 31, 2012 because the variable conversion feature may require the Company to settle the conversion in a variable number of its common shares.

<u>Common Stock</u>

During the six months ended June 30, 2013, the Company entered into an Equity Purchase Agreement with Southridge Partners II, L.P. (Southridge). Under the terms of the Purchase Agreement, which was filed with the SEC on February 26, 2013, Southridge will purchase, at the Company's election, up to $10,000,000 of the Company's registered common stock (the "Shares"). During the two year term of the Purchase Agreement, the Company may at any time in its sole discretion deliver a "put notice" to Southridge thereby requiring Southridge to purchase a certain dollar amount of the Shares. Simultaneous with the delivery of such Shares, Southridge shall deliver payment for the Shares. Subject to certain restrictions, the purchase price for the Shares shall be equal to ninety percent of the lowest closing bid price for the Company's common stock during the ten-day trading period immediately after the Shares specified in the Put Notice are delivered to Southridge.

The number of Shares sold to Southridge shall not exceed the number of such shares that, when aggregated with all other shares of common stock of the Company then beneficially owned by Southridge, would result in Southridge owning more than 9.99% of all of the Company's common stock then outstanding. Additionally, Southridge may not execute any short sales of the Company's common stock.

During the six months ended June 30, 2013, the Company has issued 1,000,000 shares of its common stock into escrow, pending the completion of potential financing with a European investment group.

During the six months ended June 30, 2013, the Company negotiated a Liabilities Purchase Agreement with Southridge Partners II, LP. This agreement takes advantage of a provision in the Securities Act of 1933, Section 3(a)(10), that allows the exchange of claims, securities, or property for stock when the arrangement is approved for fairness by a court proceeding. The process, if approved by the court, has the potential to eliminate about $2 million of our financial obligations to existing creditors. There can be no assurance that CTTC will be successful in completing this process with Southridge.

13.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

As of June 30, 2013, CTTC and its majority owned subsidiary, VVI, have remaining obligations, contingent upon receipt of certain revenues, to repay up to $165,701 and $198,655, respectively, in consideration of grant funding received in 1994 and 1995. CTTC recorded $87 and $0 expense reducing that obligation in the six months ended June 30, 2013 and June 30, 2012, respectively. CTTC also is obligated to pay at the rate of 7.5% of its revenues, if any, from transferring rights to certain inventions supported by the grant funds. VVI is obligated to pay at rates of 1.5% of its net sales of supported products or 15% of its revenues from licensing supported products, if any. We recognized $680 and $817 of these obligations during the six months ended June 30, 2013 and June 30, 2012, respectively.

We have engaged R.F. Lafferty & Co. to seek an acquisition partner from a limited number of companies for our nanoparticle bone biomaterial patents, among other assets and/or securities. The Company would pay Lafferty a 10%

finder's fee in the event an acquisition partner is found, which Management has deemed to be an immaterial and contingent obligation.

In November 2010, the Company entered into a three-year operating lease office spaces. The obligations are significantly less than the previous lease, averaging $70,000 per year for the three-year term.

Since the existing lease expires on November 30, 2013, and renewal is currently being negotiated, at June 30, 2013, there were no future minimum rental payments required under operating leases with initial or remaining non-cancelable lease terms in excess of one year. The future minimum rental payments required under operating leases with remaining non-cancelable lease terms less than one year were approximately $30,000 at June 30, 2013.

In January 2011, the Company entered into a two-year lease effective February 1, 2011 for additional office space for the sales and training staff in Charlotte, NC. Obligations under this lease averaged $27,000 per year for the two-year term. The Company closed that office in July 2012 and closed out the lease, agreeing to forfeit the security deposit and pay the landlord a fee of $15,000 of which $9,000 remains unpaid at June 30, 2013.

Carolina Liquid Chemistries Corporation, et al**. (Case pending)** On August 29, 2005, we filed a complaint against Carolina Liquid Chemistries Corporation ("Carolina Liquid") in the United States District Court for the District of Colorado, alleging patent infringement of our patent covering homocysteine assays, and seeking monetary damages, punitive damages, attorneys fees, court costs and other remuneration at the option of the court. As we became aware of other infringers, we amended our complaint to add as defendants Catch, Inc. ("Catch") and the Diazyme Laboratories Division of General Atomics ("Diazyme"). On September 6, 2006, Diazyme filed for declaratory judgment in the Southern District of California for a change in venue and a declaration of non-infringement and invalidity. On September 12, 2006, the District Court in Colorado ruled that both Catch and Diazyme be added as defendants to the Carolina Liquid case.

On October 23, 2006, Diazyme requested the United States Patent and Trademark Office (the "USPTO") to re-evaluate the validity of our patent and this request was granted by the USPTO on December 14, 2006. On July 30, 2009, the U.S. Patent and Trademark Office s Board of Patent Appeals and Interferences (BPAI) upheld the homocysteine patent. In September 2008, the examiner had denied the patent, but that denial was overruled by the BPAI. While the examiner had appealed that BPAI decision, delaying further action, that appeal was also denied by the BPAI on December 13, 2010. In June 2011, the examiner once again appealed the BPAI decision, was again denied. In addition to responding to this new appeal, the Company had petitioned the Director of the USPTO to help expedite further action on the case within the USPTO, which was to have been handled with special dispatch according to USPTO requirements for handling reexamination proceedings of patents involved in litigation.

On March 13, 2012, the USPTO issued the Ex Parte Reexamination Certificate confirming the patentability of claims examined. The company has begun collecting unpaid amounts from various obligated companies.

Employment matters former employee (case pends) In September 2003, a former employee filed a whistleblower complaint with OSHA alleging that the employee had been terminated for engaging in conduct protected under the Sarbanes Oxley Act of 2002 (SOX). In February 2005, OSHA found probable cause to support the employee s complaint and the Secretary of Labor ordered reinstatement and back wages since the date of termination and CTCC requested de novo review and a hearing before an administrative law judge (ALJ). In July 2005, after the close of the hearing on CTTC s appeal, the U.S. district court for Connecticut enforced the Secretary s preliminary order of reinstatement and back pay under threat of contempt and the company rehired the employee with back pay.

On October 5, 2005, the ALJ who conducted the hearing on CTTC s appeal of the OSHA findings ruled in CTTC s favor and recommended dismissal of the employee s complaint. Although the employee abandoned his position upon notice of the ALJ s decision, he nevertheless filed a request for review by the DOL Administrative Review Board ("ARB").

In May 2006, the U.S. Court of Appeals for the Second Circuit vacated the order of the district court enforcing the Secretary s preliminary order of reinstatement and back pay. The employee also filed a new SOX retaliation complaint with OSHA based on alleged black listing action by CTTC following his termination. OSHA dismissed the complaint and the employee filed a request for a hearing by an administrative law judge. Ultimately, the employee voluntarily dismissed the appeal.

In March 2008, the ARB issued an order of remand in the employee s appeal of the October 2005 dismissal of his termination complaint, directing the ALJ to clarify her analysis utilizing the burden-shifting standard articulated by the ARB. In January 2009, the ALJ issued a revised decision again recommending dismissal and once again the employee appealed the ruling to the ARB. On September 30, 2011, the ARB issued a final decision and order affirming the ALJ s decision on remand and dismissing the employee s complaint. The employee has appealed the ARB's decision before the U.S. Court of Appeals for the Second Circuit which has ordered the employee to file his opening brief by May 31, 2012. Response briefs by the Solicitor's Office of the U.S. Department of Labor and CTTC were submitted in August 2012. In March 2013, the U.S Court of Appeals for the Second Circuit upheld the ARB s decision dismissing the former employee s complaint and denied the employee s appeal from that order. In April 2013, the Second Circuit terminated proceedings in that court.

John B. Nano vs. Competitive Technologies, Inc. - Arbitration (case completed) On September 3, 2010, the Board of Directors of CTTC found cause consisting of violation of fiduciary duties to the Corporation and violation of the CTTC Corporate Code of Conduct and removed John B. Nano as an Officer of the Corporation, in all capacities. On September 13, 2010, the Board of Directors also found cause consisting of violation of fiduciary duties to the Corporation and violation of the CTTC Corporate Code of Conduct removed John B. Nano as a Director of the Corporation, in all capacities, for cause, consisting of violation of his fiduciary duties. Details of these actions are outlined in Form 8-K filings with the SEC on September 13, 2010, and September 17, 2010. Mr. Nano was previously the Chairman of the Board of Directors, President and Chief Executive Officer of CTTC.

On September 13, 2010, Mr. Nano brought an arbitration claim to the American Arbitration Association against CTTC. Mr. Nano's employment contract with the Company had called for arbitration, which Mr. Nano had demanded to resolve this conflict. Mr. Nano sought $750,000 that he claimed was owed under his contract and claimed that he had been terminated without cause.

On September 23, 2010 the Company was served notice that John B. Nano, CTTC's former Chairman, President and CEO had filed a Notice of Application for Prejudgment Remedy/Claim of $750,000 and an Application for an Order Pendente Lite claiming we had breached Mr. Nano s employment contract with us. The applications were filed in the State of Connecticut Superior Court in Bridgeport, CT. In November 2010, the Company funded $750,000 as a Prejudgment Remedy held in escrow with the Company's counsel and has included this amount as restricted cash on the December 31, 2011 and December 31, 2010 balance sheets. The Company did not believe it was liable to the former Chairman, President and CEO, believing he was terminated for cause. The case proceeded through the arbitration process. The initial arbitration hearing began in April 2011; additional hearing dates were held in May and June 2011. In July 2011, each party submitted a summary limited in length stating their positions.

Prior to the conclusion of the arbitration hearings, the Company filed suit in Federal Court against the American Arbitration Association. The Company requested a temporary restraining order to halt the arbitration, which was denied by the court. The Company also requested a hearing before the court to review the arbitration proceedings. In August 2011, the American Arbitration Association's assigned arbitrator gave award to the Company's former Chairman, President and CEO, despite the Company's strongly held belief that the Board of Directors properly exercised its reasonable discretion under the employment agreement in finding that the former executive engaged in willful misconduct and gross negligence and that the executive s actions were cause for employment termination under the employment agreement and governing law. The former executive had requested a payment of $750,000, which he believed was due under his employment agreement. Following the notification of award, the former employee filed a motion with the State of Connecticut Superior Court in Bridgeport, CT to have the award confirmed. CTTC followed with a motion to vacate the award. A hearing on those two motions was held before a judge in October 2011.

In January 2012, the judge denied the Company's motion to vacate the arbitration award in favor of its former CEO John B. Nano and granted Mr. Nano's application to confirm the award. Following the decision, CTTC settled all disputes with its former Chairman and CEO, John B. Nano. Pursuant to the settlement, CTTC has released to Mr. Nano from escrow the $750,000 deposited by CTTC following Mr. Nano's application for a prejudgment remedy. CTTC paid an additional $25,000 as settlement of additional amounts of statutory interest. These amounts ($775,000) had been accrued at December 31, 2011. The settlement includes mutual general releases of any and all claims either party has or had against the other. The settlement agreement also includes a provision that neither CTTC nor Mr. Nano would disparage the other. Should any such disparagement occur and litigation ensue, they further agreed that the prevailing party would be entitled to recover its costs and expenses, including reasonable attorney's fees. CTTC's payments to Mr. Nano were completed in the quarter ended March 31, 2012.

Summary We may be a party to other legal actions and proceedings from time to time. We are unable to estimate legal expenses or losses we may incur, if any, or possible damages we may recover, and have not recorded any potential judgment losses or proceeds in our financial statements to date, with the exception of the accrued expenses related to the Nano case, previously disclosed. We record expenses in connection with these suits as incurred.

We believe we carry adequate liability insurance, directors and officers insurance, casualty insurance, for owned or leased tangible assets, and other insurance as needed to cover us against potential and actual claims and lawsuits that occur in the ordinary course of our business. However, an unfavorable resolution of any or all matters, and/or our incurrence of significant legal fees and other costs to defend or prosecute any of these actions and proceedings may, depending on the amount and timing, have a material adverse effect on our consolidated financial position, results of operations or cash flows in a particular period.

14.

RELATED PARTY TRANSACTIONS

Our board of directors determined that when a director's services are outside the normal duties of a director, we compensate the director at the rate of $1,000 per day, plus expenses, which is the same amount we pay a director for attending a one-day Board meeting. We classify these amounts as consulting expenses, included in personnel and consulting expenses.

At June 30, 2013, $2,505,000 of the outstanding were Notes payable to related parties; $2,405,000 to the chairman of our Board and $100,000 to another director. Subsequent to June 30, 2013, an additional $53,000 was borrowed from our chairman. The terms and conditions are as described in Note 11. At December 31, 2012, $1,310,000 of the outstanding Notes were Notes payable to a related party, the chairman of our Board, and $100,000 to another director.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Statements about our future expectations are forward-looking statements within the meaning of applicable Federal Securities Laws, and are not guarantees of future performance. When used in herein, the words "may," "will," "should," "anticipate," "believe," "intend," "plan," "expect," "estimate," "approximate," and similar expressions are intended to identify such forward-looking statements. These statements involve risks and uncertainties inherent in our business, including those set forth in Item 1A under the caption "Risk Factors," in our most recent Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission ("SEC") on May 31, 2013, and other filings with the SEC, and are subject to change at any time. Our actual results could differ materially from these forward-looking statements. We undertake no obligation to update publicly any forward-looking statement.

Overview

Competitive Technologies, Inc. ("CTTC") was incorporated in Delaware in 1971, succeeding an Illinois corporation incorporated in 1968. CTTC and its subsidiary (collectively, "we," "our," or "us"), provide distribution, patent and technology transfer, sales and licensing services focusing on the needs of our customers, matching those requirements with commercially viable technology or product solutions. We develop relationships with universities, companies, inventors and patent or intellectual property holders to obtain the rights or a license to their intellectual property (collectively, the "technology" or "technologies"), or to their product. They become our clients, for whom we find markets to sell or further develop or distribute their technology or product. We also develop relationships with those who have a need or use for technologies or products. They become our customers, usually through a license or sublicense, distribution agreement, or sales contract.

We earn revenue in two ways: retained royalties from licensing our clients' and our own technologies to our customer licensees, and sales of finished products. We record revenue when the terms of the sales arrangement are accepted by all parties including a fee that is fixed and determinable, delivery has occurred and our customer has taken title, and collectability is reasonably assured.

Sales of our Calmare device continue to be the major source of revenue for the Company. The Company initially acquired the exclusive, worldwide rights to the Scrambler Therapy® technology in 2007. The Company's 2007 agreement with Giuseppe Marineo ("Marineo"), the inventor of Scrambler Therapy technology, and Delta Research and Development ("Delta"), authorized CTTC to manufacture and sell worldwide the device developed from the patented Scrambler Therapy technology; the territorial rights were modified in the July 2012 amendment discussed below. The Scrambler Therapy technology is patented in Italy and in the U.S., effective in February 2013. Applications for patents have been filed internationally as well and are pending approval. The Calmare device has CE Mark certification from the European Union as well as U.S. FDA 510(k) clearance.

In July 2012, the Company negotiated a five-year extension to the agreement with Marineo and Delta. That agreement had provided an initial five-year term expiring March 30, 2016, which has been extended to March 30, 2021.

The agreement with Marineo and Delta enabled the Company to establish an agreement with GEOMC Co., Ltd. ("GEOMC", formerly Daeyang E & C Co., Ltd.) of Seoul, South Korea, to manufacture the Calmare pain therapy medical device, based on Marineo's Scrambler Therapy technology. This original GEOMC agreement is for a period of ten (10) years, through 2017, and outlines each company's specific financial obligations.

In negotiating the extension of its Agreement with Marineo and Delta, which was signed in July 2012, the Company agreed to focus its sales and marketing programs for the Calmare device primarily in the Western Hemisphere including the USA, Canada, Mexico and the countries of Central and South America, as well as Australia and New Zealand. As opportunities arise for Calmare-related sales or distribution activities in countries outside the focus region, CTTC will coordinate with Marineo who will be managing such activities for the mutual benefit of the partners. As agreed, Marineo has assumed, or is in the process of assuming, management responsibility for pre-existing distribution agreements for countries outside the focus region.

In 2010, the Company became its own distributor for the Calmare device in the U.S, contracting with commissioned sales representatives to sell devices. During 2011 and 2012, the Company and its representatives developed plans to increase awareness of the Calmare device among critical medical specialties and began to implement those plans targeting specific customers and locations in fiscal 2012. Over the past 30 months, the Company has entered into several sales agreements for the Calmare device, including sales to U.S. government entities within the U.S. Department of Defense and the U.S. Department of Veterans Affairs. Sales to these physicians and medical practices and to others with whom the Company had existing sales agreements continue to generate revenue for the Company.

Presentation

We rounded all amounts in this Item 2 to the nearest thousand dollars. Certain amounts may not total precisely.

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of our financial condition and results of operations. This discussion and analysis should be read in conjunction with our Consolidated Financial Statements and Notes thereto.

Results of Operations Three months ended June 30, 2013 vs. three months ended June 30, 2012

Summary of Results

We incurred a net loss of $677,000 or $0.04 per basic and diluted share for the three months ended June 30, 2013, compared to a net loss of $942,000 or $0.06 per basic and diluted share for the three months ended June 30, 2012. As explained in detail below, the net loss reflects an increase of $28,000 in gross revenue, an increase of $73,000 in gross profit from product sales and a decrease in other expenses of $238,000.

Revenue and Gross Profit from Sales

Revenue from product sales: In the three months ended June 30, 2013, we recorded $136,000 in revenue from the sale and shipment of 2 Calmare® pain therapy medical devices, with a cost of product sales of $46,000. In the three months ended June 30, 2012, we recorded $63,000 in revenue from the sale and shipment of one Calmare® pain therapy medical devices; with a cost of product sales of $45,000.

Other Revenue

Retained royalties for the three months ended June 30, 2013 were $4,000, which was $48,000 or 92% less than the $52,000 of retained royalties reported in the three months ended June 30, 2012. The 2012 amount included the receipt of a $40,000 royalty payment received for 2011 which was greater than our original estimates.

Other income for the three months ended June 30, 2013, was $10,000, including payments for training and the sale of supplies such as electrodes and cables for use with our Calmare® devices ($2,000) and rental income ($8,000) from customers who were renting Calmare® pain therapy medical devices from us. In the three months ended June 30, 2012, other income was $8,000, including payments for the sale of supplies such as electrodes and cables for use with our Calmare® devices ($5,000) and rental income ($3,000) from customers who were renting Calmare® pain therapy medical devices from us.

Expenses

Total expenses were $781,000 in the three months ended June 30, 2013, compared to $1,019,000 in the three months ended June 30, 2012, a decrease of $238,000 or 23%.

Selling expenses were $36,000 in three months ended June 30, 2013, compared to $94,000 in the three months ended June 30, 2012. The decrease of $58,000 reflects an increase of $16,000 in commission expenses due to the sale of an additional Calmare® device in 2013, which was offset by a decrease of $9,000 in domestic patent legal expenses as well as a decrease of $14,000 in foreign patent legal expenses related to the joint venture with XION Corporation to develop the melanocortin technologies combined with a decrease of $51,000 in patent and translation fees related to working with the inventor of the Calmare® device resulting from the transfer of the contractual obligation to pay patent costs back to the inventor.

Personnel and consulting expenses were $279,000 in the three months ended June 30, 2013, as compared to $502,000 in the three months ended June 30, 2012, a decrease of $223,000 or 44%. Personnel related expenses were $218,000 in the three months ended June 30, 2013, as compared to $146,000 in the three months ended June 30, 2012, an increase of $72,000 primarily due to the addition of a new CEO in November 2012, as well as the expense during the three months ended June 30, 2013 ($17,000) related to the granting of 1,000,000 options to our CEO during the three months ended March 31, 2013. No options were granted to employees in 2012. The increased personnel related expenses were offset by reductions in consulting fees ($295,000), primarily due to the termination of services related to obtaining private insurance and Medicare reimbursement approval for our Calmare medical device ($178,000) as well as the termination of the contract for the Managing Director for International Business Development ($77,000); in addition, the management services fees for our former contracted CEO ($30,000) were discontinued when the employee CEO was hired in November 2012.

General and administrative expenses were $413,000 in the three months ended June 30, 2013, a decrease of $11,000 from $424,000 in the three months ended June 30, 2012

The change reflects increases in travel expenses ($26,000) due primarily to the increased travel of the new CEO during the quarter, offset by reductions due to the departure of one nurse trainer in the three months ended June 30, 2012; increases in directors fees and expenses, including liability insurance ($8,000); increased investor and public relations expenses ($3,000); increased investment banking expenses ($3,000); increased corporate legal expenses ($3,000); increased audit and tax services fees ($6,000) both related to the timing of activities; increased marketing expenses ($7,000) and increases in postage and delivery supply expenses ($5,000). These increases were offset by reductions in legal fees associated with litigation ($38,000); rent and associated expenses due to closing the North Carolina office during 2012 ($7,000); proxy and annual meeting expenses, due to reductions in the contracted services ($8,000); financing charges ($7,000); miscellaneous expenses, banking fees, miscellaneous taxes and other fees ($4,000); depreciation expense ($1,000); and a decrease in bad debt expense due to expenses related to a former employee which were incurred in the three months ended June 30, 2012 and did not recur in 2013 ($7,000).

Interest expense was $44,000 in the three months ended June 30, 2013, compared to $13,000 in the three months ended June 30, 2012, an increase of $31,000 due to an increase in the use of debt financing.

Unrealized loss on derivative instrument of $9,000 in three months ended June 30, 2013 as compared to the $14,000 gain recorded in the three months ended June 30, 2012, reflects the difference in the portion of the Class C Preferred stock which is based on changes in the price of the Company s common shares at the end of each period (see Note 12 for details).

Results of Operations   Six months ended June 30, 2013 vs. six months ended June 30, 2012

Summary of Results

We incurred a net loss of $1,459,000 or $0.09 per basic and diluted share for the six months ended June 30, 2013, compared to a net loss of $1,737,000 or $0.12 per basic and diluted share for the six months ended June 30, 2012. As explained in detail below, the net loss reflects a decrease of $269,000 in gross revenue, a decrease of $126,000 in gross profit from product sales and a decrease in other expenses of $416,000.

Revenue and Gross Profit from Sales

Revenue from product sales: In the six months ended June 30, 2013, we recorded $136,000 in revenue from the sale and shipment of 2 Calmare® pain therapy medical devices, with a cost of product sales of $65,000. In the six months ended June 30, 2012, we recorded $392,000 in revenue from the sale and shipment of seven Calmare® pain therapy medical devices; with a cost of product sales of $196,000.

Other Revenue

Retained royalties for the six months ended June 30, 2013 were $18,000, which was $46,000 or 72% less than the $64,000 of retained royalties reported in the six months ended June 30, 2012. . The 2012 amount included the receipt of a $40,000 royalty payment received for 2011 which was greater than our original estimates.

Other income for the six months ended June 30, 2013, was $58,000, including payments for training and the sale of supplies such as electrodes and cables for use with our Calmare® devices ($4,000) and rental income ($16,000) from customers who were renting Calmare® pain therapy medical devices from us. In addition, we received a one-time payment from one of our insurance companies for its conversion to a stock insurance company ($38,000). In the six months ended June 30, 2012, other income was $23,000, including payments for training and the sale of supplies such as electrodes and cables for use with our Calmare® devices ($12,000) and rental income ($11,000) from customers who were renting Calmare® pain therapy medical devices from us.

Expenses

Total expenses were $1,606,000 in the six months ended June 30, 2013, compared to $2,022,000 in the six months ended June 30, 2012, a decrease of $416,000 or 21%.

Selling expenses were $104,000 in six months ended June 30, 2013, compared to $181,000 in the six months ended June 30, 2012. The decrease of $77,000 reflects a decrease of $13,000 in domestic patent legal expenses offset by an increase of $2,000 in foreign patent legal expenses related to the joint venture with XION Corporation to develop the melanocortin technologies combined with a decrease of $22,000 in commission expenses due to fewer sales of Calmare® devices and a decrease of $44,000 in patent and translation fees related to working with the inventor of the Calmare® device resulting from the transfer of the contractual obligation to pay patent costs back to the inventor.

Personnel and consulting expenses were $620,000 in the six months ended June 30, 2013, as compared to $834,000 in the six months ended June 30, 2012, a decrease of $214,000 or 26%. Personnel related expenses were $503,000 in the six months ended June 30, 2013, as compared to $333,000 in the quarter ended June 30, 2012, an increase of $170,000 primarily due to the addition of a new employee CEO in 2013, as well as the expense related to the granting of 1,000,000 options, 20% of which vested immediately, to our CEO during the six months ended June 30, 2013 ($97,000). No options were granted to employees in 2012. The increased personnel related expenses were offset by reductions in consulting fees ($384,000), primarily due to the termination of services related to obtaining private insurance and Medicare reimbursement approval for our Calmare medical device ($202,000) as well as the termination of the contract for the Managing Director for International Business Development ($111,000); in addition, the management services fees for our former contracted CEO ($62,000) were discontinued when the employee CEO was hired in November 2012, and other consultant s fees were reduced due to reduced scope of work ($9,000).

General and administrative expenses were $814,000 in the six months ended June 30, 2013, a decrease of $162,000 from $976,000 in the six months ended June 30, 2012.

The change reflects decreases in legal fees associated with litigation ($72,000), decreased corporate legal expenses ($10,000); decreases in directors' fees and expenses ($110,000), primarily due the lower stock option expense reflecting a lower stock price and lower fees and expenses due to fewer meetings offset by higher liability insurance expenses; decreases in marketing expenses ($8,000); decreases in rent and associated expenses due to closing the North Carolina office during 2012 ($17,000); decreases in proxy and annual meeting expenses, due to reductions in the contracted services ($13,000); decreased financing charges ($5,000); decreases in maintenance expenses, banking fees, dues and subscription expenses, property tax expenses ($9,000); a reduction in depreciation expense ($3,000); and a decrease in bad debt expense ($2,000) due to expenses related to a former employee which were incurred in the three months ended June 30, 2012 which were offset by writing off the unpaid balance of a commission advance to a former contracted salesman in 2013. The decreases were offset by increase in travel expenses ($39,000) due primarily to the increased travel of the new CEO during the quarter, offset by reductions due to the departure of one nurse trainer in the three months ended June 30, 2012; increased investment banking expenses ($17,000); increased audit and tax services fees ($15,000) related to the timing of activities; increased investor and public relations expenses ($9,000); increased insurance expenses ($3,000); increases in miscellaneous expenses, postage fees, miscellaneous taxes and other fees ($4,000)

Interest expense was $77,000 in the six months ended June 30, 2013, compared to $22,000 in the six months ended June 30, 2012, an increase of $55,000 due to an increase in the use of debt financing.

Unrealized gain on derivative instrument of $9,000 in six months ended June 30, 2013 as compared to the $9,000 loss recorded in the six months ended June 30, 2012, reflects the difference in the portion of the Class C Preferred stock which is based on changes in the price of the Company s common shares at the end of each period (see Note 12 for details).

Financial Condition and Liquidity

Our liquidity requirements arise principally from our working capital needs, including funds needed to find and market new or existing technologies or products, and protect and enforce our intellectual property rights, if necessary. We fund our liquidity requirements with a combination of cash on hand and cash flows from operations, if any, including royalty legal awards, short term debt, and sales of common stock. At June 30, 2013, we had outstanding debt in the form of promissory notes totaling $2,630,000.

During fiscal 2011, the Company entered into a Factoring Agreement with Versant Funding, LLC ("Versant") to accelerate receivable collection and better manage cash flow. Under the Factoring Agreement the Company had agreed to sell to Versant certain of the Company's accounts receivables. For those accounts receivable the Company tendered to Versant and Versant chose to purchase, Versant agreed to advance 75% of the face value to the Company, and to submit a percentage of the remainder to the Company upon collection on the account. The percentage is based on the time it takes Versant to collect on the account. As part of the Factoring Agreement, the Company and Versant entered into a Security Agreement whereby the Company granted Versant a security interest in certain of the Company s assets to secure the Company s performance of the representations made with respect to the purchase of the accounts receivable. During the fourth quarter of 2012, the Company ended its Factoring Agreement with Versant and entered into a new Factoring Agreement with LSQ Funding. The Factoring Agreement with LSQ Funding provides for an 85% advance of factored accounts, lower fees, a faster payout of both advances and balances due, and the possibility of over-advances. At June 30, 2013, the Company had no factored accounts.

Our future cash requirements depend on many factors, including results of our operations and marketing efforts, results and costs of our legal proceedings, and our equity financing. To achieve and sustain profitability, we must increase the number of distributors for our products, broaden the base of technologies for distribution, license technologies with sufficient current and long-term revenue streams, and add new licenses. Obtaining rights to new technologies, granting rights to licensees and distributors, enforcing intellectual property rights, and collecting revenue are subject to many factors, some of which are beyond our control. Although we cannot be certain that we will be successful in these efforts, we believe the combination of our cash on hand and revenue from executing our strategic plan will be sufficient to meet our obligations of current and anticipated operating cash requirements.

In fiscal 2010, the Company incorporated revenue from the sale of inventory into its revenue stream. That source of revenue is expected to continue as sales of its Calmare® pain therapy medical device continue to expand and other products are added to the Company's portfolio of technologies.

At June 30, 2013, the Company's balance sheet showed cash of $24,000. This is compared to $74,000 cash at December 31, 2012. The net loss of $1,459,000 for the six months ended June 30, 2013 contained non-cash inflow of $137,000 and net cash inflow related to changes in assets and liabilities of $176,000, resulting in cash used in operations of $1,146,000. During the six-month period ending June 30, 2013, the Company issued notes payable to borrow $1,095,000.

We currently have the benefit of using a portion of our accumulated NOLs to eliminate any future regular federal and state income tax liabilities. We will continue to receive this benefit until we have utilized all of our NOLs, federal and state. However, we cannot determine when and if we will be profitable enough to utilize the benefit of the remaining NOLs before they expire.

Going Concern

The Company has incurred operating losses since fiscal 2006. During the three and six month periods ended June 30, 2013 and June 30, 2012, we had a significant concentration of revenues from our Calmare® pain therapy medical device technology. We continue to seek revenue from new and existing technologies or products to mitigate the concentration of revenues, and replace revenues from expiring licenses on other technologies.

Although we have taken steps to significantly reduce operating expenses going forward, even at these reduced spending levels, should the anticipated increase in revenue from sales of Calmare® medical devices and other technologies not occur, the Company may not have sufficient cash flow to fund operating expenses beyond the first quarter of 2014. These conditions raise substantial doubt about the Company s ability to continue as a going concern.

The Company's continuation as a going concern is dependent upon its developing recurring revenue streams sufficient to cover operating costs. The company does not have any significant individual cash or capital requirements in the budget going forward. During the transitional period ended December 31, 2010, the Company undertook a major reduction of its operating expenses through staff reductions and reduced office space costs. If necessary, the Company will meet anticipated operating cash requirements by further reducing costs, issuing debt and /or equity, and / or pursuing sales of certain assets and technologies while we pursue licensing and distribution opportunities for our remaining portfolio of technologies. There can be no assurance that the Company will be successful in such efforts. Failure to develop a recurring revenue stream sufficient to cover operating expenses would negatively affect the Company s financial position.

Debt Financing

In December 2011, the Company issued a 90-day note payable to borrow $100,000 from a director, now the chairman of our Board. Additional notes payable were issued to the same individual in January 2012 ($100,000); in April 2012 ($100,000), in May 2012 ($25,000); in June 2012 ($20,000); in July 2012 ($325,000); in August 2012 ($50,000); in September 2012 ($15,000); in October 2012 ($165,000); in November 2012 ($130,000); in December 2012 ($280,000); in January 2013 ($.190,000); in February 2013 ($115,000); in March 2013($200,000); in April 2013 ($320,000); in May 2013 ($230,000); and in June 2013 ($40,000). The proceeds from these notes ($2,405,000) were used for general corporate purposes. These notes have been extended several times. A conversion feature was added to the Notes when they were extended, which allows for conversion of the eligible principal amounts to common stock at any time after the six month anniversary of the effective date (the date the funds are received) at a rate of $1.05 per share. Additional terms have been added to all Notes to include additional interest payments to all Notes if extended beyond their original maturity dates and to provide the lender with a security interest in unencumbered inventory and intangible assets of the Company other than proceeds relating to the Calmare device and accounts receivable. The full amount of principal and 6.00% simple interest per annum are now due in the quarter ended September 30, 2013.

In March 2012, the Company issued a 24-month convertible promissory note to borrow $100,000 for general corporate purposes. Additional 24-month convertible promissory notes were issued in April 2012 ($25,000) and in June 2012 ($100,000). Conversion of the eligible principal amounts to common stock is allowed at any time after the six month anniversary of the effective date of each note at a rate of $1.05 per share The full amount of principal was outstanding at June 30, 2013; 6.00% simple interest is payable monthly in advance; all of these notes are classified as short term, with due dates in March, April and June of 2014.

At June 30, 2013, $2,505,000 of the outstanding were Notes payable to related parties; $2,405,000 to the chairman of our Board and $100,000 to another director. Subsequent to June 30, 2013, an additional $53,000 was borrowed from our chairman. The terms and conditions are as noted above.

Subsequent to June 30, 2013, the Company entered into a securities purchase agreement with Tonaquint, Inc. under which Tonaquint, Inc. was issued a $112,500 convertible promissory note in consideration for $100,000. The note is convertible at a conversion price of $0.30 per share at any time. The note bears interest at 7% and is due in May 2014. Tonaquint, Inc. was also issued a market-related warrant with a cashless exercise feature for the note value.

Capital requirements

We continue to seek revenue from new technology licenses to mitigate the concentration of revenue, and replace revenue from expiring licenses. We have created a new business model for appropriate technologies that allows us to move beyond our usual royalty arrangement and share in the profits of distribution.

All purchases under $1,000 are expensed. We expect capital expenditures to be less than $50,000 in 2013.

Contractual Obligations and Contingencies

In November 2010, the Company entered into a three-year operating lease office spaces. The obligations are significantly less than the previous lease, averaging $70,000 per year for the three-year term. The existing lease expires on November 30, 2013 and renewal is currently being negotiated, at June 30, 2013. The future minimum rental payments required under operating leases with remaining non-cancelable lease terms less than one year were approximately $30,000 for 2013.

In January 2011, the Company entered into a two-year lease effective February 1, 2011 for additional office space for the sales and training staff in Charlotte, NC. Obligations under this lease averaged $27,000 per year for the two-year term. The Company closed that office in July 2012 and closed out the lease, agreeing to forfeit the security deposit and pay the landlord a fee of $15,000 of which $9,000 remains unpaid at June 30, 2013.

C*ontingencies.* Our directors, officers, employees and agents may claim indemnification in certain circumstances. We seek to limit and reduce our potential financial obligations for indemnification by carrying directors   and officers liability insurance, subject to deductibles.

We also carry liability insurance, casualty insurance, for owned or leased tangible assets, and other insurance as needed to cover us against claims and lawsuits that occur in the ordinary course of business.

Many of our license and service agreements provide that upfront license fees, license fees and/or royalties we receive are applied against amounts that our clients or we have incurred for patent application, prosecution, issuance and maintenance costs. If we incur such costs, we expense them as incurred, and reduce our expense if we are reimbursed from future fees and/or royalties we receive. If the reimbursement belongs to our client, we record no revenue or expense.

We have engaged R.F. Lafferty & Co. to seek an acquisition partner from a limited number of companies for our nano particle bone biomaterial patents, among other assets and/or securities. The Company would pay Lafferty a 10% finder's fee in the event an acquisition partner is found, which Management has deemed to be an immaterial and contingent obligation.

As of June 30, 2013, CTTC and its majority-owned subsidiary, VVI, have remaining obligations, contingent upon receipt of certain revenue, to repay up to $165,701 and $198,655, respectively, in consideration of grant funding received in 1994 and 1995. CTTC recorded $87 and $0 expense reducing that obligation in the six months ended June 30, 2013 and June 30, 2012, respectively. CTTC also is obligated to pay at the rate of 7.5% of its revenues, if any, from transferring rights to certain inventions supported by the grant funds. VVI is obligated to pay at rates of 1.5% of its net sales of supported products or 15% of its revenues from licensing supported products, if any. We recognized $680 and $817 of these obligations during the six months ended June 30, 2013 and June 30, 2012, respectively.

Critical Accounting Estimates

There have been no significant changes in our accounting estimates described under the caption Critical Accounting Estimates included in Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, in our Annual report on Form 10-K for the year ended December 31, 2012.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

(a)

Evaluation of disclosure controls and procedures

Our management evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2013. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a *et seq*.) is recorded, processed, summarized, and reported, within the time periods specified in the Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, management concluded that our disclosure controls and procedures were effective as of June 30, 2013.

(b)

Change in Internal Controls

During the period ending June 30, 2013, there were no changes in our internal control over financial reporting during that period that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1.

Legal Proceedings

See Part I, Item 1, Note 13 to the accompanying unaudited condensed consolidated financial statements of this Quarterly Report on Form 10-Q.

Item 1A.

Risk Factors

We disclosed the risk factors related to our business and the market environment in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. Since September 2010, the Company has taken several actions that we believe will reduce the Company's risk. These include lowering costs through staff reductions and office relocation, developing additional sales, and obtaining additional capital.

Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of equity securities in the six months ended June 30, 2013.

Item 3.

Defaults Upon Senior Securities

None

Item 5.

Other Information

None.

Item 6.

Exhibits

Exhibit No.	Description
31.1	Certification by the Chief Executive Officer of Competitive Technologies, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
31.2	Certification by the Chief Financial Officer of Competitive Technologies, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
32.1	Certification by the Chief Executive Officer of Competitive Technologies, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32.2	Certification by the Chief Financial Officer of Competitive Technologies, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
101	Interactive Data Files*

* to be included by amendment

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPETITIVE TECHNOLOGIES, INC.

(the registrant)

By /s/ Carl O Connell.

Carl O Connell

President and Chief Executive Officer,

August 13, 2013

Authorized Signer

By /s/ Johnnie D. Johnson.

Johnnie D. Johnson

Chief Financial Officer, Chief Accounting

August 13, 2013

Officer and Authorized Signer

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www.competitivetech.net