

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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended April 30, 2010

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.)

777 Commerce Drive
Fairfield, Connecticut 06825
(Address of principal executive offices) (Zip Code)
(203) 368-6044

(Registrant's telephone number, including area code)
N/A

(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 ☒ 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 ☐ Smaller reporting company ☒

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

Yes ☐ No ☒

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

The number of shares of the registrant's common stock outstanding as of June 14, 2010 was 11,596,068

COMPETITIVE TECHNOLOGIES, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Interim Financial Statements

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	<u>April 30, 2010</u> (Unaudited)	<u>July 31, 2009</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 632,475	\$ 752,071
Receivables, net of allowance of \$101,154 at April 30, 2010 and July 31, 2009	934,077	199,619
Inventory	325,314	-
Prepaid expenses and other current assets	<u>109,252</u>	<u>206,789</u>
Total current assets	2,001,118	1,158,479
Property and equipment, net	164,366	203,012
Deferred financing costs, net	<u>68,896</u>	<u>40,000</u>
TOTAL ASSETS	<u>\$ 2,234,380</u>	<u>\$ 1,401,491</u>
Liabilities and Shareholders' Interest		
Current Liabilities:		
Accounts payable	\$ 491,273	\$ 352,543
Accrued expenses and other liabilities	<u>1,016,355</u>	<u>682,362</u>
Total current liabilities	1,507,628	1,034,905
Deferred Rent	70,506	81,418
Shareholders' Interest:		
5% preferred stock, \$25 par value, 35,920 shares authorized, 2,427 shares issued and outstanding	60,675	60,675
Common stock, \$.01 par value, 20,000,000 shares authorized, 11,322,458 and 9,819,027 shares issued and outstanding, respectively	113,224	98,190
Capital in excess of par value	40,484,258	37,887,925
Accumulated deficit	<u>(40,001,911)</u>	<u>(37,761,622)</u>
Total shareholders' interest	656,246	285,168
TOTAL LIABILITIES AND SHAREHOLDERS' INTEREST	<u>\$ 2,234,380</u>	<u>\$ 1,401,491</u>

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended April 30,	
	<u>2010</u>	<u>2009</u>
Revenue		
Product sales	\$ 517,675	\$ 7,659
Retained royalties	13,287	159,278
Investment income	<u>15</u>	<u>240</u>
	530,977	167,177
Expenses		
Cost of product sales	108,438	165
Personnel and other direct expenses relating to revenue	588,494	448,909
General and administrative expenses	571,672	473,447
Interest Expense	<u>1,838</u>	<u>1,752</u>
	1,270,442	924,273
(Loss) before income taxes	(739,465)	(757,096)
Provision (benefit) for income taxes	<u>-</u>	<u>-</u>
Net (loss)	<u>\$ (739,465)</u>	<u>\$ (757,096)</u>
Basic and diluted (loss) per share	<u>\$ (0.07)</u>	<u>\$ (0.09)</u>
Basic and diluted weighted average number of common shares outstanding:	11,056,632	8,815,387

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations
(Unaudited)

	Nine months ended April 30,	
	<u>2010</u>	<u>2009</u>
Revenue		
Product sales	\$ 805,040	\$ 8,493
Retained royalties	51,019	213,037
Investment income	63	7,204
Gain on sale of rental assets	81,203	-
Other income	6,132	70,991
	<u>943,457</u>	<u>299,725</u>
Expenses		
Cost of product sales	117,474	572
Personnel and other direct expenses relating to revenue	1,541,524	1,609,095
General and administrative expenses	1,518,799	1,744,047
Patent enforcement expenses, net of reimbursements	-	1,852
Interest Expense	5,949	1,752
Insurance recovery	-	(400,000)
	<u>3,183,746</u>	<u>2,957,318</u>
(Loss) before income taxes	(2,240,289)	(2,657,593)
Provision (benefit) for income taxes	<u>-</u>	<u>-</u>
Net (loss)	<u>\$ (2,240,289)</u>	<u>\$ (2,657,593)</u>
Basic and diluted (loss) per share	<u>\$ (0.21)</u>	<u>\$ (0.31)</u>
Basic and diluted weighted average number of common shares outstanding:	10,483,154	8,485,935

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Changes in Shareholders' Interest
For the nine months ended April 30, 2010
(Unaudited)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Capital in excess of par value</u>	<u>Accumulated deficit</u>	<u>Total Shareholders' interest</u>
	<u>Shares outstanding</u>	<u>Amount</u>	<u>Shares outstanding</u>	<u>Amount</u>			
Balance – July 31, 2009	2,427	\$ 60,675	9,819,027	\$ 98,190	\$ 37,887,925	\$ (37,761,622)	\$ 285,168
Net (loss)						(2,240,289)	(2,240,289)
Compensation expense from stock option grants					162,992		162,992
Stock issued to Directors			10,000	100	18,550		18,650
Issuance of Fusion initial commitment shares			86,933	869	211,247		212,116
Sale of shares to Fusion			1,406,498	14,065	2,435,937		2,450,002
Amortization of deferred financing costs related to Fusion shares					(232,393)		(232,393)
Balance – April 30, 2010	<u>2,427</u>	<u>\$ 60,675</u>	<u>11,322,458</u>	<u>\$ 113,224</u>	<u>\$ 40,484,258</u>	<u>\$ (40,001,911)</u>	<u>\$ 656,246</u>
(Unaudited)							

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Cash Flows (Unaudited)

	Nine months ended April 30, <u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net (loss)	\$ (2,240,289)	\$ (2,657,593)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	41,710	46,845
Deferred rent	(10,912)	2,236
Share-based compensation – stock options	162,992	188,526
Accrued stock contribution	35,583	(67,632)
Gain on sale of rental assets	(81,203)	-
Stock Issued as compensation for services provided	-	13,000
Security Deposit used as rent payment	-	36,813
Changes in assets and liabilities:		
Receivables	(734,458)	(250,520)
Inventory	(325,314)	-
Prepaid expenses and other current assets	97,537	176,379
Accounts payable, accrued expenses and other liabilities	<u>455,790</u>	<u>(355,423)</u>
Net cash (used in) operating activities	<u>(2,598,564)</u>	<u>(2,867,369)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(25,730)	(1,490)
Proceeds from sales of rental assets	<u>103,868</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>78,138</u>	<u>(1,490)</u>
Cash flows from financing activities:		
Proceeds from sale of stock	2,450,002	1,011,499
Deferred finance charges	<u>(49,172)</u>	<u>(5,670)</u>
Net cash provided by financing activities	<u>2,400,830</u>	<u>1,005,829</u>
Net (decrease) in cash and cash equivalents	(119,596)	(1,863,030)
Cash and cash equivalents at beginning of period	<u>752,071</u>	<u>2,237,095</u>
Cash and cash equivalents at end of period	<u>\$ 632,475</u>	<u>\$ 374,065</u>

Supplemental disclosure of non-cash transactions:

On October 2, 2009 the Company issued 86,933 registered shares of Common Stock valued at \$212,116 to Fusion Capital II, LLC (“Fusion Capital”) as initial commitment shares per our equity financing agreement, dated August 6, 2009. On January 4, 2010, the Company issued 10,000 shares valued at \$18,650 as compensation to four non-employee directors under the 1996 Directors’ Stock Participation Plan which was previously accrued.

During the first nine months of fiscal 2010, we amortized \$232,393 of deferred financing costs related to our equity financing agreement against Capital in Excess of Par Value.

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARIES

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 thereto is unaudited.

Competitive Technologies, Inc. ("CTT") and its wholly-owned subsidiary, CTT Trading Company, LLC ("CTT Trading"), and majority-owned 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.A. and Asia, with respect to a broad range of life and physical sciences, electronics, and nanotechnologies invented by individuals, corporations and universities. We are compensated for our services by sharing in the profits of distribution, or the license and royalty fees generated by our clients' technologies.

The consolidated financial statements include the accounts of CTT, CTT Trading, 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 United States of America. The results for the three and nine months ended April 30, 2010 are not necessarily indicative of the results that can be expected for the full fiscal year ending July 31, 2010.

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 July 31, 2009, filed on October 27, 2009.

The Company has incurred operating losses since fiscal 2006. At current reduced spending levels, the Company may not have sufficient cash flow to fund operating expenses beyond the third quarter of fiscal 2011. 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, we will meet anticipated operating cash requirements by further reducing costs, and/or pursuing sales of certain assets and technologies while we pursue licensing and distribution opportunities for our remaining portfolio of technologies.

In addition, we will sell shares to Fusion Capital Fund II, LLC ("Fusion Capital") per our August 6, 2009 Agreement, on an as-needed basis, when the Company's stock price is at or above \$1.00 per share. There can be no assurance that the Company will be successful in these revenue-generating efforts or that we will be able to obtain alternative financing should our stock price fall below \$1.00 per share.

As required by the rules of the NYSE Amex, LLC (the "Exchange"), on June 4, 2010 the Exchange notified CTT that the Exchange intended to file a delisting application with the Securities and Exchange Commission ("SEC") to strike the listing of CTT's securities from the Exchange pursuant to Section 1009(d) of the NYSE Amex Company Guide. CTT has filed an appeal of the delisting determination and is seeking an oral hearing before a Listing Qualifications Panel of the Exchange (the "Panel"). CTT's request for an oral hearing has stayed the scheduled delisting of the Company's securities pending the Panel's determination.

As referenced by CTT in a press release dated June 2, 2010 (and as filed on Form 8-K), and advised to the Exchange, CTT has a signed stock purchase agreement and has filed a registration statement with the SEC to sell 2 million shares of equity to Crisnic Fund, S.A. based on a 15% discount from the volume weighted average price on the date the SEC declares the registration effective. The Exchange approved the new shares for listing on June 9, 2010. In its notification letter, the Exchange advised the Company that the delisting determination was based upon the Company's noncompliance with Sections 1003(a)(i) and (ii) of the Company Guide relating to the low stockholders' equity in light of prior losses from continued operations. Specifically, CTT is not in compliance with stockholders' equity of not less than \$4,000,000 given CTT's net losses in three of its four most recent fiscal years. Staff from the Exchange noted in their letter that under their rules they were not permitted to extend the compliance period further. Closing on the funds in the pending Crisnic Fund, S.A. transaction is expected to resolve this stockholders' equity deficiency.

The Panel will determine the time and place of the oral appeal hearing. There can be no assurance that the Panel will grant the Company's request for continued listing. If the Panel does not grant the relief sought by the Company, its securities will be delisted from the Exchange in which event the Company would expect them to be quoted on the OTC or on another exchange upon application by the Company and approval by any such exchange.

Our liquidity requirements arise principally from our working capital needs, including funds needed to find 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 and cash flows from operations, if any, including royalty legal awards. In addition, we have the ability to fund our requirements through sales of common stock under the Fusion Capital Agreement. At April 30, 2010, we had no outstanding debt, and no credit facility.

In late fiscal 2007, we obtained exclusive worldwide distribution rights to an innovative pain management therapy device for rapid treatment of high-intensity oncologic and neuropathic pain, including pain resistant to morphine and other drugs. The non-invasive Calmare[®] Pain Therapy medical device, which uses "Scrambler Therapy" developed in Italy by our client, Professor Giuseppe Marineo, was brought to us through the efforts of Prof. Giancarlo Elia Valori of the Italian business development group, Sviluppo Lazio S.p.A., and assistance from Mr. Giuseppe Belcastro, Legal Counsel for Professor Marineo. The unit, with a biophysical rather than a biochemical approach, uses a multi-processor able to simultaneously treat multiple pain areas by applying surface electrodes to the skin. The device's European CE mark certification allows it to be distributed and sold throughout Europe, and makes it eligible for approval for distribution and sales in multiple global markets. U.S. FDA 510(k) clearance for the device was awarded in February 2009, opening the door to U.S. sales. GEOMC Co., Ltd. of Korea is manufacturing the device commercially for worldwide distribution.

Beginning in fiscal 2008, we entered into a number of distribution agreements granting country-exclusive rights to a number of international distributors. Each distributor is required to obtain local sales authorization. Ongoing sales from these distribution agreements are anticipated in subsequent quarters of fiscal 2010 and into the future.

In the U.S., we have decided to be the principal marketer for the Calmare Pain Therapy medical device and have hired a Vice President, Sales and Marketing, and contracted with several salesmen in support of that decision. As a result, we have terminated the exclusive U.S. distribution agreement we had with Innovative Medical Therapies, Inc.

2. NET LOSS PER COMMON SHARE

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

	Three months ended April 30,		Nine months ended April 30,	
	2010	2009	2010	2009
Net (loss)	\$ (739,465)	\$ (757,096)	\$ (2,240,289)	\$ (2,657,593)
Basic and diluted (loss) per share	(0.07)	(0.09)	(0.21)	(0.31)
Denominator for basic net income loss per share, weighted average shares outstanding	11,056,632	8,815,387	10,483,154	8,485,935
Dilutive effect of common stock options	N/A	N/A	N/A	N/A
Denominator for net income (loss) per share, assuming dilution	11,056,632	8,815,387	10,483,154	8,485,935

Options to purchase 714,000 and 804,202 shares of our common stock at April 30, 2010 and 2009, respectively, were outstanding but were not included in the computation of net (loss) per share because they were anti-dilutive. Due to the net loss incurred for the periods ended April 30, 2010 and 2009, the denominator used in the calculation of basic net loss per share was the same as that used for net loss per share, assuming dilution, since the effect of any options and warrants would have been anti-dilutive.

3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Fair Value. In 2006, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard which defined fair value, established a market based framework or hierarchy for measuring fair value and expanded disclosures about fair value measurements. We partially adopted this standard in fiscal 2009 and duly adopted it in the first quarter of fiscal 2010. This standard is applicable whenever another accounting standard requires or permits assets and liabilities to be measured at fair value and did not expand or require any new fair value measures. The adoption of this standard did not have a material effect on our financial condition or results of operations.

Transfers of Financial Assets. In June 2009, the FASB issued a new accounting standard that eliminates the exceptions for qualifying special-purpose entities from consolidation guidance and the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. This standard is effective as of the beginning of the first annual reporting period that begins after November 15, 2009. The Company is currently evaluating the impact this standard will have on the financial statements.

Variable Interest Entities. In June 2009, the FASB issued a new accounting standard that requires an enterprise to perform an analysis to determine whether the enterprise’s variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics: (1) the power to direct the activities of the variable interest entity that most significantly impact the entities economic performance, and (2) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity’s economic performance. This standard is effective as of the beginning of the first annual reporting period that begins after November 15, 2009. Earlier application is prohibited. The Company is currently evaluating the impact the adoption this standard will have on the financial statements.

Revenue Recognition. In October 2009, the FASB issued an accounting standards update amending revenue recognition requirements for multiple-deliverable revenue arrangements. This update provides guidance on separating the deliverables and on the method to measure and allocate arrangement consideration, particularly when the arrangement includes both products and services provided to the customers. The update is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption

is permitted. The Company is currently evaluating the impact this standards update will have on the financial statements.

Fair Value Disclosures. In January of 2010, the FASB issued an accounting standards update that requires new disclosures for transfers in and out of Levels 1 and 2 fair value measurements, and roll forward of activity in Level 3 fair value measurements. The new disclosures are effective for reporting periods beginning after December 15, 2009, except for the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. The Company is currently evaluating the impact this standards update will have on the financial statements.

4. RECEIVABLES

Receivables consist of the following:

	April 30, 2010	July 31, 2009
Accounts receivable	\$ 311,201	\$ -
Royalties, net of allowance of \$101,154		
At April 30, 2010 and July 31, 2009	620,146	88,023
Advance to GEOMC Co. Ltd.	-	107,989
Other	2,730	3,607
Total receivables	<u>\$ 934,077</u>	<u>\$ 199,619</u>

5. INVENTORY

Inventory consists of finished product of our pain management therapy device. Inventory is stated at lower of cost (first in, first out) or market.

6. 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 fair value, and classified as current assets, consisted of the following:

	April 30, 2010	July 31, 2009	Number of shares	Type
Security Innovation, Inc.	-	-	223,317	Common Stock
	<u>\$ -0-</u>	<u>\$ -0-</u>		

We held shares in NTRU, a privately held company that sold encryption software for security purposes, principally in wireless markets. There was no public market for NTRU shares. On July 22, 2009, Security Innovation, an independent provider of secure software located in Wilmington, MA, acquired all NTRU assets. We have received 223,317 shares of stock in the privately held Security Innovation in exchange for our investment in NTRU.

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other assets consist of the following:

	April 30, 2010	July 31, 2009
Prepaid insurance	\$ 23,123	\$ 125,198
Prepaid investor relations service	20,000	20,000
Prepaid employee benefits	-	18,158
Other	66,129	43,433
Prepaid expenses and other current assets	<u>\$ 109,252</u>	<u>\$ 206,789</u>

8. PROPERTY AND EQUIPMENT

Property and equipment, net, consist of the following:

	<u>April 30, 2010</u>	<u>July 31, 2009</u>
Equipment and furnishings	\$ 421,532	\$ 419,802
Leasehold improvements	<u>113,838</u>	<u>113,838</u>
Property and equipment, gross	535,370	533,640
Accumulated depreciation and amortization	<u>(371,004)</u>	<u>(330,628)</u>
Property and equipment, net	<u>\$ 164,366</u>	<u>\$ 203,012</u>

Depreciation and amortization expense was \$13,054 and \$14,833, during the third quarter of fiscal 2010 and 2009, respectively. Depreciation and amortization expense was \$41,710 and \$46,845, during the first nine months of fiscal 2010 and 2009, respectively.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	<u>April 30, 2010</u>	<u>July 31, 2009</u>
Royalties payable	\$ 157,147	\$ 54,093
Deferred Executive Payroll	152,808	126,538
Accrued Payroll	23,352	-
Accrued 401(K) contribution	87,500	50,000
Accrued Directors' Stock Option Compensation	9,433	30,000
Accrued audit fees	147,804	100,000
Accrued legal fees	94,043	197,214
Other accrued professional fees	6,499	7,500
Accrued Directors Fees	7,833	59,833
Unclaimed property liability	24,981	25,431
Due to GEOMC Co. Ltd.	176,296	-
Commissions Payable	33,200	-
Licensing Fees Payable	40,000	-
Other	<u>55,459</u>	<u>31,753</u>
Accrued expenses and other liabilities	<u>\$ 1,016,355</u>	<u>\$ 682,362</u>

10. SHAREHOLDERS' EQUITY AND STOCK-BASED COMPENSATION PLANS

During the three and nine months ended April 30, 2010, the Company recognized \$(70) and \$162,992 of non-cash compensation (income)/expense for stock options issued to employees in prior years.

During the second quarter of fiscal 2010, the Company granted to its four non-employee directors as their annual award, options to purchase an aggregate of 40,000 shares of common stock under the Directors Stock Option Plan at an exercise price of \$1.87 per share that vest immediately. The fair value of the options was \$44,755.

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:

Dividend yield ⁽¹⁾	0.0%
Expected volatility ⁽²⁾	75.0%
Risk-free interest rates ⁽³⁾	2.7%
Expected term ⁽²⁾	Five 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 term 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.

Pursuant to the terms of our 1996 Directors' Stock Participation Plan, on January 4, 2010 we issued a total of 10,000 shares of our common stock to our four non-employee directors. These shares were valued at \$18,650.

On July 22, 2008, we entered into an agreement with Fusion Capital to sell up to \$5.0 million of our common stock to Fusion Capital over a 24-month period (the "2008 Agreement"). We had the right to determine the timing and the amount of stock sold, if any, to Fusion Capital. On August 5, 2009, we terminated that 2008 Agreement.

On August 6, 2009, we entered into another agreement with Fusion Capital to sell up to \$8.0 million of our common stock to Fusion Capital over a 25-month period (the "2009 Agreement"). We have the right to determine the timing and the amount of stock sold, if any, to Fusion Capital.

Under the terms of the 2009 Agreement, we issued 86,933 registered shares of our common stock to Fusion Capital on October 2, 2009 for its initial commitment (the "Initial Commitment Shares"), and agreed to issue 86,933 Additional Commitment Shares (the "Additional Commitment Shares") to Fusion Capital on a pro-rata basis as we sell the \$8.0 million of stock (collectively, the "Commitment Shares"). Commencement of sales of common stock under the 2009 Agreement was contingent upon certain conditions, principally the Securities and Exchange Commission ("SEC") declaring effective our registration statement filed with the SEC to register 1,962,823 shares of common stock potentially to be issued under the 2009 Agreement. On October 1, 2009 the SEC declared our registration statement effective.

Subject to our right to suspend sales of our common stock at any time and to terminate the 2009 Agreement at any time, Fusion Capital is obligated to purchase up to \$75,000 of our common stock each two business days (the "Base Purchase Amount"). No sales will be made below a \$1.00 per share floor price. The sale price per share will be the lower of the lowest sales price on the sale date or an average of the three lowest closing prices during the 12 consecutive trading days prior to the sale date.

Fusion Capital may not purchase shares of our common stock under the 2009 Agreement if Fusion Capital would beneficially own in excess of 19.99% of our common stock outstanding at the time of purchase. Fusion Capital has agreed not to sell the Commitment Shares for 25 months or termination of the 2009 Agreement.

During the first nine months of fiscal 2010, the Company sold 1,379,878 shares of common stock, and issued 26,620 additional commitment shares to Fusion Capital per the terms of the 2009 Agreement. Total proceeds realized from these sales were approximately \$2,450,000. In addition, we amortized approximately \$232,000 of deferred charges against capital in excess of par value. We are amortizing deferred financing costs based upon the ratio of shares issued compared to the total number of shares available for sale in the 2009 Agreement.

On December 2, 2008, we received notice from the NYSE Amex, then known as NYSE Alternext US LLC (the "Exchange"), notifying us that the staff of the Exchange Corporate Compliance Department had determined that based on the financial information contained in the Company's Form 10-K for the fiscal year ended July 31, 2008, the Company did not meet continued listing standards as set forth in Part 10 of the Exchange Company Guide, and the Company has therefore become subject to the procedures and requirements of Section 1009 of the Exchange Company Guide. As noted in Section 1003 of the Exchange Company Guide, companies with stockholders' equity of less than \$2 million, and losses from continuing operations and net losses in two out of its three most recent fiscal years, or with stockholders' equity of less than \$4 million and losses from continuing operations and net losses in three out of its four most recent fiscal years are non-compliant.

On December 18, 2008, the company submitted a business plan to the Exchange detailing actions it planned to take to bring it into compliance with the above continued listing standards by June 2, 2010. On January 22, 2009, the Exchange accepted our business plan.

As required by the rules of the NYSE Amex, LLC (the "Exchange"), on June 4, 2010 the Exchange notified CTT that the Exchange intended to file a delisting application with the Securities and Exchange Commission ("SEC") to strike the listing of CTT's securities from the Exchange pursuant to Section 1009(d) of the NYSE Amex Company Guide. CTT has filed an appeal of the delisting determination and is seeking an oral hearing before a Listing Qualifications Panel of the Exchange (the "Panel"). CTT's request for an oral hearing has stayed the scheduled delisting of the Company's securities pending the Panel's determination.

As referenced by CTT in a press release dated June 2, 2010 (and as filed on Form 8-K), and advised to the Exchange, CTT has a signed stock purchase agreement and has filed a registration statement with the SEC to sell 2 million shares of equity to Crisnic Fund, S.A. based on a 15% discount from the volume weighted average price on the date the SEC declares the registration effective. The Exchange approved the new shares for listing on June 9, 2010. In its notification letter, the Exchange advised the Company that the delisting determination was based upon the Company's noncompliance with Sections 1003(a)(i) and (ii) of the Company Guide relating to the low stockholders' equity in light of prior losses from continued operations. Specifically, CTT is not in compliance with stockholders' equity of not less than \$4,000,000 given CTT's net losses in three of its four most recent fiscal years. Staff from the Exchange noted in their letter that under their rules they were not permitted to extend the compliance period further. Closing on the funds in the pending Crisnic Fund, S.A. transaction is expected to resolve this stockholders' equity deficiency.

The Panel will determine the time and place of the oral appeal hearing. There can be no assurance that the Panel will grant the Company's request for continued listing. If the Panel does not grant the relief sought by the Company, its securities will be delisted from the Exchange in which event the Company would expect them be quoted on the OTC or on another exchange upon application by the Company and approval by any such exchange.

11. CONTINGENCIES

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 patent had been denied by the examiner, but that denial was overruled by the BPAI. Further action in this case is pending as the BPAI result has been appealed by the examiner prior to being returned to the U.S District Court for the District of Colorado. We filed information refuting the examiner's appeal and continue to await the BPAI appeal decision.

Ben Marcovitch and other co-defendants (Case completed) – Following the removal for cause from our Board of Directors of former CTT Director Ben Marcovitch, CTT filed a Federal complaint in the U.S. District Court for the District of Connecticut against Mr. Marcovitch, Betty Rios Valencia, President and CEO of Agrofrut and former spouse of Mr. Marcovitch, John Derek Elwin, III, a former CTT employee, and other defendants. The complaint claimed that false and misleading information had been provided to CTT in a conspiracy to fraudulently obtain funds from CTT using the Agrofrut transaction. CTT requested, among other relief, punitive damages and attorneys' fees.

Following a number of pretrial motions and other delays, on September 8, 2009, the Judge ruled favorably on CTT's motion for default judgment. The judge confirmed that Marcovitch was properly removed as a member of CTT's Board of Directors and issued a permanent injunction prohibiting Marcovitch from holding himself out as a member of CTT's Board. A judgment was entered against Strauss prohibiting Strauss from soliciting proxies in contravention of the SEC rules and regulations. Based on the Court's rulings, CTT will now proceed to collect all funds possible from the parties.

Employment matters – former employee (Cases pending) – 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 ordered reinstatement and payment of damages. CTT filed objections and requested a de novo hearing before an Administrative Law Judge ("ALJ"). Based on evidence submitted at the May 2005 hearing, in October 2005 the ALJ issued a written decision recommending dismissal of the employee's claim without relief. The employee then appealed the case to the Administrative Review Board ("ARB"). In March 2008, the ARB issued a decision and order of remand, holding that the ALJ erred in shifting the burden of proof to CTT based on a mere inference of discrimination and remanding the case to the ALJ for clarification of the judge's analysis under the appropriate burden of proof. In January 2009, the ALJ ruled in favor of CTT on the ARB remand. The employee has now appealed the January 2009 ALJ ruling to the ARB and we await the ARB's decision. The employee had previously requested reconsideration of the ARB order of remand based on the Board's failure to address the employee's appeal issues; that request was denied by the ARB in October 2008.

In August 2007, the same former employee filed a new SOX whistleblower complaint with OSHA alleging that in April 2007 CTT and its former general counsel retaliated against the employee for past-protected conduct by refusing to consider the employee's new employer when awarding a consulting contract. In March 2008, OSHA dismissed the employee's complaint citing the lack of probable cause. The employee filed objections and requested de novo review by an ALJ. In August 2008, the employee gave notice of intent to terminate proceedings before the ALJ and remove the case to federal district court. In October 2008, the former employee moved to voluntarily dismiss with prejudice the case before the ALJ. We anticipate no further action on this matter.

On September 5, 2008, CTT filed a complaint in the U.S. District Court for the District of Connecticut against the former employee seeking a declaration that CTT did not violate SOX as alleged in the employee's 2007 OSHA complaint, and to recover approximately \$80,000 that CTT paid to the employee in compliance with a court order that was subsequently vacated by the U.S. Court of Appeals for the Second Circuit. On July 1, 2009, the judge ruled in favor of the former employee's motion to dismiss. The court abstained from ruling on the question of unjust enrichment due to the unresolved questions before the Department of Labor Administrative Review Board.

On December 4, 2008, the former employee filed a complaint with the Department of Labor asking to have the Connecticut case dismissed. On June 1, 2009, the Department dismissed the former employees complaint, finding that "there is no reasonable cause to believe that the Respondent (CTT) violated SOX". We anticipate no further action on this matter.

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. 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.

12. GAIN ON SALE OF RENTAL ASSETS

During October of 2009, the company entered into an agreement to rent two of our Calmare Pain Therapy Treatment medical devices. The monthly rental amount was \$2,400 for both devices and the terms were month to month. The agreement required our customer to make a non-refundable upfront payment of \$24,000. We planned to amortize the upfront payment into income over a period of three years, which was the expected life of the agreement. In addition, we set up rental assets for the cost of purchasing the rental assets from our manufacturer. The rental assets were to be depreciated over three years.

During January of 2010, our customer decided to purchase the two devices outright. This transaction is reflected as Gain on Sale of Rental Assets in our income statement. The gain reflects the purchase price of the assets plus the unamortized upfront payment offset by the undepreciated value of the rental assets.

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 July 31, 2009, filed with the Securities and Exchange Commission ("SEC") on October 27, 2009, 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. ("CTT"), was incorporated in Delaware in 1971, succeeding an Illinois corporation incorporated in 1968. CTT and its subsidiaries (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, or distribution agreement.

We earn revenue in two ways, from licensing our clients' and our own technologies to our customer licensees, and in a business model that allows us to share in the profits of distribution of finished products. Our customers pay us license fees, royalties based on usage of the technology, or per unit fees, and we share that revenue with our clients. Our revenue fluctuates due to changes in revenue of our customers, upfront license fees, new licenses granted, new distribution agreements, expiration of existing licenses or agreements, and/or the expiration or economic obsolescence of patents underlying licenses or products.

We acquire rights to commercialize a technology or product on an exclusive or non-exclusive basis, worldwide or limited to a specific geographic area. When we license or sublicense those rights to our customers, we may limit rights to a defined field of use. Technologies can be early, mid, or late stage. Products we evaluate must be a working prototype or finished product. We establish channel partners based on forging relationships with mutually aligned goals and matched competencies, to deliver solutions that benefit the ultimate end-user.

Reliance on one revenue source

In fiscal 2007, we had a significant concentration of revenue from our homocysteine assay technology. The primary underlying patent for this technology expired in July 2007 and we do not receive revenue for sales made after that date on that patent. Revenue in fiscal 2008 for the homocysteine technology reflects back royalties previously unreported by customers. We continue to seek revenue from new technology licenses or product distributions to mitigate the concentration of revenue, and replace revenue from expiring agreements. 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.

We filed a patent infringement complaint against three suspected infringers, but believe progress in this case may be subject to delaying tactics by the defendants, adding to the normal period of time it takes for such cases to work their way through the court system. In response to the action we filed, one defendant has requested that the United States Patent and Trademark Office ("USPTO") re-evaluate the validity of our patent. Re-examination

proceedings are now underway at the USPTO Board of Appeals. We do not expect an adverse finding, but completion of such action will delay the ultimate resolution of the case. Further action in this case is pending.

Presentation

We rounded all amounts in this Item 2 to the nearest thousand dollars, except per share data. 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.

The Company has incurred operating losses since fiscal 2006. We continue to seek revenue from new technologies or products to replace revenues from expiring licenses. At current reduced spending levels, the Company may not have sufficient cash flow to fund operating expenses beyond the third quarter of fiscal 2011. 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. If necessary, we will meet anticipated operating cash requirements by further reducing costs, and/or pursuing sales of certain assets and technologies while we pursue licensing and distribution opportunities for our remaining portfolio of technologies.

In addition, we will sell shares to Fusion Capital Fund II, LLC ("Fusion Capital") per our August 6, 2009 Agreement, on an as-needed basis, when the Company's stock price is at or above \$1.00 per share. We have also entered into an agreement to sell 2,000,000 shares of CTT common stock to Crisnic Fund, S.A., (see Note 10), which also requires our stock price to be at or above \$1.00 per share. There can be no assurance that the Company will be successful in these revenue-generating efforts or that we will be able to obtain alternative financing should our stock price fall below \$1.00 per share.

As required by the rules of the NYSE Amex, LLC (the "Exchange"), on June 4, 2010 the Exchange notified CTT that the Exchange intended to file a delisting application with the Securities and Exchange Commission ("SEC") to strike the listing of CTT's securities from the Exchange pursuant to Section 1009(d) of the NYSE Amex Company Guide. CTT has filed an appeal of the delisting determination and is seeking an oral hearing before a Listing Qualifications Panel of the Exchange (the "Panel"). CTT's request for an oral hearing has stayed the scheduled delisting of the Company's securities pending the Panel's determination.

As referenced by CTT in a press release dated June 2, 2010 (and as filed on Form 8-K), and advised to the Exchange, CTT has a signed stock purchase agreement and has filed a registration statement with the SEC to sell 2 million shares of equity to Crisnic Fund, S.A. based on a 15% discount from the volume weighted average price on the date the SEC declares the registration effective. The Exchange approved the new shares for listing on June 9, 2010. In its notification letter, the Exchange advised the Company that the delisting determination was based upon the Company's noncompliance with Sections 1003(a)(i) and (ii) of the Company Guide relating to the low stockholders' equity in light of prior losses from continued operations. Specifically, CTT is not in compliance with stockholders' equity of not less than \$4,000,000 given CTT's net losses in three of its four most recent fiscal years. Staff from the Exchange noted in their letter that under their rules they were not permitted to extend the compliance period further. Closing on the funds in the pending Crisnic Fund, S.A. transaction is expected to resolve this stockholders' equity deficiency.

The Panel will determine the time and place of the oral appeal hearing. There can be no assurance that the Panel will grant the Company's request for continued listing. If the Panel does not grant the relief sought by the Company, its securities will be delisted from the Exchange in which event the Company would expect them be quoted on the OTC or on another exchange upon application by the Company and approval by any such exchange.

Results of Operations – Three months ended April 30, 2010 ("third quarter 2010") vs. three months ended April 30, 2009 ("third quarter 2009")

Summary of Results

We incurred a net loss of \$739,000 or \$0.07 per share for the third quarter 2010, compared to a net loss of \$757,000 or \$0.09 per share for the third quarter 2009, a 2% decrease in net loss of \$18,000, or \$0.02 per share. As explained in detail below, the decrease in the net loss reflects an increase in revenue of \$364,000 offset by an increase in expenses of \$346,000.

Revenue

In the third quarter 2010, total revenue was \$531,000, compared to \$167,000 for the third quarter 2009, a 218% increase or \$364,000.

We actively market existing technologies, and seek new technologies to grow the revenue stream. In fiscal 2009, we 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.

Product sales for the third quarter of fiscal 2010 included \$518,000 in revenue recorded from the sale and shipment of 43 (41 internationally, 2 domestic) Calmare Pain Therapy Treatment medical devices. Product sales for the third quarter of fiscal 2009 were from the sale of one Calmare Pain Therapy Treatment device and one unit of our electronic stress management and memory improvement device, which is not being actively marketed at this time.

Retained royalties for the third quarter 2010 were \$13,000, which was \$146,000, or 92% less than the \$159,000 of retained royalties reported in the second quarter 2009. In fiscal 2009 we received \$132,000 in back royalties on our plant regeneration technology. In addition, during the third quarter of fiscal 2009 we received \$6,000 license fee for our sunless tanning technology. This license fee was received in the second quarter of fiscal 2010.

Expenses

	For the three months ended April 30,			
	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cost of product sales	\$ 108,000	\$ -	\$ 108,000	100
Personnel and other direct expenses relating to revenue	588,000	449,000	139,000	31
General and administrative expenses	572,000	473,000	99,000	21
Interest Expense	2,000	2,000	-	-
Total expenses	<u>\$ 1,270,000</u>	<u>\$ 924,000</u>	<u>\$ 346,000</u>	37

Total expenses increased \$346,000 or 37% in the third quarter 2010, compared to the third quarter 2009.

Cost of product sales increased \$108,000 during the quarter. This represents the cost of 12 units sold during the third quarter. Previously, the Company did not take possession of inventory and had all sales drop shipped directly from our Korean manufacturer. As a result our sales were recorded net, and typically did not reflect any cost of sales. This was true of 31 units sold during the quarter. During the second quarter of fiscal 2010, we purchased a number of devices from our manufacturer which will allow us to maintain a small inventory, primarily to service US customers. We anticipate that most of our sales will be drop shipped directly from the manufacturer going forward.

Personnel and other direct expenses relating to revenue increased a net \$139,000 or 31% in the third quarter 2010, compared to the third quarter 2009. Payroll increased by \$31,000 as a result of hiring a VP of Sales & Marketing. Employee severance is up \$21,000 due to terminating one employee. Medical Benefits increased \$13,000 as a result of

hiring an additional employee and providing severance benefits to one employee. Costs to commercialize our pain therapy device increased \$41,000 due to filing fees required on international patent applications. The company incurred \$35,000 in commission expenses on sales of our pain therapy device in fiscal 2010. There were no sales earning commissions in fiscal 2009. The company incurred \$25,000 in recruiting expenses during the third quarter of fiscal 2010. These included final payment to a retained search firm for the hiring of a VP of Sales & Marketing and a retainer paid to a firm to help us contract commission salespeople. In addition, costs to commercialize our bone cement technology increased \$50,000 due to an agreement between University of South Carolina and the Company that CTT will bear the cost of patent expenses going forward. These costs were offset by a \$51,000 reduction in employee stock option expenses. Stock option expenses will be significantly lower going forward because options granted to our President and Chief Executive Officer upon his hiring became fully vested in February 2010. In addition, we saved \$20,000 by terminating a consulting contract in the third quarter fiscal 2009.

General and administrative expenses increased a net \$99,000 in the third quarter 2010, compared to the third quarter 2009. Consulting fees and expenses increased in fiscal 2010 as we paid \$20,000 to Medical Technology Partners to develop an insurance reimbursement strategy for our pain therapy device. We also paid \$25,000 to Crystal Research Associates to write an investment research report on the company, \$19,000 to a consultant to become a trainer on our pain therapy device and \$10,000 to Calmar Pain Relief, LLC for assisting us in marketing our pain device to other doctors. Marketing costs increased because we have paid \$41,000 to RF|Binder who was contracted to help raise awareness of the company's pain management technology. These costs were offset by a \$20,000 savings in D&O insurance costs. This was the result of a significant savings obtained during our last insurance renewal negotiation.

Results of Operations – Nine months ended April 30, 2010 ("first nine months 2010") vs. nine months ended April 30, 2009 ("first nine months 2009")

Summary of Results

We incurred a net loss of \$2,240,000 or \$0.21 per share for the first nine months 2010, compared to a net loss of \$2,658,000 or \$0.31 per share for the first nine months 2009, a 16% decrease in net loss of \$418,000, or \$0.10 per share. As explained in detail below, the decrease in the net loss reflects an increase in revenue of \$643,000 partially offset by an increase in expenses of \$226,000.

Revenue

In the first nine months 2010, total revenue was \$943,000, compared to \$300,000 for the first nine months 2009, a 214% increase of \$643,000.

We actively market existing technologies, and seek new technologies to grow the revenue stream. 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.

Product sales for the first nine months of 2010 are primarily from sales of our Calmare Pain Therapy Treatment medical device. We sold 62 (54 internationally, 8 domestic) devices in the first nine months of fiscal 2010. One device was sold during the first nine months of fiscal 2009.

Gain on sale of rental assets for the first nine months of fiscal 2010 included \$81,000 from the conversion of a rental contract for two Calmare Pain Therapy Treatment medical devices into an outright sale of the devices. There were no conversions of rental assets in the first nine months of fiscal 2009 (See Note 12).

Retained royalties for the first nine months of 2010 were \$51,000, which was \$162,000, or 76% less than the \$213,000 of retained royalties reported in the first nine months 2009. The main reason for the decrease was that we had received \$132,000 in back royalties on our plant regeneration technology during fiscal 2009. During fiscal 2010 we received only \$11,000 in royalties on this technology. In addition, the patent on our novel infections bursal disease virus vaccine expired during the second quarter of fiscal 2009. We recorded \$20,000 of royalties on this technology in fiscal 2009.

Investment income includes dividends and interest earned on our invested cash. Investment income was \$0 in the first nine months of 2010, a decrease of \$7,000, or 100%, from the \$7,000 reported for the first half 2009. The decrease was primarily due to lower invested balances for the first nine months of fiscal 2010 as compared to the prior year.

Other income for first nine months 2009 is revenue from a one-time sale of our Flip Chip patents. During the second quarter of fiscal 2010 we recorded rental revenue on two of our Calmar Therapy Treatment pain therapy management devices for two months. In January 2010, we sold the units outright to our customer.

Expenses

	For the nine months ended April 30,			
	<u>2010</u>	<u>2009</u>	<u>Increase</u> <u>(Decrease)</u>	<u>% Increase</u> <u>(Decrease)</u>
Cost of product sales	\$ 117,000	\$ 1,000	\$ 116,000	11,600
Personnel and other direct expenses				
relating to revenue	1,542,000	1,609,000	\$ (67,000)	(4)
General and administrative expenses	1,519,000	1,744,000	(225,000)	(13)
Patent enforcement expenses net				
of reimbursements	-	2,000	(2,000)	(100)
Interest Expense	6,000	2,000	4,000	200
Insurance recovery	-	(400,000)	400,000	100
Total expenses	<u>\$ 3,184,000</u>	<u>\$ 2,958,000</u>	<u>\$ 226,000</u>	8

Total expenses increased \$226,000 or 8% in the first nine months 2010, compared to the first nine months 2009.

Cost of Product Sales in the first nine months of fiscal 2010 represents the cost of 13 pain therapy devices sold. Previously the company did not take possession of inventory and had all sales drop shipped directly from our Korean manufacturer. As a result our sales were recorded net, and typically did not reflect any cost of sales. This was true of 49 units sold during the first nine months of fiscal 2010. During the second quarter of fiscal 2010, we purchased a number of devices from our manufacturer which will allow us to maintain a small inventory, primarily to serve US customers. We anticipate most of our sales will be drop shipped directly from the manufacturer going forward.

Personnel and other direct expenses relating to revenue decreased a net \$67,000 or 4% in the first nine months of 2010, compared to the first nine months of 2009. Payroll and related benefits decreased by \$68,000 as a result of reducing full-time equivalent headcount from 13 to 9. Severance costs decreased \$35,000 as three people were terminated in fiscal 2009 but only one employee was terminated in fiscal 2010. Costs to commercialize our pain therapy device were \$44,000 lower in fiscal 2010. Most of the costs incurred in fiscal 2009 were paid to consultants who helped us prepare the FDA medical device clearance documents for the device. FDA 510(k) clearance was obtained in February 2009 and related costs are significantly lower in fiscal 2010. Costs for employee options are \$38,000 lower in fiscal 2010. This is due to the fact that options issued to John Nano, our President and CEO upon his hiring became fully vested in February 2010 and will incur no further expenses. Consulting costs were \$94,000 less in fiscal 2010 as management terminated a large consulting contract in the third quarter of fiscal 2009 and has eliminated non-essential services in an effort to control costs. Patent legal expenses were \$35,000 less in fiscal 2010 because patent maintenance fees in fiscal 2009 for our sexual dysfunction, ribozyme and crack detecting paint technologies did not recur in fiscal 2010. In addition, we incurred \$6,000 in fiscal 2009 for the final research payment to University of Connecticut to develop an asthma assay. These reductions were offset by an increase of \$56,000 in recruiting costs as the company searched for and hired a Vice President, Sales and Marketing to implement the company's business plan for our pain management technology. In addition we have retained an agency to help us contract commission salespeople. Employer 401(k) expenses were \$100,000 more in fiscal 2010 because we had corrected the 401(k) expense accrual for fiscal 2008 during the second quarter of fiscal 2009. We also incurred \$51,000 in commissions during fiscal 2010 on sales of our pain therapy device. There were no commission sales during fiscal 2009. In addition, costs to commercialize our bone cement technology increased \$50,000 during fiscal 2010 due to an agreement with the University of South Carolina that the company will bear the cost of patent expenses going forward.

General and administrative expenses decreased a net \$225,000 in the first nine months of 2010, compared to the first nine months of 2009. The decrease in expenses is primarily due to the following reductions: legal fees as a result of less litigation, \$302,000, primarily the Marcovitch case; directors and officers insurance, \$60,000, due to lower premiums negotiated with our policy renewal; SOX compliance expense, \$66,000, because our outside consultants were able to perform most of the work for fiscal 2009 before year end. For fiscal 2008, most of the work was performed in the first quarter of fiscal 2009. In addition our directors fees (\$13,000) and expenses (\$10,000) were both lower in fiscal 2010. This was the result of having one less outside director and having more telephonic board meetings. These reductions were offset by hiring RF|Binder to handle public relations for our pain management therapy device, \$88,000;

retaining Medical Technology Partners to help us develop insurance reimbursement codes for the pain management therapy device, \$48,000, and increase in investor relations costs of \$24,000 due to international press releases on the commercialization of the pain management therapy device. We also retained Crystal Research Associates, at \$25,000, to develop an investor research report on the company, paid \$21,000 to a consultant to become a trainer on our pain therapy device and paid \$10,000 to Calmar Pain Relief, LLC to help us market our pain therapy device to other doctors. Finally expenses for directors' stock options increased \$12,000 in fiscal 2010 due to the stronger performance of the company's stock.

Patent enforcement expenses, net of reimbursements, decreased by \$2,000 in the first nine months of 2010, compared to the first half 2009. Patent enforcement expenses vary, depending on the activity relating to outstanding litigation.

Interest expense was incurred as a result of our landlord allowing us to defer certain rent payments while we are in the process of commercializing our pain therapy device. The expense is higher in fiscal 2010 because more rent payments have been deferred.

Insurance recovery in 2009 represents settlement of our action against Federal Insurance to cover our legal fees and loss associated with the case involving Ben Marcovitch and other co-defendants. (See Note 11.)

Financial Condition and Liquidity

Our liquidity requirements arise principally from our working capital needs, including funds needed to find 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 and cash flows from operations, if any, including royalty legal awards. In addition, we have the ability to fund our requirements through sales of common stock under the Fusion Capital agreement. At April 30, 2010, we had no outstanding debt or credit facility.

We believe we will successfully license new technologies and collect due, but unpaid, royalties on existing licenses to add revenue. Although there can be no assurance that we will be successful in these efforts, we believe the combination of our cash on hand, the ability to raise funds from sales of our common stock under the Fusion Capital agreement, and revenue from executing our strategy will be sufficient to meet our obligations of current and anticipated operating cash requirements. If necessary, we will meet anticipated operating cash requirements by further reducing costs, and/or the sales of certain assets and technologies while we pursue licensing opportunities for our remaining portfolio of technologies.

In fiscal 2010, we will sell shares to Fusion Capital Fund II, LLC ("Fusion Capital") per our August 6, 2009 Agreement, on an as-needed basis, when the Company's stock price is at or above \$1.00 per share. There can be no assurance that the Company will be successful in these revenue-generating efforts or that we will be able to obtain alternative financing should our stock price fall below \$1.00 per share.

As expected by Competitive Technologies, Inc. ("CTT") and as required by the rules of the NYSE Amex, LLC (the "Exchange"), on June 4, 2010 the Exchange notified CTT that the Exchange intended to file a delisting application with the Securities and Exchange Commission ("SEC") to strike the listing of CTT's securities from the Exchange pursuant to Section 1009(d) of the NYSE Amex Company Guide. As anticipated, however, CTT has filed an appeal of the delisting determination and is seeking an oral hearing before a Listing Qualifications Panel of the Exchange (the "Panel"). CTT's request for an oral hearing has stayed the scheduled delisting of the Company's securities pending the Panel's determination.

As referenced by CTT in a press release dated June 2, 2010 (and as filed on Form 8-K), and advised to the Exchange, CTT has a signed stock purchase agreement and has filed a registration statement with the SEC to sell 2 million shares of equity to Crisnic Fund, S.A. based on a 15% discount from the volume weighted average price on the date the SEC declares the registration effective. The Exchange approved the new shares for listing on June 9, 2010. In its notification letter, the Exchange advised the Company that the delisting determination was based upon the Company's noncompliance with Sections 1003(a)(i) and (ii) of the Company Guide relating to the low

stockholders' equity in light of prior losses from continued operations. Specifically, CTT is not in compliance with stockholders' equity of not less than \$4,000,000 given CTT's net losses in three of its four most recent fiscal years. Staff from the Exchange noted in their letter that under their rules they were not permitted to extend the compliance period further. Closing on the funds in the pending Crisnic Fund, S.A. transaction is expected to resolve this stockholders' equity deficiency.

The Panel will determine the time and place of the oral appeal hearing. There can be no assurance that the Panel will grant the Company's request for continued listing. If the Panel does not grant the relief sought by the Company, its securities will be delisted from the Exchange in which event the Company would expect them be quoted on the OTC or on another exchange upon application by the Company and approval by any such exchange.

In late fiscal 2007, we obtained exclusive worldwide distribution rights to a non-invasive pain management therapy device for rapid treatment of high-intensity oncologic and neuropathic pain, including pain resistant to morphine and other drugs. The non-invasive Calmare Pain Therapy medical device, which uses "Scrambler Therapy" developed in Italy by our client, Professor Giuseppe Marineo, was brought to us through the efforts of Prof. Giancarlo Elia Valori of the Italian business development group, Sviluppo Lazio S.p.A., and assistance from Mr. Giuseppe Belcastro, Legal Counsel for Professor Marineo. The unit, with a biophysical rather than a biochemical approach, uses a multi-processor able to simultaneously treat multiple pain areas by applying surface electrodes to the skin. The device's European CE mark certification allows it to be distributed and sold throughout Europe, and makes it eligible for approval for distribution and sales in multiple global markets. U.S. FDA 510(k) clearance for the device was awarded in February 2009, opening the door to U.S. sales. GEOMC Co., Ltd. of Korea is manufacturing the device commercially for worldwide distribution.

Beginning in fiscal 2008, we entered into a number of distribution agreements granting country-exclusive rights to a number of international distributors. Each distributor is required to obtain local sales authorization. Ongoing sales from these distribution agreements are anticipated in the fourth quarter of fiscal 2010 and into the future.

In the U.S., we have decided to be the principal marketer for the Calmare Pain Therapy Treatment device and have hired a Vice President, Sales and Marketing, and contracted with several salesmen in support of that decision. As a result, we have terminated the exclusive U.S. distribution agreement we had with Innovative Medical Therapies, Inc.

Cash and cash equivalents consist of demand deposits and interest earning investments with maturities of three months or less, including overnight bank deposits and money market funds. We carry cash equivalents at cost.

At April 30, 2010, cash and cash equivalents were \$632,000 compared to \$752,000 at July 31, 2009. The loss of \$2,240,000 for the first nine months of fiscal 2010 contained non-cash charges of \$229,000, a gain on the sale of rental assets of \$81,000, and reduction in assets and liabilities of \$506,000, resulting in cash used in operations of \$2,599,000. Capital expenditures for the first nine months of fiscal 2010 were \$26,000 and proceeds from the sale of rental assets were \$104,000. We sold shares to Fusion Capital per our equity financing agreement totaling \$2,450,000. These activities decreased cash by \$120,000. As of June 10, 2010, our cash and cash equivalents balance is approximately \$725,000.

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 and utilize the benefit of the remaining NOLs before they expire.

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.

For fiscal 2010, we expect our capital expenditures to be less than \$50,000.

Contractual Obligations and Contingencies

There have been no substantial changes to our contractual obligations since July 31, 2009.

Contingencies. 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.

As of April 30, 2010, CTT and its majority owned subsidiary, Vector Vision, Inc. ("VVI"), have remaining obligations, contingent upon receipt of certain revenue, to repay up to \$199,006 and \$203,981, respectively, in consideration of grant funding received in 1994 and 1995. CTT is also obligated to pay at the rate of 7.5% of its revenue, 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 revenue from licensing supported products, if any. We recognize these obligations only if we receive revenue related to the grant funds. We recognized approximately \$1,382 of these obligations through the third quarter of fiscal 2010.

We engage commissioned salesmen as independent consultants who provide us with business development and/or evaluation services under contracts that are cancelable on certain written notice. These contracts include contingencies for potential incentive compensation earned solely on sales resulting directly from the work of the consultant. Through the first nine months of fiscal 2009, we neither accrued nor paid significant incentive compensation under such contracts. For fiscal 2010, we recorded approximately \$51,000 of such contingent incentive compensation expense through the first nine months.

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 July 31, 2009.

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, including our President, Chief Executive Officer, and Interim Chief Financial Officer, 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 April 30, 2010. 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, our President, Chief Executive Officer, and Interim Chief Financial Officer concluded that our disclosure controls and procedures, except as noted below, were effective as of April 30, 2010.

(b) Change in Internal Controls

There were no changes in our internal control over financial reporting for the period ending April 30, 2010, 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, Note 11 to the accompanying unaudited condensed consolidated financial statements of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended July 31, 2009.

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

As of June 1, 2010, the Company has agreed to issue to Crisnic Fund SA 75,000 shares of common stock as a fee in consideration of the equity financing of the sale of up to 2,000,000 shares which is being provided to the Company by Crisnic Fund SA. These securities will be issued upon approval of the listing application for these shares with the NYSE Amex Equities stock market. These securities will be issued by the Company without registration in reliance upon an exemption under Section 4(2) of the Securities Act because the offer and sale was made in a privately negotiated transaction. The share certificate to be issued to Crisnic Fund SA will be appropriately legended. The Company ascertained that Crisnic Fund SA is an accredited investor and otherwise took steps to assure compliance with private placement requirements.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Shareholders held April 19, 2010, shareholders voted on the following issues:

- Election of Directors

<u>Directors Elected</u>	<u>For</u>	<u>Withheld</u>
Joel M. Evans, M.D	5,031,303	884,104
Richard D. Hornidge, Jr.	5,658,657	256,750
Rustin Howard	5,654,407	261,000
John B. Nano	4,841,219	1,074,188
William L. Reali	5,146,053	769,354

- Ratification of selection of MHM Mahoney Cohen CPAs, the New York Practice of Mayer Hoffman McCann P.C., as the independent public accounting firm:

<u>Accounting Firm</u>	<u>For</u>	<u>Against</u>	<u>Abstained</u>
MHM Mahoney Cohen CPAs (Now known as Mayer Hoffman McCann CPAs (The New York Practice of Mayer Hoffman McCann P.C.), effective June 8, 2010.)	9,060,625	30,256	43,784

Item 5. Other Information

None.

Item 6. Exhibits

- 31.1 Certification by the Principal Executive and interim 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 Principal Executive and interim Chief Financial Officer of Competitive Technologies, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) (furnished herewith).

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/ John B. Nano.

John B. Nano

Chairman, President, Chief Executive Officer,
Interim Chief Financial Officer, Chief Accounting
Officer and Authorized Signer

June 14, 2010

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
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32.1	Certification by the Principal Executive and Interim Chief Financial Officer of Competitive Technologies, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) (furnished herewith).



CERTIFICATION

I, John B. Nano, Chairman, President, Chief Executive Officer, Interim Chief Financial Officer and Director, certify that: 1. I have reviewed this Report on Form 10-Q of Competitive Technologies, Inc. (the "Company") for the period ending April 30, 2010;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:

- (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (c) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
- (d) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting procedures.

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's Board of Directors (or persons performing the equivalent functions):

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: June 14, 2010

/s/ John B. Nano

John B. Nano
Chairman, President Chief Executive Officer,
Interim Chief Financial Officer and Chief
Accounting Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. 1350)**

In connection with the Report of Competitive Technologies, Inc. (the “Company”) on Form 10-Q for the quarter ended April 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John B. Nano, Chairman, President, Chief Executive Officer, Interim Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John B. Nano
John B. Nano
Chairman, President, Chief Executive Officer,
Interim Chief Financial Officer and Chief
Accounting Officer

June 14, 2010



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