

COMPETITIVE TECHNOLOGIES INC
Form 10-Q
August 13, 2013

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 June 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
(State or other jurisdiction of incorporation or organization)

36-2664428
(I. R. S. Employer Identification No.)

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

06824

(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 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

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

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

Yes

No

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

COMPETITIVE TECHNOLOGIES, INC.**INDEX TO QUARTERLY REPORT ON FORM 10-Q**

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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):		

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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

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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		Common Stock		Capital	Accumulated	Total
	Shares	Amount	Shares	Amount	in excess of par value	deficit	shareholders interest (deficit)
	outstanding		outstanding				
		\$		\$	\$	\$	\$
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