

COMPETITIVE TECHNOLOGIES INC
Form 424B3
February 17, 2006

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Registration No. 333-113751**

PROSPECTUS

Competitive Technologies, Inc.

531,341 Shares of Common Stock

This Prospectus relates to the sale of up to 531,341 shares of our common stock by Fusion Capital Fund II, LLC (“Fusion Capital”). Fusion Capital is sometimes referred to in this Prospectus as the selling stockholder. The prices at which Fusion Capital may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive any proceeds from the sale of our shares by Fusion Capital.

Our common stock is traded on the American Stock Exchange under the symbol “CTT.” On January 31, 2006, the last reported sale price for our common stock as reported on the American Stock Exchange was \$3.88 per share.

Investing in our common stock involves a high degree of risk. You should consider carefully the “Risk Factors” beginning on page 3 for a discussion of these risks.

The selling stockholder is an “underwriter” within the meaning of the Securities Act of 1933.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is February 17, 2006.

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Prospectus Summary

The following summary highlights information contained elsewhere in this Prospectus. It may not contain all of the information that is important to you. You should read the entire Prospectus carefully, especially the discussion regarding the risks of investing in CTT common stock under the heading “Risk Factors,” before investing in CTT common stock.

Business

Competitive Technologies, Inc. (“CTT”), is a Delaware corporation incorporated in 1971 to succeed an Illinois corporation incorporated in 1968. CTT and its subsidiary (collectively, the “registrant,” “we,” “our,” “us”, or the “Company”), provide technology transfer, selling and licensing services focused on the technology needs of its customers, matching those requirements with commercially viable technology solutions, bridging the gap between market demand and raw innovation. We do this in two ways. First, we develop, and have developed over the years, relationships with the technology and research arms of universities, independent research institutions and companies, and inventors, patent attorneys and patent or other intellectual property holders, whom we then formally represent, and they become our “Clients”. From our Clients we obtain rights to serve as their agent, or receive a license from them to their invention, patent or intellectual property rights (collectively, “Technology”). We then find customers, or end users, who have a use for the particular Technology, and we grant them a license or a sublicense to the Technology either to commercialize (sell) it or further develop the Technology. Second, as we also have contacts and relationships with those who have a need or use for particular Technologies (usually companies and industry, who may or may not be current customers of ours), we match their needs with one of our Technologies (“reverse marketing”), or find a Technology to fit their needs and grant them a license or a sublicense. Since we focus on both Technologies available (Client side) and Technologies wanted or needed (customer side), we believe that we provide a valuable service in matching market needs to Technology solutions. Using our services provides benefits to both the Technology provider and the user of the Technology; the Client, or Technology provider (usually a university or an inventor), can focus solely on research and innovation, rather than on selling and marketing, and the staffing needed to sell and market their Technology, and the Technology user, or customer, can focus on selling, development and marketing, rather than on research and development. We also work to maintain and enforce our Clients’ and our own legal patent rights with respect to Technologies, and monitor and address any infringement. Our goal is to maximize the value of the Technology for the benefit of our Clients, customers and shareholders.

When we acquire a Technology, we may acquire exclusive or non-exclusive rights, worldwide rights or rights limited to a specific geographic area. When we license or sublicense rights to our customers, we may grant exclusive or non-exclusive rights, worldwide or geographically limited rights and/or we may limit rights to a defined field of use. Technologies can be either early stage, mid stage, or late stage. Currently, we define early stage Technologies as those that require further development and/or testing and regulatory approval before they can be commercialized and generate significant revenues, such period of time usually being in excess of 30 months. Mid stage are defined as Technologies that require some further refinement, but we believe are closer (approximately 15 - 30 months) to generating significant revenues than early stage. Late stage Technologies are fully developed and ready to be marketed and usually can generate revenues immediately, or within 15 months. We strive to have a balanced portfolio with Technologies in each stage of the life cycle; our goal is to have over half our portfolio in late stage Technologies. Currently, we have less than half our portfolio in late stage Technologies, and we are focusing on correcting this imbalance in our portfolio. The stage that a Technology is classified in may change at any time based upon information currently available to us. In addition, how we define a stage may change.

We identify and commercialize (or find companies that will commercialize Technologies for us) innovative Technologies in life and physical sciences, electronics, and nanotechnologies. Life sciences include medical testing, diagnostics, pharmaceuticals, biotechnologies, medical devices and other medical or biological applications. Physical sciences include chemical, display, and environmental applications. Electronics include communications, semiconductors, Internet related, e-commerce and consumer electronics applications. Nanotechnologies deal with the manipulation of microscopic particles into useful arrangements, and smart or novel materials (a nano particle is one thousand times smaller than the width of a human hair). We currently have Technologies in each of these areas, though a majority of our revenues come from the life sciences area.

We estimate that over the years we have licensed nearly 500 Technologies to and from corporations, and can count as our Clients several major universities and inventors.

We compete with universities, law firms, venture capital firms and other technology commercialization firms for technology licensing opportunities. Many organizations offer some aspect of technology transfer services, and some are well established and have more financial and human resources than we do. The market is highly fragmented and many participants focus on a specific technology area.

Corporate Information

CTT is incorporated under the laws of the State of Delaware. Our executive offices are located at 1960 Bronson Road, Fairfield, Connecticut 06824, and our telephone number is (203) 255-6044. The address of our website is www.competitivetech.net. Unless otherwise stated herein, information on our web site is not part of this Prospectus.

CTT Common Stock

CTT common stock trades on the American Stock Exchange under the symbol "CTT."

The Offering

On February 25, 2004, we entered into a common stock purchase agreement with Fusion Capital Fund II, LLC ("Fusion Capital"), pursuant to which Fusion Capital has agreed to purchase on each trading day, subject to CTT's rights to increase, reduce or suspend these purchases and terminate the agreement with Fusion Capital at any time, \$12,500 of our common stock up to an aggregate purchase price, under certain conditions, of \$5.0 million. The \$5.0 million of common stock is to be purchased over a twenty (20) month period, subject to a six (6) month extension or earlier termination at our discretion. Subject to certain provisions of the common stock purchase agreement, we can control the size and timing of any sales of our common stock to Fusion Capital. On January 9, 2006 we notified Fusion Capital that we were extending the common stock purchase agreement by six (6) months.

In May 2004, we registered 1,248,115 shares of our common stock for sale by Fusion Capital, of which 716,774 shares have been sold to Fusion Capital and 82,321 shares have been issued to Fusion Capital as a commitment fee as of January 31, 2006. Fusion Capital, the selling stockholder under this Prospectus, is offering for sale the remaining shares from the February 25, 2004 agreement, consisting of up to 531,341 shares of our common stock. All of these shares previously were registered in our May 2004 registration statement, number 333-113751 on Form S-1, and our February 2005 registration statement, number 333-113751 on Form S-3.

As of January 31, 2006, there were 7,669,333 shares of our common stock outstanding, including the 82,321 shares issued to Fusion Capital as a commitment fee, but excluding the additional 6,242 shares issuable to Fusion Capital as compensation for its purchase commitment, and the additional 442,778 shares not yet purchased by Fusion Capital which are included in the total shares offered by Fusion Capital pursuant to this Prospectus. The number of shares offered by this Prospectus represents approximately 6.9% of the total common stock outstanding as of January 31, 2006. The number of shares ultimately offered for sale by Fusion Capital is dependent upon the number of shares purchased by Fusion Capital under the common stock purchase agreement. This number may be affected by other factors more fully described under the heading "The Fusion Capital Transaction."

Risk Factors

An investment in CTT common stock involves a high degree of risk. You should carefully consider the following risk factors and other information in this Prospectus before deciding to invest in shares of CTT common stock. Our most significant risks and uncertainties are described below; however, they are not the only risks that we face. If any of the following risks actually occurs, our business, financial condition, liquidity, results of operations and prospects for growth could be materially adversely affected, the trading of our common stock could decline, and you may lose all or part of your investment. You should acquire shares of our common stock only if you can afford to lose your entire investment. We make various statements in this section which constitute “forward-looking statements” under Section 27A of the Securities Act of 1933. See “Forward-Looking Statements.”

In three of the last five fiscal years, we have experienced significant net losses.

The table below summarizes our consolidated results of operations and cash flows for the five years ended July 31, 2005:

	2005	2004	2003	2002	2001
Net income (loss)	\$ 5,701,787	\$ 2,954,529	\$ (1,935,301)	\$ (4,016,428)	\$ (2,500,749)
Net cash flow from:					
Operating activities	\$ 5,006,936	\$ 2,328,684	\$ (1,604,910)	\$ (1,666,360)	\$ (246,834)
Investing activities	\$ 803,220	\$ 499,663	\$ 221,910	\$ (464,222)	\$ (793,554)
Financing activities	\$ 4,159,711	\$ (22,962)	\$ —	\$ —	\$ (658,164)
Net increase (decrease) in cash and cash equivalents	\$ 9,969,867	\$ 2,805,385	\$ (1,383,000)	\$ (2,130,582)	\$ (1,698,552)

Although we have generated significant net income and positive cash flows in fiscal 2005 and 2004, we can not be sure that this trend will continue. For our fiscal first quarter ended October 31, 2005, we incurred a net loss of \$333,005. We incurred substantial net losses in the three years ending July 31, 2003, principally from low revenues and expenses related to patent enforcement litigation, which we have since reduced significantly.

To sustain profitability, we must successfully license Technologies with current and long-term revenue streams, and we must continually add new such licenses. In addition, we must control our costs, including litigation related costs.

Our future royalty revenues, obtaining rights to new Technologies, granting licenses, enforcing intellectual property rights, and profits or losses are subject to many factors outside our control, or that we currently cannot anticipate, including technological changes and developments, economic cycles, and the ability of our licensees to commercialize our Technologies successfully. Consequently, we may not be able to generate sufficient revenues to be profitable. We cannot be assured that we will be successful in these efforts.

We derived more than 96% of our retained royalty revenues in fiscal 2005 from four Technologies.

We derived approximately \$11,135,000, or 96%, of 2005 retained royalties from four Technologies: \$8,932,000, or 77%, from the homocysteine assay, \$500,000, or 4%, from Ethylol, \$860,000, or 8%, from gallium arsenide patents and \$843,000, or 7%, from sexual dysfunction patents. In fiscal 2004, we derived approximately 74% of our retained royalties from the same four Technologies.

Our U.S. patent that covers the homocysteine assay expires in July 2007. Of the \$8,932,000 of homocysteine assay royalties, approximately \$6,181,000 was for non-refundable, non-creditable, up-front royalty fees. The remaining \$2,751,000 includes revenues from many new licenses which did not accrue revenue for a full year in 2005. Our retained royalties from Ethyol are limited to a maximum of \$500,000 per calendar year, and since calendar 2003 we have received the maximum. We expect Ethyol retained royalties to continue at their 2005 level for several years (this patent expires in December 2010). Certain of the gallium arsenide patents have expired and we expect less retained royalties from gallium arsenide in the future. Retained royalties from the sexual dysfunction license include the settlement of a mediated dispute.

Such a concentration of revenues makes our operations vulnerable to changes in any one of them, especially the homocysteine assay, and such changes could have a significant adverse impact on our financial position.

In November 2005, the U.S. Supreme Court (the "Court") agreed to hear an appeal of a judgment upholding and validating our homocysteine assay patent. We currently expect the Court to hear oral arguments in late March 2006, and issue their findings in June 2006, although this schedule may be delayed. This uncertainty may have an adverse impact on our current licenses. In addition, if our patent is not upheld this will have a significant, adverse impact on our business, results of operations, cash flows and financial position, and we may have to refund certain royalties paid to us in the past.

Certain of our licensed patents have recently expired or will expire in the near future and we may not be able to replace their royalty revenues.

In fiscal 2005, we derived retained royalties from licenses on twenty-four (24) patented Technologies. We expect royalties from twelve (12) of those patented Technologies to expire in the next five years. When all patents underlying a license expire, our royalties from that license cease, and there can be no assurance that we will be able to replace those royalties with royalty revenues from new or other licenses. Those patented Technologies represented approximately 87% of our retained royalties in fiscal 2005. Fiscal 2005 retained royalty revenues of approximately \$612,000, or 5%, \$9,240,000, or 79%, and \$224,000, or 2%, respectively, were from patents expiring in fiscal 2005, 2007 and 2009. The loss of these royalties, especially the homocysteine assay, may materially, adversely affect our operating results if we are unable to replace them with revenue from other licenses or other sources. Since it often takes two or more years for a Technology to produce significant revenues, we must continuously seek new sources of future revenues.

We currently are involved in lawsuits that historically have involved significant legal expenses. In addition, our most recent former President and Chief Executive Officer has filed complaints against us seeking certain damages. If the courts or regulatory agencies in these suits or actions decide against us, this could have a materially adverse effect on our business, results of operations and financial condition.

We have incurred significant legal expenses in such lawsuits and actions, including patent enforcement lawsuits. If the courts in these suits decide against us, or if we have to incur significant legal and other expenses, this could have a materially adverse effect on our business, results of operations and financial condition.

Sales of our common stock to Fusion Capital will cause dilution to current stockholders and Fusion Capital's sale of those shares of common stock could cause the price of our common stock to decline.

The price of the common stock to be sold and issued to Fusion Capital pursuant to the common stock purchase agreement will fluctuate based on the price of our common stock. All shares under the offering are freely tradable. Fusion Capital's purchase price per share is equal to the lesser of: (i) the lowest sale price of our common stock on the purchase date or (ii) the average of the three (3) lowest closing sale prices of our common stock during the twelve (12) consecutive trading days prior to the date of a purchase by Fusion Capital.

Fusion Capital may sell none, some or all of the shares of common stock purchased from us at any time. We expect that Fusion Capital will sell any shares that they purchase over a period of up to twenty-six (26) months from the commencement date (May 6, 2004) of the agreement, including a six (6) month extension or earlier termination at our discretion. Depending upon market liquidity at the time, a sale of shares by Fusion Capital at any given time could cause the trading price of our common stock to decline. The sale of a substantial number of shares of our common stock, or the anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price at which we might otherwise wish to effect sales.

In May 2004, we registered 1,248,115 shares of our common stock for sale by Fusion Capital of which 799,095 shares have been issued to Fusion Capital as of January 31, 2006. We have the right but not the obligation to sell additional shares to Fusion Capital under the common stock purchase agreement. Under our agreement with Fusion Capital, Fusion Capital does not have the right or the obligation to purchase any shares of our common stock in the event that the purchase price is less than \$1.00 per share.

The sale of shares to Fusion Capital may result in significant dilution to the ownership interests of other holders of our common stock. The amount of dilution would be higher if the per share market price of our common stock is lower at the time we sell shares to Fusion Capital, since a lower market price would cause more shares of our common stock to be issued to Fusion Capital for the same proceeds. Subsequent sales of these shares in the open market by Fusion Capital also may have the effect of lowering our stock price, thereby increasing the number of shares issuable under the common stock purchase agreement and consequently further diluting our outstanding shares. Although we have the right to reduce or suspend sales to Fusion Capital at any time, our financial condition at the time may require us to waive our right to suspend purchases even if there is a decline in the market price.

The existence of the agreement with Fusion Capital to purchase shares of our common stock could cause downward pressure on the market price of our common stock.

Both the actual and the potential for dilution resulting from sales of our common stock to Fusion Capital could cause holders to elect to sell their shares of our common stock, which could cause the trading price of our common stock to decrease. In addition, prospective investors anticipating the downward pressure on the price of our common stock due to the shares available for sale by Fusion Capital could refrain from purchases or cause sales or short sales in anticipation of a decline of the market price, which may itself cause the price of our stock to decline.

Employee and director stock options and warrants may potentially cause dilution to our current stockholders and could adversely affect the market price of our common stock.

As of January 31, 2006, an aggregate of 992,973 employee and director stock options were outstanding and we expect to issue additional options and possibly warrants in the future. For the life of all such options and warrants, the holders of such options and warrants will have the opportunity to profit from a rise in the market price of our common stock, with a resulting dilution in the interest of holders of our common stock. The terms on which we will be able to obtain additional capital during the life of such options and warrants may be adversely affected.

A former Chief Executive Officer and CTT have been named in a civil suit filed by the Securities and Exchange Commission (“SEC”). Until this matter is resolved, our stock price may be adversely impacted, our operations and expenses may be negatively affected, and our ability to obtain any debt financing may be restricted.

On August 11, 2004, the SEC filed a civil suit naming Competitive Technologies, Inc., our former Chief Executive Officer (“CEO”) from 2001, and six individual brokers in the United States District Court for the District of Connecticut, alleging that from at least July 1998 to June 2001, CTT was involved in a scheme to manipulate the price of our stock. The case relates to our 1998 stock repurchase program under which we repurchased shares of our common stock from time to time during the period from October 28, 1998 to March 22, 2001. CTT was named as a defendant in the suit due to the alleged conduct of our former CEO, whose conduct in connection with the stock repurchase program was imputed to CTT as a matter of law. Relating to CTT, the SEC in the suit seeks a permanent injunction prohibiting us from further violations of the Securities Exchange Act of 1934 and a civil penalty pursuant to Section 21(d)(3) of the Securities Exchange Act of 1934 (this section provides for maximum penalties of \$550,000 for a corporate entity and \$110,000 per individual). On September 24, 2004, we responded to this civil suit, and filed a motion to dismiss the suit. On October 15, 2004, the SEC filed a motion opposing our motion to dismiss the suit. Further action in this case is pending. Until this matter is resolved, our stock price may be adversely impacted, our operations and expenses may be negatively affected, and our ability to obtain debt financing may be severely restricted. Costs incurred since August 2004 relating to the suit have been covered by our directors’ and officers’ insurance carrier.

Our By-Laws provide that we will indemnify our directors, officers, employees and agents in certain circumstances. We carry directors’ and officers’ liability insurance (subject to deductibles) to reduce these financial obligations.

Our directors, officers, employees and agents may claim indemnification in certain circumstances. We are currently exposed to potential indemnification claims in connection with the civil suit filed by the SEC and with complaints filed by certain former employees alleging discriminatory employment practices in violation of Section 806 of the Corporate and Criminal Fraud Accountability Act of 2002.

We seek to limit and reduce our potential financial obligations for indemnification by carrying directors' and officers' liability insurance (subject to deductibles).

Our revenue growth depends on our ability to understand the Technology requirements of our customers in the context of their markets. If we fail to understand their Technology needs or markets, we limit our ability to meet those needs and to generate revenues.

We believe that by focusing on the Technology needs of our customers, we are better positioned to generate revenues by providing them Technology solutions. In this way, the market demands of our customers drive our revenues. The better we understand their markets and requirements, the better we are able to identify and obtain effective Technology solutions for our customers. Currently, we rely on our professional staff and contract business development consultants to understand our customers' technical, commercial, and market requirements and constraints, and to identify and obtain effective Technology solutions for them.

Our success depends on our ability to attract and retain key personnel.

Our success depends on the knowledge, efforts and abilities of a small number of key personnel. Dr. D. J. Freed is our President and Chief Executive Officer, Michael D. Davidson is our Vice President and Chief Financial Officer, Dr. Michael E. Kiley is our Executive Vice President and Chief Technology Officer, and Paul A. Levitsky is our Vice President, General Counsel, and Corporate Secretary. We rely on our professional staff and contract business development consultants to identify intellectual property opportunities and Technology solutions, and to negotiate and close license agreements. Competition for personnel with the necessary breadth and depth of experience is intense and we cannot assure you that we will be able to continue to attract and retain qualified personnel. If we are unable to hire and retain highly qualified professionals and consultants, our revenues, prospects, financial condition and future activities could be materially adversely affected.

We depend on our relationships with inventors to gain access to new Technologies and inventions. If we fail to maintain existing relationships or to develop new relationships, we may reduce the number of Technologies and inventions available to generate revenues. In addition, Technology can change rapidly and industry standards are continually evolving. This often makes products obsolete or results in short product lifecycles. Our profitability also depends on our licensees' ability to adapt to such changes.

We do not invent new Technologies or products ourselves. We depend on relationships with universities, corporations, governmental agencies, research institutions, inventors, and others to provide us with Technology-based opportunities that we can develop into profitable royalty-bearing licenses. Our failure to maintain these relationships or to develop new relationships could adversely affect our business, operating results and financial condition. If we are unable to forge new relationships or to maintain our current relationships, we may be unable to identify new Technology-based opportunities and royalty-bearing licenses. We also are dependent on our Clients' abilities to develop new Technologies, introduce new products and adapt to changes in Technology and economic needs.

Further, we cannot be certain that our current or any new relationships will provide the volume or quality of available new Technologies necessary to sustain our business. In some cases, universities and other sources of new Technologies may compete against us as they seek to develop and commercialize these Technologies themselves or through entities that they develop, finance and/or control. In other cases, universities receive financing for basic research from companies in exchange for the exclusive right to commercialize any resulting inventions. These and other strategies may reduce the number of Technology sources (potential Clients) to whom we can market our services. If we are unable to secure new sources of Technology, it could have a material adverse effect on our business, operating results and financial condition.

We receive most of our revenues from customers over whom we have no control.

We rely on royalties received from our customers for revenues. The royalties we receive from our customers depend on their efforts and expenditures and we have no control over their efforts or expenditures. Additionally, our customers' development of new products involves great risk since many new Technologies do not become commercially profitable products despite extensive development efforts. Our license agreements do not require customers to advise us of problems they may encounter in attempting to develop commercial products and they usually treat such information as confidential. You should expect our customers to encounter problems frequently. Our customers' failure to resolve such problems may result in a material adverse effect on our business, operating results and financial condition.

Our customers, and therefore we, depend on receiving government approvals to exploit certain licensed products commercially.

Commercial exploitation of some licensed patents may require the approval of governmental regulatory agencies, especially in the life sciences area, and there is no assurance that those agencies will grant such approvals. In the United States, the principal governmental agency involved is the U.S. Food and Drug Administration (“FDA”). The FDA’s approval process is rigorous, time consuming and costly. In addition, governmental agencies similar to the FDA exist in other countries. Unless and until a licensee obtains approval for a product requiring such approval, the licensee may not sell the product in the U.S.A. or such other countries, and therefore we will not receive royalty income based on sales of such product.

If our Clients and we are unable to protect the intellectual property underlying our licenses or to enforce our patents adequately, we may be unable to exploit such licensed patents or Technologies successfully.

Our success in earning revenues from licenses is subject to the risk that issued patents may be declared invalid, that patents may not issue on patent applications, or that competitors may circumvent or infringe our licensed patents and thereby render our licensed patents not commercially viable. In addition, when all patents underlying a license expire, our royalties from that license cease, and there can be no assurance that we will be able to replace those royalties with royalty revenues from new or other licenses.

Patent litigation has increased; it can be expensive and may delay or prevent our customers' products from entering the market.

Our Clients and/or we may pursue patent infringement litigation or interference proceedings against sellers of products that we believe infringe our patent rights. Holders of conflicting patents or sellers of competing products also may challenge our patents in patent infringement litigation or interference proceedings. We cannot assure you that our Clients and/or we will be successful in any such litigation or proceeding, and the results and costs of such litigation or proceeding may materially adversely affect our business, operating results and financial condition.

Developing new products, creating effective commercialization strategies for Technologies, and enhancing those products and strategies are subject to inherent risks. These risks include unanticipated delays, unrecoverable expenses, technical problems or difficulties, and the possibility that development funds will be insufficient. The occurrence of any one or more of these risks could make us abandon or substantially change our Technology commercialization strategy.

Our success depends on, among other factors, our Clients developing new or improved Technologies, our customers' products meeting targeted cost and performance objectives for large-scale production, and our customers' ability to adapt Technologies to satisfy industry standards, satisfy consumer expectations and needs, and bring their products to market before the market is saturated. They may encounter unanticipated technical or other problems that result in increased costs or substantial delays in introducing and marketing new products. Current and future products may not be reliable or durable under actual operating conditions or otherwise commercially viable and competitive. New products may not satisfy price or other performance objectives when introduced in the marketplace. Any of these events would adversely affect our realization of royalties from such new products.

Strong competition within our industry may reduce our Client base.

We compete with universities, law firms, venture capital firms and other Technology commercialization firms for Technology licensing opportunities. Many organizations offer some aspect of Technology transfer services, and some are well established and have more financial and human resources than we do. This market is highly fragmented and many participants focus on a specific Technology area.

We have not paid dividends and may not pay dividends on our common stock in the foreseeable future.

We have not paid cash dividends on our common stock since 1981, and, our Board of Directors currently does not have plans to declare or pay cash dividends in the future. However, the decision to pay dividends is solely at the discretion of our Board of Directors based upon factors that they deem relevant, and may change at any time.

Being a public company increases our administrative costs.

The Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the SEC and new listing requirements subsequently adopted by the American Stock Exchange in response to the Sarbanes-Oxley Act of 2002, have required changes in corporate governance practices, internal control policies and audit committee practices of public companies. These new rules, regulations, and requirements have significantly increased our legal, audit, financial, compliance and administrative costs, and have made certain other activities more time consuming and costly. The additional costs are expected to continue. In addition, these new rules and regulations may make it more difficult and more expensive for us to obtain directors and officers liability insurance in the future, and could make it more difficult for us to attract and retain qualified members for our Board of Directors, particularly to serve on our

audit committee.

Forward-Looking Statements

This Prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements include statements regarding, among others, (a) our expectations about product development activities, (b) our growth strategies, (c) operating performance, (d) anticipated trends in our industry and competition, (e) our future financing plans, and (f) our anticipated needs for working capital. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are not guarantees of future performance, and generally are identifiable by use of the words “may,” “will,” “should,” “expect,” “anticipate,” “approximate,” “estimate,” “believe,” “intend,” “strateg,” “project,” or the negative of these words or other variations on these words or comparable terminology. This information may involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. These statements may be found in this Prospectus. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under “Risk Factors” and matters described in this Prospectus generally. In light of these risks and uncertainties, the events anticipated in the forward-looking statements may or may not occur. These statements are based on current expectations and speak only as of the date of such statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise.

The information contained in this Prospectus, as well as in our SEC filings, identifies important factors that could adversely affect actual results and performance. We urge prospective investors to consider such factors carefully.

All forward-looking statements attributable to CTT are expressly qualified in their entirety by the foregoing cautionary statements.

Use of Proceeds

This Prospectus relates to shares of our common stock that may be offered and sold from time to time by Fusion Capital, the selling stockholder. We will receive no proceeds from the sale of shares of common stock in this offering. However, we may receive up to \$5.0 million in proceeds from the sale of our common stock to Fusion Capital under the common stock purchase agreement. As of January 31, 2006, we have received approximately \$4.1 million in gross proceeds under the common stock purchase agreement with Fusion Capital. The proceeds we have received to date and will receive in the future under the common stock purchase agreement, net of our costs incurred in connection with the offering, have been or will be used to implement our strategic business plan and for working capital and other general corporate purposes.

Description of Securities

Our authorized capital stock consists of 20,000,000 shares of common stock, par value of \$0.01 per share, and 35,920 shares of preferred stock, par value of \$25.00 per share.

Common Stock

As of January 31, 2006, 7,669,333 shares of common stock were outstanding. Our common stock is traded on the American Stock Exchange under the trading symbol "CTT." Each holder of common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders. There are no cumulative voting rights, which means that the holders of more than 50% of the aggregate outstanding shares of common and preferred stock can elect all of the directors to our Board of Directors, in which event the holders of the remaining shares will not be able to elect any directors. Subject to the rights of the holders of preferred stock to receive preferential non-cumulative dividends, the holders of the common stock are entitled to receive dividends on such shares, if, as and when declared payable by our Board of Directors from funds legally available for that purpose. There are no restrictions in our certificate of incorporation on our ability to repurchase or redeem shares from funds legally available for that purpose while there is any arrearage in the payment of dividends on preferred stock. The common stock has no preemptive, conversion, sinking fund or redemption rights. All outstanding shares of common stock are fully paid and non-assessable. Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in assets remaining available for distribution after payment of all debts and payment of the preferential liquidation rights of shares of preferred stock then outstanding.