

COMPETITIVE TECHNOLOGIES INC
Form 10-Q/A
June 27, 2013

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

FORM 10-Q
Amendment no. 1

(Mark One)

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

For the quarterly period ended March 31, 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 [X]

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

Yes [X]

No []

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

Large accelerated filer []

Accelerated filer []

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

Smaller reporting company [x]

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

Yes []

No [X]

The number of shares of the registrant's common stock outstanding as of June 18, 2013 was 16,354,804 shares.

COMPETITIVE TECHNOLOGIES, INC.

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PART I. FINANCIAL INFORMATION**Item 1. Condensed Consolidated Interim Financial Statements****COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARY**

Condensed Consolidated Balance Sheets

	March 31, 2013 (Unaudited)	December 31, 2012
Assets		
Current Assets:		
Cash	\$	\$
	59,684	74,322
Receivables, net of allowance of \$101,154 at March 31, 2013, and December 31, 2012	78,618	216,365
Inventory, finished goods	4,368,220	4,360,156
Prepaid expenses and other current assets	65,537	78,727
Total current assets	4,572,059	4,729,570
Property and equipment, net	16,419	26,817
Security deposits	15,000	15,000
TOTAL ASSETS	\$	\$
	4,603,478	4,771,387
Liabilities and Shareholders' Interest (Deficit)		
Current Liabilities:		
Accounts payable, general	\$	\$
	1,697,684	1,806,346
Accounts payable, GEOMC	4,182,380	4,181,225
Accrued expenses and other liabilities	848,126	773,364
Notes payable	1,915,000	1,310,000
Deferred Revenue	8,000	9,600
Derivative liability	101,755	119,922
Preferred stock liability	375,000	375,000
Total current liabilities	9,127,945	8,575,457
Long Term Notes Payable	125,000	225,000
Total Liabilities	9,252,945	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, 15,854,804 shares issued and outstanding at March 31, 2013 and 15,237,304 shares issued and outstanding at December 31, 2012 (see Note 12)	158,548	152,373
Capital in excess of par value	45,523,058	45,367,796
Accumulated deficit	(50,391,748)	(49,609,914)
Total shareholders' interest (deficit)	\$	\$
	(4,649,467)	(4,029,070)
TOTAL LIABILITIES AND SHAREHOLDERS' INTEREST (DEFICIT)	\$	\$
	4,603,478	4,771,387

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)**COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARY**

Condensed Consolidated Statements of Operations

(Unaudited)

	Three months ended March 31, 2013	Three months ended March 31, 2012
Revenue		
Product sales	\$	\$
	-	329,746
Cost of product sales	19,348	150,571
Gross profit (loss) from product sales	(19,348)	179,175
Other Revenue		
Retained royalties	13,376	12,403
Other income	48,679	16,201
Total other revenue	62,055	28,604
Expenses		
Selling expenses	68,175	86,940
Personnel and consulting expenses	341,007	331,370
General and administrative expenses	400,759	552,378
Interest expense	32,767	9,513
Unrealized loss (gain) on derivative instrument	(18,167)	22,784
Total Expenses	824,541	1,002,985
Income (loss) before income taxes	(781,834)	(795,206)
Provision (benefit) for income taxes	-	-
Net income (loss)	\$	\$
	(781,834)	(795,206)
Basic income (loss) per share	\$	\$
	(0.05)	(0.05)
Basic weighted average number of common shares outstanding:	15,588,693	14,752,251

Diluted income (loss) per share	\$	\$
	(0.05)	(0.05)
Diluted weighted average number of common shares outstanding:	15,588,693	14,752,251

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)**COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARY**

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

For the Three Months Ended March 31, 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)	-	-	-	-	-	(781,834)	(781,834)
Common shares issued into escrow (Note 12)	-	-	500,000	5,000	(5,000)	-	-
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	-	-	-	-	111,437	-	111,437
		\$		\$	\$	\$	\$
Balance March 31, 2013	2,427	60,675	15,854,804	158,548	45,523,058	(50,391,748)	(4,649,467)

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)**COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARY**

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended March 31, 2013	Three months ended March 31, 2012
Cash flows from operating activities:		
Net income (loss)	\$	\$
	(781,834)	(795,206)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	2,336	3,464
Stock option compensation expense	111,437	138,630
Share-based compensation - common stock	7,000	-
Bad debt expense	5,000	-
Unrealized loss (gain) on derivative instrument	(18,167)	22,784
Changes in assets and liabilities:		
Receivables	132,747	(69,544)
Restricted cash	-	750,000
Prepaid expenses and other current assets	56,188	14,022
Inventory	-	(230,000)
Accounts payable, accrued expenses and other liabilities	(32,745)	(41,063)
Deferred revenue	(1,600)	-
Net cash used in operating activities	(519,638)	(206,913)
Cash flows from investing activities:		
Purchase of property and equipment	-	(20,002)
Cash used in investing activities	-	(20,002)
Cash flows from financing activities:		
Proceeds from note payable	505,000	200,000
Cash provided by financing activities	505,000	200,000

Net decrease in cash	(14,638)	(26,915)
Cash at beginning of period	74,322	28,485
Cash at end of period	\$ 59,684	\$ 1,570

Supplemental disclosure of non-cash transactions:

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

During March 2013, the Company issued 100,000 shares of its common stock at \$0.43 per share for legal services, approximately \$16,000 of which is in prepaid expenses at March 31, 2013.

During the three months ended March 31, 2013, the Company transferred a rental asset with a Net Book Value (NBV) of approximately \$8,000 to inventory.

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

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

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

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)

COMPETITIVE TECHNOLOGIES, INC. AND SUBSIDIARY

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

1.

BASIS OF PRESENTATION

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

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

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

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

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

During the three months ended March 31, 2013, we had a significant concentration of revenues from our Calmare® pain therapy medical device. The percentages of gross revenue attributed to sales and rentals of Calmare® devices was 13% in the three months ended March 31, 2013, and 94% in the three months ended March 31, 2012.

Additionally, the percentage of gross revenue attributed to other Calmare related sales of equipment and training was 66 % in the three months ended March 31, 2013 and 2% in the three months ended March 31, 2012. We continue to attempt to expand our sales activities for the Calmare® device and expect the majority of our revenues to come from this technology for at least the next two years. However, we continue to seek revenue from new or existing technologies or products to mitigate the concentration of revenues, and replace revenues from expiring licenses and patents on other technologies.

The Company has incurred operating losses since fiscal 2006. The Company has taken steps to significantly reduce its operating expenses going forward and expects revenue from sales of Calmare® medical devices to grow. However, even at the reduced spending levels, should the anticipated increase in revenue from sales of Calmare® devices not occur the Company may not have sufficient cash flow to fund operating expenses beyond the fourth quarter of 2013.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include adjustments to reflect the possible future effect of the recoverability and classification of assets or amounts and classifications of liabilities that may result from the outcome of this uncertainty.

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

Our liquidity requirements arise principally from our working capital needs, including funds needed to sell our current technologies and obtain new technologies or products, and protect and enforce our intellectual property rights, if necessary. We fund our liquidity requirements with a combination of cash on hand, short and long term borrowing, sales of common stock and cash flows from operations, if any, including royalty legal awards. At March 31, 2013, the Company had \$2,040,000 of outstanding debt.

During 2011, the Company entered into a Factoring Agreement with Versant Funding, LLC ("Versant") to accelerate receivable collection and better manage cash flow. Under the Factoring Agreement the Company had agreed to sell to Versant certain of the Company's accounts receivables. For those accounts receivable the Company tendered to Versant and Versant chose to purchase, Versant agreed to advance 75% of the face value to the Company, and to submit a percentage of the remainder to the Company upon collection on the account. The percentage is based on the time it takes Versant to collect on the account. As part of the Factoring Agreement, the Company and Versant entered into a Security Agreement whereby the Company granted Versant a security interest in certain of the Company's assets to secure the Company's performance of the representations made with respect to the purchase of the accounts receivable. During the fourth quarter of 2012, the Company ended its Factoring Agreement with Versant and entered into a new Factoring Agreement with LSQ Funding. The new Factoring Agreement with LSQ Funding provides for an 85% advance of factored accounts, lower fees, a faster payout of both advances and balances due, and the possibility of over-advances. At March 31, 2013, the Company had one factored account and LSQ had over-advanced the Company \$80,000, of which approximately \$62,000 remained outstanding, and is included in accrued expenses.

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

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

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

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

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

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

COMPENSATION MATTERS

Director Compensation

Directors who are employees of the Company or its subsidiaries or who serve as paid consultants to the Company are not compensated for their services as director. Non-employee directors (directors who are neither employees nor paid consultants of the Company) receive an annual cash retainer, as follows:

Type of Service

Annual Retainers

Board Member

\$20,000

Audit Committee Chair

+\$5,000

Committee on Executive Compensation Chair; Audit Committee Member

+\$3,000

Executive Committee Chair; Governance & Nominating Committee Chair

+\$2,000

Non-employee directors also receive a fee of \$1,500 for each board meeting attended in person or by phone and \$1,000 for each committee meeting attended in person or by phone.

Pursuant to the 2003 Incentive Plan (the "Incentive Plan"), approved by shareholders on November 6, 2003, non-employee directors may be granted common stock, performance shares, or options to purchase common stock for a per share exercise price equal to the fair market value of one share of common stock on the date of grant. On November 10, 2004, pursuant to the Incentive Plan and upon approval by the Board, each non-employee director serving on that date was awarded 2,250 options to purchase common stock for a per share exercise price of \$6.45, the closing price of DIMON common stock on the date of grant. Additionally, each non-employee director was awarded 2,250 shares of restricted stock. In total, 27,000 stock options and 27,000 shares of restricted stock were awarded to non-employee directors during fiscal year 2005. The stock options were immediately exercisable pursuant to the Plan, while the restricted stock had a vesting date of one year from the date of grant.

In addition, Alliance One's non-employee directors are eligible to participate in a Compensation Deferral Plan, which was approved by the Board on June 23, 2003. A non-employee director may elect to defer all or any portion of the cash or equity based compensation received and have the deferred amount credited to a notional account under the Compensation Deferral Plan. Cash compensation deferred is adjusted monthly for investment gains and losses using the Lehman Aggregate 20-year Bond Index as a benchmark. Stock based compensation deferred is adjusted monthly for gains and losses using the month-end closing price of Alliance One common stock as a benchmark. The Compensation Deferral Plan is unfunded. Withdrawals from the Plan are not permitted until the termination of a participating director's service on the Board.

Committee on Executive Compensation Report on Executive Compensation

Compensation Philosophy and Programs

Alliance One's Committee on Executive Compensation is composed entirely of independent directors and governed by a charter. The Committee's role is to oversee the development and management of total compensation levels and programs for the Company's executive officers.

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The Committee's principal objectives in fulfilling its role for Alliance One include:

Enhancing the Company's ability to attract, motivate, and retain highly qualified and knowledgeable executives who are critical to the long-term success of Alliance One

Establishing and maintaining executive compensation levels and programs that are fully competitive with comparable organizations

Developing and maintaining executive compensation programs that encourage higher levels of job performance through the use of performance-based short- and long-term incentives

Reinforcing management's commitment to enhance shareholder value by aligning the interests of key executives with those of the Company's shareholders

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In achieving the above objectives, the Committee reviews extensive survey information on pay levels and compensation practices compiled from time to time with the help of an independent consultant. The comparison group for competitive compensation information includes the peer companies in the *Stock Performance Graph*, as well as a broader group of companies with operating characteristics and revenues similar to Alliance One. The Committee strives to provide a direct compensation package to Alliance One executives at target performance that is fully competitive with the median total pay packages for the comparison group. The direct compensation package for Alliance One's executive officers includes base salary, annual incentives, and long-term incentives in the form of stock option and restricted stock grants.

Base Salary

The base salary levels for executive officers other than the Chief Executive Officer (CEO) are established by the Committee and reflect salaries for like positions in the comparison group described above. The Committee, either as a Committee or together with the other independent directors, as directed by the Board, determines CEO base salary using similar competitive salary information. Alliance One places substantial emphasis on performance-driven pay delivered through short- and long-term incentives, therefore base salary ranges are established such that the range maximum is positioned at approximately the average salary of the broader comparison group. Base salaries are adjusted periodically, based on competitive market changes, individual and corporate performance, modifications in job responsibilities, and the executive's position within his or her respective salary range.

Annual Incentive

DIMON's Management Incentive Plan (MIP) allows the Committee to provide direct financial incentives in the form of annual cash payments to six executive officers and other officers and key employees upon the achievement of predetermined performance objectives. At the beginning of each fiscal year, the Committee establishes threshold, target and maximum performance goals for cash incentives to key employees, with the associated opportunities expressed as percentages of base salary. For fiscal 2005, annual incentives were based 70% on pretax income and 30% on individual performance. No award is payable unless the pretax income threshold goal is achieved. The Plan provides for target awards of 65% for the Chairman and Chief Executive Officer, 50% for the President and Chief Operating Officer, and 35% of salary for other key executives, with maximum awards of 130%, 100%, and 70% of salary, respectively. The annual incentive payouts are made after the end of the fiscal year.

Long-Term Incentives

The Committee's primary objective in granting stock options and other long-term equity-based incentives is to allow key employees to participate in the success of the Company through stock ownership, to provide a strong direct link between employee compensation and the interests of shareholders, and to encourage recipients to focus on the long-term performance of the Company.

The Committee administers the 2003 Incentive Plan as the principal means to provide long-term incentives to six executive officers, other officers, and key employees. The Plan permits the Committee to grant stock options, stock appreciation rights (SARs), restricted stock, and performance units to executive officers, other officers, and key employees. The Company uses both stock options and restricted stock as long-term incentives. All equity grants are approved by the members of the Committee. Options are generally granted at fair market value on the date of grant.

Chief Executive Officer Compensation

There was no change in Mr. Harker's cash compensation during fiscal year 2005. Mr. Harker was awarded 70,000 stock options with an exercise price of \$6.45 per share, which was the Company's closing stock price on the date of grant. Mr. Harker also received 70,000 restricted shares.

Deductibility of Executive Compensation under the Internal Revenue Code

Section 162(m) of the Internal Revenue Code, as amended (the Code), restricts the deductibility, for federal income tax purposes, of annual compensation paid to the Chief Executive Officer and each of the four other most highly compensated officers to the extent that such compensation exceeds \$1 million or does not qualify as performance-based as defined under the code. In this regard, the Committee's objective is to obtain the fullest compensation deduction possible while preserving needed flexibility in recognizing and rewarding desired performance. All compensation provided to executive officers in fiscal year 2005 is believed to be fully deductible.

Committee on Executive Compensation:

- Norman A. Scher, Chairman
- Nigel G. Howard
- Gilbert L. Klemann, II
- Joseph L. Lanier, Jr.

COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table

The following table presents information relating to total compensation for the three fiscal years ended March 31, 2005, March 31, 2004 and June 30, 2003, of the Chief Executive Officer and the four other most highly compensated executive officers of the Company during fiscal year 2005. Subsequent to the end of fiscal year 2005, the executive officers of the Company changed as a result of the Merger. Messrs. Harker, Daniels, Cooley and Green continue to serve as executive officers of the Company. Effective May 13, 2005, the executive officers of the Company and the positions they hold are as follows:

Name	Position Held Since May 13, 2005
Brian J. Harker	Chairman and Chief Executive Officer
Robert E. Harrison	President and Chief Operating Officer
James A. Cooley	Executive Vice President - Chief Financial Officer
Steven B. Daniels	Executive Vice President - Operations
H. Peyton Green, III	Executive Vice President - Sales
Henry C. Babb	Senior Vice President - Chief Legal Officer & Secretary
Michael K. McDaniel	

Senior Vice President Human Resources
 William D. Pappas

Senior Vice President Chief Information Officer

Summary Compensation Table

	Long-Term Compensation
	Annual Compensation
	Awards
Name and Principal Position	
	Fiscal Year(1)
	Salary \$
	Bonus \$
	Other Annual Compensation \$
	Restricted Stock(2) \$
	Options/ SARs #
	All Other Compensation(3) \$

Brian J. Harker
 2005

500,000

0

	0
	451,500
	70,000
	132,192
Chairman and 2004	375,000
	0
	0
	499,375
	70,000
	130,795
Chief Executive Officer 2003	472,917
	208,178
	0
	218,750
	70,000
	132,541
and Director	
Steven B. Daniels 2005	350,000
	0
	0
	129,000
	20,000
	77,596
President and	

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2004	262,500
	0
	0
	156,375
	20,000
	76,036
Chief Operating Officer 2003	299,583
	86,810
	0
	46,875
	50,000
	78,206
James A. Cooley 2005	240,000
	0
	0
	112,875
	17,500
	81,297
Senior Vice President 2004	180,000
	0
	0
	121,625
	17,500
	80,194

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Chief Financial Officer
2003

227,500

53,918

0

31,250

40,000

81,511

H. Peyton Green
2005

234,000

0

0

80,625

12,500

107,231

Executive Vice President
2004

175,500

0

0

86,875

12,500

106,151

Sales Director
2003

222,750

52,792

0

31,250

30,000

	107,405
Thomas C. Parrish	
2005	200,000
	0
	0
	80,625
	12,500
	51,012
Senior Vice President	
2004	150,000
	0
	0
	86,875
	12,500
	50,082
Chief Legal Officer &	
2003	177,500
	40,754
	0
	15,625
	10,000
	51,434

Corporate Secretary

(1)

Fiscal year 2005: April 1, 2004 to March 31, 2005.
 Fiscal year 2004: July 1, 2003 to March 31, 2004 (9 months).
 Fiscal year 2003: July 1, 2002 to June 30, 2003.

(2)

The value shown is the number of restricted shares granted during the specified fiscal year times the market price of Alliance One stock on the date of grant. As of March 31, 2005, the total number and value (based on the closing stock price on such date) of restricted shares held by these

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executives were: Mr. Harker, 177,500 shares (\$1,109,375); Mr. Daniels, 50,000 shares (\$312,500); Mr. Cooley, 40,000 shares (\$250,000); Mr. Green, 30,000 shares (\$187,500); and Mr. Parrish, 27,500 shares (\$171,875). The values given do not reflect the fact that the shares are restricted for three years from the date of the award, provided the recipient remains in the employ of the Company. Each of the recipients retains the right to vote the shares and receive any dividends on the shares until the shares are forfeited. The restricted shares cannot be transferred or assigned before they vest.

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(3)

Includes contributions to the Company's 401(k) Plan, accruals in the Dibrell Deferred Compensation Plan, premiums to fund the Pension Equalization Plan (PEP) and Supplemental Executive Retirement Plan (SERP), and premiums for Split Dollar Life Insurance and the SERP Disability Insurance for fiscal years 2004, 2003 and 2002 as follows:

Name	Fiscal Year (1)	Corporate Match 401(k) Plan \$	Deferred Compensation Plan \$	PEP/SERP Premiums \$	Split Dollar Life Premium \$	SERP Disability Premium \$	Total \$
------	--------------------	---	--	----------------------------	---------------------------------------	-------------------------------------	-------------

Brian J. Harker
2005

4,100
0
71,010
49,374
7,708

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		132,192
2004		2,500
		0
		71,010
		49,577
		7,708
		130,795
2003		4,000
		0
		71,010
		49,823
		7,708
		132,541
Steven B. Daniels		
2005		4,100
		0
		58,354
		12,302
		2,840
		77,596
2004		2,484
		0
		58,354
		12,358
		2,840
		28

		76,036
2003		4,617
		0
		58,354
		12,395
		2,840
		78,206
James A. Cooley		
2005		4,100
		0
		50,849
		23,509
		2,839
		81,297
2004		2,900
		0
		50,849
		23,606
		2,839
		80,194
2003		4,100
		0
		50,849
		23,723
		29

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		2,839
		81,511
H. Peyton Green		
2005		4,100
		23,664
		50,118
		26,051
		3,298
		107,231
	2004	
		2,932
		23,664
		50,118
		26,139
		3,298
		106,151
	2003	
		4,090
		23,664
		50,118
		26,235
		3,298
		107,405
Thomas C. Parrish		
2005		4,000
		0
		27,326

	18,061
	1,625
	51,012
2004	
	3,000
	0
	27,326
	18,131
	1,625
	50,082
2003	
	4,300
	0
	27,326
	18,183
	1,625
	51,434

(1)

Fiscal year 2005: April 1, 2004 to March 31, 2005.
 Fiscal year 2004: July 1, 2003 to March 31, 2004 (9 months).
 Fiscal year 2003: July 1, 2002 to June 30, 2003.

Stock Option Grants and Exercises in Last Fiscal Year

The following table sets forth information on stock options granted to the named executives during fiscal year 2005 under the Company's Prior Plan, all of which were granted on November 10, 2004.

Stock Option Grants in Last Fiscal Year

Individual Grants

Options/SARs

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Granted (1)

	% of Total Options Granted to All Employees		Exercise or Base Price	Expiration Date	Grant Date Present Value (2)
Brian J. Harker	70,000	13.95	\$6.45	11/10/14	\$126,700
Steven B. Daniels	20,000	3.99	\$6.45	11/10/14	\$ 36,200
James A. Cooley	17,500	3.49	\$6.45	11/10/14	\$ 31,675
H. Peyton Green	12,500	2.49	\$6.45	11/10/14	\$ 22,625
Thomas C. Parrish	12,500	2.49	\$6.45	11/10/14	\$ 22,625

(1)

Option grants consisted of incentive and nonqualified stock options. These grants become exercisable on November 10, 2007.

(2)

The exercise price was set at the closing price of Alliance One common stock on the date of the grant. Utilizing the Black-Scholes valuation method, a value of \$1.81 per share was determined. The Black-Scholes Model is a complicated mathematical formula widely used to value exchange traded options. However, stock options granted under the plan differ from exchange traded options in three key respects: the options are long-term, nontransferable and subject to vesting restrictions, while exchange traded options are short-term and can be exercised or sold immediately in a liquid market. In applying the Black-Scholes pricing model, the Company has assumed an option term of ten years, an annual dividend yield for the Company's common stock of 4.65%, a riskless rate of return of 4.06%, and a stock price volatility of 39.98%. No adjustment has been made to reflect the non-transferability of incentive stock options or the limited transferability of non-qualified stock options granted under the plan. Consequently, because the Black-Scholes Model is adapted to value the options set forth in the table and is assumption-based, it may not accurately determine the grant date present value. The actual value, if any, an optionee will realize will depend on the excess of the market value of the common stock over the exercise price on the date the option is exercised.

The following table sets forth information with respect to the named executive officers concerning the exercise of options during fiscal year 2005 and unexercised options and SARs held by them on March 31, 2005.

**Option/SAR Exercises in Last Fiscal Year
Fiscal Year-End Option/SAR Value**

Shares Acquired on Exercise #	Value Realized \$	Number of Unexercised Options & SARs at Fiscal Year End Exercisable/Unexercisable (1) #

**Value of Unexercised
In-the-Money Options & SARs
at Fiscal Year End
Exercisable/Unexercisable (1) (2)**
\$

Brian J. Harker	0	0	288,000/210,000	270,925/0
Steven B. Daniels	0	0	148,400/90,000	152,350/0
James A. Cooley	0	0	122,198/75,000	148,900/0
H. Peyton Green	0	0	114,000/55,000	115,125/0
Thomas C. Parrish	0	0	27,700/35,000	25,743/0

(1)

The options represented as unexercisable could not be exercised by the named executive on March 31, 2005, and future exercisability is dependent upon the named executive remaining in the employ of the Company until the vesting date, which is up to three years from the grant date.

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(2)

At fiscal year end March 31, 2005, the market value of the Company's common stock was \$6.25.

Equity Compensation Plan Information

**Equity Compensation Plan Information
as of Fiscal Year-End (1)**

Plan Category

**Number of Securities
to be Issued Upon
Exercise of
Outstanding Options,
Warrants and Rights
(a)**

**Weighted-Average
Exercise Price of
Outstanding
Options, Warrants
and Rights
(b)**

**Number of Securities
Remaining Available for
Future Issuance Under
Equity Compensation Plans
(excluding securities
reflected in column (a))
(c) (2)**

Equity Compensation Plans Approved by Security Holders

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	4,145,480	9.19	2,355,428
Equity Compensation Plans Not Approved by Security Holders			
	0		
Not Applicable			
	0		
Total			
	4,145,480	9.19	2,355,428

(1)

The 2003 Incentive Plan provides that a maximum of 6,466,229 shares of Alliance One common stock may be issued pursuant to the plan, which number is increased annually by three percent (the Replenishment Percentage) of the amount, if any, by which the total number of shares of Alliance One common stock outstanding as of the last day of Alliance One s fiscal year exceeded the total number of shares of Alliance One s common stock outstanding as of the first day of such fiscal year, excluding for such purposes shares of Alliance One common stock issued under the Prior Plan.

(2)

The 2003 Incentive Plan allows for certain of these shares to be issued in the form of restricted stock grants.

Employment and Consulting Agreements & Certain Business Relationships

Employment Agreement with Brian J. Harker

In connection with the Merger, Alliance One entered into a new employment agreement with Brian J. Harker effective as of May 13, 2005. Mr. Harker had an employment agreement with DIMON that was originally entered into April 1995 and was amended and restated in October 1996 and amended again in 2004. Mr. Harker s previous employment agreement provided for the employment of Mr. Harker until October 31, 2003 and had been renewed for successive one-year terms through October 31, 2005.

A summary of the material terms of Mr. Harker s new employment agreement is set forth below. For a complete understanding of the terms of Mr. Harker s new employment agreement, you are encouraged to review the actual agreement, a copy of which was filed as an exhibit to DIMON s Current Report on Form 8-K filed on November 8, 2004, and is incorporated herein by reference.

Term:

Mr. Harker will serve as Alliance One s Chief Executive Officer through March 31, 2007, and as Chairman of the Board of Directors through the 2007 annual meeting of shareholders.

Base Salary:

The new employment agreement increases Mr. Harker s annual base salary from \$500,000 to \$550,000.

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Annual Bonus:

Mr. Harker s target annual bonus will be at least 75% of his annual base salary and his maximum annual bonus will be two times his target bonus. The bonus criteria will be established each year by the Committee on Executive Compensation of the Board of Directors. Mr. Harker s previous employment agreement did not specify target or maximum bonus levels; however, effective April 1, 2004, Mr. Harker s target annual bonus was 65% of his annual base salary and his maximum annual bonus was 130% of his annual base salary.

Special
Incentive:

Mr. Harker will be entitled to receive a special one-time incentive bonus of up to \$1.1 million based on the achievement of certain cost savings and growth in earnings per share between the closing of the merger and March 31, 2007.

Early
Retirement
Compensation:

If he remains in the employ of Alliance One through March 31, 2007, or if his employment is terminated without cause or he resigns for good reason, Mr. Harker will receive an annual retirement benefit equal to 50% of his base salary plus 50% of his target bonus through age 65. Mr. Harker is 51 years old. His previous employment agreement provided that, if he remained in the employ of DIMON through age 60 or if his employment was terminated without cause or he resigned for good reason, he would receive an annual early retirement benefit of 50% of his three-year average base salary for six years.

Retirement
Medical
Benefits:

Mr. Harker will be entitled to retiree medical benefits if he remains in the employ of Alliance One through March 31, 2007, or if his employment is terminated without cause or he resigns for good reason. Mr. Harker's previous employment agreement provided that he would be entitled to the same retiree medical benefits if he remained in the employ of DIMON through age 60 or if his employment was terminated without cause or he resigned for good reason.

Enhanced
SERP:

Mr. Harker will be entitled to supplemental retirement benefits based on amounts earned under the new employment agreement using the formula in DIMON's Supplemental Executive Retirement Plan, or SERP. The new employment agreement provides that he will receive these benefits if he remains in the employ of Alliance One through March 31, 2007, or if his employment is terminated without cause or he resigns for good reason. Under Mr. Harker's previous employment agreement and the terms of SERP, he would have received SERP benefits based on his highest three years' average compensation if he worked until age 60.

Severance:

If Mr. Harker's employment is terminated without cause or he resigns for good reason, he will be entitled to receive his annual base salary and target bonus amount through March 31, 2007. In addition, all unvested options to purchase Alliance One common stock with an exercise price less than the common stock's fair market value and restricted stock awards will automatically vest and become exercisable upon such termination. Under the previous employment agreement, Mr. Harker would have been entitled to receive his base annual salary and actual bonus amount through the expiration of the term of the agreement (the next October 31 after such termination).

Restrictive
Covenants:

Mr. Harker is subject to a world-wide non-competition provision for three years following the termination of his employment other than by Alliance One without cause or by Mr. Harker with good reason. In addition, Mr. Harker will be subject to a prohibition on solicitation of employees, customers and vendors for a period of one year after such termination. In his previous agreement, Mr. Harker was subject to a one year non-competition provision in the Commonwealth of Virginia only, and was not subject to any prohibition on solicitation of employees, customers and vendors.

Reduction and
Gross Up of
Benefits:

If retirement, severance and other benefits payable to Mr. Harker are parachute payments within the meaning of Section 280G of the Internal Revenue Code: (1) if such payments are less than 110% of the amount that would cause Mr. Harker to incur excise tax liability, such payments shall be reduced to the maximum amount that would avoid

such excise tax liability; or (2) if they exceed 110% of the amount that would cause Mr. Harker to incur excise tax liability, Alliance One will pay Mr. Harker a gross-up payment to compensate him for the amount of such excise tax liability. Mr. Harker would have been entitled to a gross-up payment under his previous agreement if the payments were subject to excise tax.

Arbitration:

Mr. Harker's new employment agreement provides that disputes between Mr. Harker and Alliance One shall be submitted to binding arbitration. Mr. Harker's previous employment agreement did not include a binding arbitration provision.

Employment Agreement with Robert E. Harrison

In connection with the execution of the Merger Agreement, DIMON entered into an employment agreement with Mr. Harrison to serve as President and Chief Operating Officer of Alliance One, which agreement became effective as of the closing date of the Merger. A summary of the material terms of Mr. Harrison's employment agreement is set forth below. For a complete understanding of the terms of Mr. Harrison's employment agreement with Alliance One, you are encouraged to review the actual agreement, a copy of which was filed as an exhibit to DIMON's Current Report on Form 8-K filed on November 8, 2004, and is incorporated herein by reference.

Duties; Term:

Mr. Harrison will serve as Alliance One's President and Chief Operating Officer from the closing of the merger through March 31, 2007. The parties anticipate that Mr. Harrison will replace Mr. Harker as Chief Executive Officer effective as of March 31, 2007. If Mr. Harrison does not become Chief Executive Officer as of such date, he will be entitled to resign for good reason as of such date and receive the amounts described under Severance below.

Base Salary:

Mr. Harrison's annual base salary is \$525,000.

Annual Bonus:

Mr. Harrison's target annual bonus will be at least 75% of his annual base salary and his maximum annual bonus will be two times his target bonus. The bonus criteria will be established each year by the Committee on Executive Compensation of the Board of Directors.

Special Incentive:

Mr. Harrison will be entitled to receive a special one-time incentive bonus of up to \$1.1 million based on the achievement of certain cost savings and growth in earnings per share between the closing of the merger and March 31, 2007.

Long Term
Incentives:

Mr. Harrison will receive restricted shares of Alliance One common stock and options to purchase Alliance One common stock in an amount no less than such awards to Alliance One's Chief Executive Officer.

Severance:

If Mr. Harrison's employment is terminated without cause or he resigns for good reason, he will be entitled to receive a multiple of his annual base salary and target bonus amount. If such termination occurs within the 24 months following closing of the merger, the multiple is three; if in the third year following closing of the merger, the multiple is two and a half; and if after the third year following the merger, the multiple is two. Mr. Harrison will be entitled to continued participation in welfare plans for 36 months if termination occurs in the first two years following the closing of the merger, or 30 months if termination occurs after the first two years following the closing of the merger. In addition, all unvested options to purchase Alliance One common stock with an exercise price less than the common stock's fair market value and restricted stock awards will automatically vest and become exercisable upon such termination.

Restrictive
Covenants:

Mr. Harrison is subject to a world-wide non-competition provision for three years following the termination of his employment other than by Alliance One without cause or by Mr. Harrison with good reason. In addition, Mr. Harrison will be subject to a prohibition on solicitation of Alliance One's employees, customers and vendors for a period of one year after such termination.

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Reduction and Gross Up of Benefits:

If retirement, severance and other benefits payable to Mr. Harrison are parachute payments within the meaning of Section 280G of the Internal Revenue Code: (1) if such payments are less than 110% of the amount that would cause Mr. Harrison to incur excise tax liability, such payments shall be reduced to the maximum amount that would avoid such excise tax liability; or (2) if they exceed 110% of the amount that would cause Mr. Harrison to incur excise tax liability, Alliance One will pay Mr. Harrison a gross-up payment to compensate him for the excise tax liability.

Arbitration:

Mr. Harrison's employment agreement provides that disputes between Mr. Harrison and Alliance One shall be submitted to binding arbitration. Messrs. Hines and Monk also had employment agreements with the Company prior to their retirements, effective July 1, 1996 and December 31, 1999, respectively. Under his employment agreement, Mr. Hines was entitled to receive an annual retirement benefit of \$180,000 through 2008. Effective July 1, 2003, with the approval of the Board's Committee on Executive Compensation, the Company and Mr. Hines agreed to decrease the amount of those payments but continue to pay them for a longer term. As a result, Mr. Hines will now be entitled to receive annual payments of \$120,000 through October 31, 2011. Based on a present value calculation by independent consultants, the present value of the modified payments is substantially equivalent to Mr. Hines' prior benefits. Mr. Monk is entitled to receive an annual retirement benefit of \$190,000 through 2009 under the terms of his employment agreement. Thereafter, Mr. Monk will be entitled to his SERP retirement benefit.

Mr. C. Richard Green, Jr. is a non-executive director of ITC Limited, a company in India in which British American Tobacco has a minority interest and with which Alliance One does an immaterial amount of business.

Cash Balance Plan

The DIMON Incorporated Cash Balance Plan (the "Cash Balance Plan"), which was effective as of July 1, 1996, includes all full-time active U.S. employees of DIMON Incorporated and its subsidiaries as of May 12, 2005. Benefits under the Cash Balance Plan are determined by age and years of credited service. Benefits are payable as a lump sum or on an annuity basis. Former employees of Standard Commercial Corporation are covered under a separate defined benefit plan which will be merged into the Cash Balance Plan.

Under the Cash Balance Plan each participant has an account balance that represents his or her benefit under the Cash Balance Plan. The participant's initial account balance equals the present value of his or her benefit earned through June 30, 1996, under the former Retirement Plan. Benefit accruals earned after June 30, 1996, are credited annually to the participant's account and are comprised of the sum of two components: retirement credit and interest credit.

The following table summarizes the annual retirement credit provided to participants in the Cash Balance Plan.

Combined Age and Years of Service
Annual Retirement Credit
<40
3.5% of annual earnings 40-49
4.0% of annual earnings 50-59
5.0% of annual earnings 60-69
6.0% of annual earnings 70-79
7.0% of annual earnings

>80

8.0% of annual earnings

The interest credit is equal to the annual interest rate times the participant's account balance at the end of the previous year. The interest rate, which is equal to the yield on the One Year Treasury Constant Maturity Bond plus 1%, is computed at the beginning of the plan year and is used throughout the plan year. The annual interest rate credit for calendar year 2005 is 3.5%.

Benefits earned under the Cash Balance Plan vest after five years of service. The Cash Balance Plan limits the pay that is used in determining the annual retirement credit. The limit is \$210,000 for calendar year 2005. A limit is also imposed on the amount of benefit payable to the participant from the Cash Balance Plan.

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Benefits under the Cash Balance Plan are payable upon normal retirement (age 65), vested termination or death. A participant may elect to commence benefit payments on the first day of the month that is coincident with or next following the earlier of his or her 55th birthday or the first anniversary of separation of employment. The benefits are payable in the form of a contingent annuity, level annuity or lump sum, which are all actuarially equivalent.

All of the individuals named in the Summary Compensation Table are participants in the Cash Balance Plan. As of March 31, 2005, combined age and credited service for Messrs. Harker, Daniels, Cooley, Green and Parrish equaled 70, 71, 77, 90 and 82, respectively. The estimated annual benefits from the Cash Balance Plan for Messrs. Harker, Daniels, Cooley, Green and Parrish, assuming a four percent annual salary increase, are \$69,680, \$79,040, \$42,640, \$66,560 and \$26,000, respectively.

Excess Benefit Plan

The Company maintains an Excess Benefit Plan that provides individuals who participate in the Cash Balance Plan the difference between the benefits they could potentially accrue under the Cash Balance Plan considering total compensation and the benefits actually paid as limited by regulations imposed by the Internal Revenue Code. Employees who meet the eligibility requirements of the Cash Balance Plan and are selected by management may participate in this plan. Such benefits are not funded and are expensed by the Company as paid.

Pension Equalization Plan (PEP)

The PEP was established to pay selected employees unreduced early retirement benefits coordinated with benefit payments under DIMON's Cash Balance Plan. Under the PEP, some participants receive a benefit that, when added to their defined benefit plans, provides them with unreduced benefits if they retire on or after age 55 (with credit to age 65) with 30 years of benefit service. For other participants, the unreduced benefits are available if they retire on or after age 60 (with credit to age 65) with 25 years of benefit service. The PEP also provides individual account-based benefits to employees determined by the Company in its full discretion in amounts likewise determined. In all cases, a participant's benefits are not fully vested until that participant satisfies a vesting contribution provision in the PEP (satisfaction can include a direct contribution, an indirect contribution, a waiver by the Company, any combination of the foregoing, or other measures satisfactory to the Company). All benefits are funded by Company-owned life insurance policies for each participant. The PEP also allows the Company to provide back-up benefits to ensure (but not duplicate) benefit payments under other nonqualified retirement plans.

The following table sets forth, as of March 31, 2005, the estimated annual benefits payable as a straight life annuity under the PEP upon retirement at age 65 after specified years of credited service, as defined in the PEP. In the event of early retirement prior to age 55 and 30 years of service or age 60 with 25 years of service, the following benefits are subject to reduction.

Estimated Annual Benefits Payable at Retirement

**Final Average
Earnings**

Years of Credited Service

\$

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				10 Yrs. \$
				20 Yrs. \$
				30 Yrs. \$
				40 Yrs. \$
				180,000
19,800	39,600	59,400	79,200	220,000
24,200	48,400	72,600	96,800	260,000
28,600	57,200	85,800	114,400	300,000
33,000	66,000	99,000	132,000	350,000
38,500	77,000	115,500	154,000	400,000
44,000	88,000	132,000	176,000	

The PEP's normal retirement allowance is stated with reference to the participant's final average earnings. A participant's final average earnings are one-fifth of his or her annual earnings during the highest consecutive five-year period within the immediately preceding ten-year period. The term "annual earnings" includes all cash remuneration paid to a participant other than commissions, specified foreign service earnings, and amounts realized under the 2003 Incentive Plan and Prior Plan. Annual earnings are the calendar year equivalent of salary and bonus.

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shown in the Summary Compensation Table. The participant's normal retirement allowance is 1.10% of his or her final average earnings multiplied by credited service.

As of March 31, 2005, Messrs. Daniels, Cooley and Green had 23, 23, and 34 years of credited service under the PEP, respectively. Messrs. Harker and Parrish were not participants in the PEP as of March 31, 2005.

Supplemental Executive Retirement Plan (SERP)

Effective January 1, 1997, the Committee on Executive Compensation recommended and the Board of Directors approved the establishment of the SERP. All benefits are funded by Company-owned life insurance policies for each participant.

The SERP provides an annual retirement benefit equal to 50 percent of the participant's final average fiscal year cash compensation. The final average fiscal year cash compensation is the average of the three highest years' cash compensation during the last ten preceding fiscal years. The benefit is payable in the form of a life annuity. The SERP also provides that, upon death, a life annuity equal to 50 percent of the participant's benefit will be payable to the surviving spouse. Benefits under the SERP do not vest until the participant reaches age 60 and has 20 years of service. Benefits from the SERP are offset by all other Company funded benefits which include the Cash Balance Plan, the PEP, that portion of the 401(k) Plan that is attributable to contributions made to the Monk-Austin Profit Sharing Plan, any other retirement benefit provided by Alliance One or subsidiary sponsored retirement plans, or benefits provided under an employment agreement.

Amendment to DIMON's PEP and SERP Plans

Prior to the execution of the Merger Agreement, the Committee on Executive Compensation of the DIMON Board of Directors approved amendments to the PEP and SERP to provide that the merger will not be a change in control for purposes of the plans, which would have triggered immediate vesting of participants and the funding of a trust. The PEP and SERP also were amended to provide that any participant on

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the date of the completion of the merger shall be entitled to benefit payments in accordance with such plan if, within 24 months after the completion of the merger, the participant's employment is terminated without cause or the participant resigns with good reason.

Messrs. Daniels, Cooley and Green are participants in the PEP, and Messrs. Harker, Hare and Parrish are not. Each of DIMON's executive officers are participants in the SERP.

Change in Control Agreements With DIMON Officers

In considering the Merger, DIMON's board of directors determined that it was essential that DIMON be managed and operated efficiently and effectively through the Merger and the subsequent integration of the two companies. To provide an incentive for certain key executive officers to remain in Alliance One's employ through the second anniversary of the closing of the Merger, immediately prior to the execution of the Merger Agreement, DIMON entered into change in control agreements with:

Steven B. Daniels, DIMON's President and Chief Operating Officer;

James A. Cooley, DIMON's Senior Vice President - Chief Financial Officer;

Don C. Hare, DIMON's Vice President - Human Resources;

Thomas C. Parrish, DIMON's Senior Vice President - Chief Legal Officer & Secretary; and

others of DIMON's management team.

The change in control agreements for each of Messrs. Daniels, Cooley, Hare and Parrish provide that if his employment is terminated by Alliance One without cause or if he resigns for good reason within the 24 month period immediately following the closing of the Merger, he shall be entitled to receive:

a one-time payment equal to two times the sum of his annual base salary plus the greater of his target or actual bonus;

full compensation through the date of termination, including pro-rated annual incentive bonus equal to the greater of his target or actual bonus for the partial year; and

continued welfare benefits for 24 months following the date of termination.

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In addition, all unvested options to purchase Alliance One common stock with an exercise price less than the common stock's fair market value and restricted stock awards owned by such employees will automatically vest and become exercisable. Options with an exercise price greater than the common stock's fair market value will be canceled. The amounts payable to such executives are subject to reduction in order to avoid excise tax liability pursuant to Section 280G of the Internal Revenue Code.

DIMON also entered into similar change in control agreements with other members of DIMON's management team; however, those agreements provide for such benefits based on either 2.0 or 1.0 times annual base salary and the greater of target or actual bonus compensation and 24 or 12 months of welfare benefits continuation.

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STOCK OWNERSHIP

The following table provides information as of May 31, 2005, with respect to the direct and indirect ownership of common stock by (1) each person or group known to the Company to beneficially own more than 5% of the outstanding shares; (2) each director and nominee for director; (3) each of the named executive officers in the Summary Compensation Table; and (4) all directors, nominees and executive officers of the

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Company as a group. On May 31, 2005, there were 86,621,118 shares of Alliance One common stock outstanding.

Name of Beneficial Owner			Number of Shares with Sole Voting and Investment Power	
				Number of Shares with Shared Voting and Investment Power
				Total Number of Shares
				Percent of Class
Aegis Financial Corporation (1) William S. Berno (1) Paul Gambal (1) Scott L. Barbee (1) 1100 North Glebe Road, Suite 1040 Arlington, VA 22201	0	6,523,742	6,523,742	7.53 %
Dimensional Fund Advisors Inc. (2) 1299 Ocean Avenue 11th Floor Santa Monica, CA 90401	6,955,015	0	6,955,015	8.03 %
FMR Corp. (3) Edward C. Johnson III (3) Abigail P. Johnson (3) Fidelity Management & Research Company (3) Fidelity Low Priced Stock Fund (3) 82 Devonshire Street Boston, MA 02109	0	6,655,300	6,655,300	7.68 %
T. Rowe Price Associates, Inc. (4) T. Rowe Price Small Cap Value Fund, Inc. (4) 100 E. Pratt Street Baltimore, MD 21202	0	5,191,800	5,191,800	5.99 %
Wachovia Corporation (5) One Wachovia Center Charlotte, NC 28288-0137	0	8,544,978	8,544,978	9.86 %

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Name of Beneficial Owner	Number of Shares with Sole Voting and Investment Power (6)	Number of Shares with Shared Voting and Investment Power	Total Number of Shares (6)	Percent of Class (if more than 1%) (6)
Henry C. Babb	72,417	0	72,417	
James A. Cooley	170,209	66	170,275	
Steven B. Daniels	226,807	168	226,975	
C. Richard Green, Jr.	9,000	0	9,000	
H. Peyton Green, III	327,880	2,532	330,412	
Brian J. Harker	499,262	2,102	501,364	
Robert E. Harrison	291,660	0	291,660	
John M. Hines	44,256	17,950	62,206	
Nigel G. Howard	4,716	0	4,716	
Mark W. Kehaya	1,523,400	13,014	1,536,414	1.77 %
Gilbert L. Klemann, II	7,551	9,000	16,551	
Joseph L. Lanier, Jr.	60,875	0	60,875	
Michael K. McDaniel	54,507	0	54,507	
Albert C. Monk, III	272,700	533,089	805,789	
William D. Pappas	13,500	0	13,500	
Thomas C. Parrish	63,897	0	63,897	
B. Clyde Preslar	39,561	0	39,561	
Norman A. Scher	40,463	0	40,463	
William S. Sheridan				

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52,398	0	52,398	
Martin R. Wade, III			
24,700	0	24,700	
Executive Officers, Directors and Nominees For Director as a group (20 persons)			
3,799,759	577,921	4,377,680	4.99 %

(1)

According to a Schedule 13G filed on February 14, 2005, with respect to DIMON and reporting information as of December 31, 2004, and a Schedule 13G filed on February 14, 2005, with respect to Standard and reporting information as of December 31, 2004, these shares are beneficially owned by Aegis Financial Corporation (AFC), William S. Berno (Berno), Paul Gambal (Gambal) and Scott Barbee (Barbee). Aegis has the sole power to vote and dispose of 6,463,542 shares. Berno shares power to vote and dispose of 6,463,542 shares. Gambal has the sole power to vote and dispose of 2,200 shares and shares power to vote and dispose of 60,200 shares. Barbee has the sole power to vote and dispose of 11,000 shares and shares power to vote and dispose of 6,463,542 shares.

(2)

According to an amended Schedule 13G filed on February 9, 2005, with respect to DIMON and reporting information as of December 31, 2004, and an amended Schedule 13G filed on February 9, 2005, with respect to Standard and reporting information as of December 31, 2004, Dimensional Fund Advisors Inc. (Dimensional) is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940. Dimensional furnishes investment advice to form investment companies registered under the Investment Advisors Act of 1940 and serves as investment manager to certain other commingled group trusts and separate accounts (the Funds). In its role as investment adviser or manager, Dimensional possesses investment and/or voting power over the shares; however, all shares are owned by the Funds and Dimensional disclaims beneficial ownership of such shares.

(3)

According to an amended Schedule 13G filed on February 14, 2005, with respect to DIMON and reporting information as of December 31, 2004, and an amended Schedule 13G filed on February 14, 2005, with respect to Standard and reporting information as of December 31, 2004, Fidelity Management & Research Company, a wholly-owned subsidiary of FMR Corp. and an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, is the beneficial owner of 6,655,300 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940 (collectively, the FMR Funds). The ownership of one investment company, Fidelity Low Priced Stock Fund, amounted to 6,655,300 shares.

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Edward C. Johnson III, FMR Corp. (through its control of Fidelity), and the FMR Funds each has sole power to dispose of shares owned by the FMR Funds. Neither FMR Corp. nor Edward C. Johnson III, Chairman of FMR Corp., has the sole power to vote or direct the voting of the shares owned directly by the FMR Funds, which power resides with the FMR Funds Boards of Trustees.

Members of the Edward C. Johnson III family are the predominant owners of Class B shares of common stock of FMR Corp., representing approximately 49.0% of the voting power of FMR Corp. Mr. Johnson III owns 12.0% and Abigail Johnson owns 24.5% of the aggregate outstanding voting stock of FMR Corp. Mrs. Johnson is a Director of FMR Corp. Through their ownership of voting common stock and the execution of a shareholders voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR Corp.

(4)

According to a Form 13G filed on February 14, 2004, with respect to Standard and reporting information as of December 31, 2003, jointly filed by T. Rowe Price Associates, Inc., an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, and T. Rowe Price Small-Cap Value Fund, Inc., these securities are owned by various individual and institutional investors including T. Rowe Price Small-Cap Value Fund, Inc. (which owns 2,400,000 shares, representing 2.77% of our common stock). T. Rowe Price Associates, Inc. serves as investment adviser with power to direct investments and/or sole power to vote the securities. T. Rowe Price Associates, Inc. disclaims beneficial ownership of those shares.

(5)

Wachovia Bank, N.A. (BK), a subsidiary of Wachovia Corporation, holds the securities reported in a fiduciary capacity for its respective customers.

(6)

Includes shares of common stock that may be acquired upon exercise of options that are currently exercisable or will become exercisable within sixty days of May 31, 2005, as follows: Mr. Babb, 26,550 shares; Mr. Cooley, 122,198 shares; Mr. Daniels, 148,400 shares; Mr. C.R.

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Green, 4,500 shares; Mr. H.P. Green, 114,000 shares; Mr. Harker, 253,000 shares; Mr. Harrison, 138,432 shares; Mr. Hines, 34,900 shares; Mr. Howard, 0 shares; Mr. Kehaya, 6,750 shares; Mr. Klemann, 1,125 shares; Mr. Lanier, 48,500 shares; Mr. McDaniel, 21,150 shares; Mr. Monk, 130,000 shares; Mr. Pappas, 13,500 shares; Mr. Parrish, 27,700 shares; Mr. Preslar, 9,750 shares; Mr. Scher, 23,500 shares; Mr. Sheridan, 9,750 shares; Mr. Wade, 14,500 shares; and the officers, directors and nominees as a group, 1,148,205 shares.

Also includes restricted shares of common stock held as of May 31, 2005, as follows: Mr. Babb, 15,432 shares; Mr. Cooley, 40,000 shares; Mr. Daniels, 50,000 shares; Mr. C.R. Green, 2,250 shares; Mr. H.P. Green, 30,000 shares; Mr. Harker, 177,500 shares; Mr. Harrison, 67,971 shares; Mr. Hines, 2,250 shares; Mr. Howard, 4,716 shares; Mr. Kehaya, 15,783 shares; Mr. Klemann, 6,426 shares; Mr. Lanier, 2,250 shares; Mr. McDaniel, 8,484 shares; Mr. Monk, 2,250 shares; Mr. Parrish, 27,500 shares; Mr. Preslar, 20,733 shares; Mr. Scher, 2,250 shares; Mr. Sheridan, 20,733 shares; Mr. Wade, 2,250 shares; and the officers, directors and nominees as a group, 498,778 shares.

The shares awarded to former executive officers of DIMON Incorporated are restricted for three years from the date of the award, provided the recipient remains in the employ of the Company. The shares awarded to former non-employee directors of DIMON Incorporated are restricted for one year from the date of the award, provided the recipient remains on the Board of the Company. Each of the recipients retains the right to vote the shares and receive any dividends on the shares until the shares are forfeited. The restricted shares cannot be transferred or assigned before they vest.

The shares awarded to former executive officers and non-employee directors of Standard Commercial Corporation are restricted, depending on the type of restricted shares held by the individual, for either four years from the date of the award, provided the recipient remains employed by Standard, or until the recipient retired from the Board. Each of the recipients retains the right to vote the shares and receive any dividends on the shares until the shares are forfeited. The restricted shares cannot be transferred or assigned before they vest.

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STOCK PERFORMANCE GRAPH

The following graph compares the cumulative total return for Alliance One common stock from June 30, 2000 to March 31, 2005, to the total returns for the S&P 500 Index, the S&P SmallCap 600 Index, and an index of peer companies selected by the Company for the same period. The companies in the peer group are Standard Commercial Corporation and Universal Corporation. The graph assumes an investment of \$100 in common stock and in each index as of June 30, 2000, and that all dividends are reinvested.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN*

AMONG ALLIANCE ONE INTERNATIONL, INC., THE S & P 500 INDEX,
THE S & P SMALL CAP 600 INDEX AND A PEER GROUP

CUMULATIVE TOTAL RETURN

Fiscal Year Ended

June
2000

June
2001

June
2002

June
2003

March
2004

**March
2005**

Alliance One					
	100.00	475.60	338.63	365.62	374.36
345.88					
S & P 500					
	100.00	85.17	69.85	70.03	82.00
87.48					
S & P SMALLCAP 600					
	100.00	111.12	111.42	107.43	140.25
158.60					
PEER GROUP					
	100.00	257.97	288.22	276.48	322.31
310.19					

* \$100 invested on June 30, 2000 in stock or index, including reinvestment of dividends. Due to a change in fiscal year end, the fiscal year ended March 2004 consists of nine months.

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Section 16(a) Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires that the Company's directors and executive officers, and persons who own more than 10 percent of a registered class of the Company's equity securities, file with the Securities and Exchange Commission initial reports of ownership and reports of change in ownership of common stock and other equity securities of the Company. The same persons are also required to furnish the Company with copies of all Section 16(a) forms that they file.

Based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended March 31, 2005, all Section 16(a) filing requirements applicable to its executive officers, directors and beneficial owners of more than 10 percent of our common stock were met, with the following exceptions: a sale of 300 shares of the Company's common stock by the wife of Mr. Steven B. Daniels was not reported; Mr. Albert C. Monk, III failed to file on a timely basis one report reflecting one transaction; and Mr. Thomas G. Reynolds failed to file on a timely basis one report reflecting one transaction.

OTHER MATTERS

On this date, the Company is not aware of any matters to be presented for action at the meeting other than as stated in this notice. However, if any other matters requiring a vote of shareholders are properly presented at the meeting, it is intended that proxies in the accompanying form will be voted on such other matters in accordance with the judgment of the persons voting such proxies.

ANNUAL REPORT

The annual report, including consolidated financial statements of the Company and its subsidiaries for the fiscal year ended March 31, 2005, is being mailed to shareholders with this proxy statement on or about July 18, 2005.

By Order of the Board of Directors

/s/ Henry C. Babb

Henry C. Babb
Secretary

July 18, 2005

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FOLD AND DETACH HERE

PROXY ALLIANCE ONE INTERNATIONAL, INC.
512 BRIDGE STREET
P. O. BOX 681
DANVILLE, VIRGINIA 24543 **PROXY**

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Mr. C. Richard Green, Jr. and Mr. B. Clyde Preslar, or either of them acting singly, proxies for the undersigned, with full power of substitution, to act and vote with the powers the undersigned would possess if personally present at the 2005 Annual Meeting of Shareholders of Alliance One International, Inc. to be held August 25, 2005, at 10:00 A.M., at the Hilton North Raleigh, 3415 Wake Forest Road, Raleigh, North Carolina, and at any and all adjournments thereof.

1. ELECTION OF DIRECTORS (mark only one box)

- FOR all nominees listed below (except as marked to the contrary below).
- WITHHOLD AUTHORITY to vote for all nominees listed below.

Nominees: Brian J. Harker, Nigel G. Howard, Joseph L. Lanier, Jr., and William S. Sheridan

INSTRUCTION: To withhold authority to vote for any individual nominee, print that nominee's name in the space provided below.

The Board recommends a vote FOR the foregoing proposal.

Please sign and date on reverse side.

FOLD AND DETACH HERE

When properly executed and delivered, this proxy will be voted in the manner directed by the undersigned shareholder. If no direction is made, this proxy will be voted FOR the election of the directors listed in Item One. Proxies for the undersigned will have discretionary authority to vote in accordance with the recommendations of the Board of Directors on all other matters that properly come before the meeting.

Dated: _____, 2005

Shareholder's Signature

Title

Please sign exactly as the name appears on this card. Only one of several joint owners need sign. Fiduciaries and Corporate Officers should give full title.

Please mark, sign, date and return the proxy card promptly using the enclosed envelope.