COMPETITIVE COMPANIES INC
Form 10-Q
November 14, 2011

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

FORM 10-Q

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

For the quarter ended: September 30, 2011

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: 333-76630

Competitive Companies, Inc.
(Exact Name of registrant as specified in its charter)

| | |
|---|---|
| Nevada<br>(State or other jurisdiction of incorporation) | 65-1146821<br>(IRS Employer I.D. No.) |

19206 Huebner Rd., Suite 202
San Antonio, TX 78258
(Address of principal executive offices and Zip Code)

(210) 233-8980
(Registrant's telephone number, including area code)

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 past 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ¨ No ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

| | |
|---|---|
| Large accelerated filer ¨ | Accelerated filer ¨ |
| Non-accelerated filer ¨ | Smaller reporting company ý |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No ý

As of November 14, 2011, there were 177,281,553 shares outstanding of the registrant’s common stock.

COMPETITIVE COMPANIES, INC.
FORM 10-Q
September 30, 2011

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Competitive Companies, Inc.
(Debtor-in-Possession from May 5, 2009 until October 21, 2010)
Condensed Consolidated Balance Sheets

| Assets | September 30, 2011 (Unaudited) | December 31, 2010 |
|---|---|---|
| Current assets: | | |
| Cash | $13,795 | $20,124 |
| Accounts receivable, net of allowance of $2,800 and $4,500 | 1,507 | 2,814 |
| Prepaid expenses | 2,800 | 2,800 |
| Interest receivable | 55 | - |
| Notes receivable | 22,315 | - |
| Total current assets | 40,472 | 25,738 |
| | | |
| Property and equipment, net | 6,339 | 8,403 |
| | | |
| Other assets: | | |
| Deposits | 3,003 | 3,003 |
| | | |
| Total assets | $49,814 | $37,144 |
| | | |
| Liabilities and Stockholders' (Deficit) | | |
| | | |
| Current liabilities: | | |
| Accounts payable | $350,234 | $346,542 |
| Accrued expenses | 169,951 | 78,011 |
| Customer deposits | 39,913 | 39,913 |
| Deferred revenues | 7,012 | 9,552 |
| Notes payable | 67,006 | 67,006 |
| Convertible debentures, net of discounts of $86,288 and $59,306 at September 30, 2011 and December 31, 2010, respectively | 275,712 | 127,694 |
| Total current liabilities | 909,828 | 668,718 |
| | | |
| Total liabilities | 909,828 | 668,718 |
| | | |
| Stockholders' (deficit): | | |
| Preferred stock, $0.001 par value 100,000,000 shares authorized: | | |
| Class A convertible, no shares issued and outstanding with no liquidation value | - | - |
| | 1,495 | 1,495 |

| | | |
|---|---|---|
| Class B convertible, 1,495,436 shares issued and outstanding with no liquidation value | | |
| Class C convertible, 1,000,000 shares issued and outstanding with no liquidation value | 1,000 | 1,000 |
| Common stock, $0.001 par value, 500,000,000 shares authorized, 170,173,467 and 130,263,732 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively | 170,174 | 130,264 |
| Additional paid-in capital | 4,485,596 | 4,293,746 |
| Subscription payable, 6,608,086 and 200,000 shares at September 30, 2011 and December 31, 2010, respectively | 38,433 | 2,000 |
| Accumulated (deficit) | (5,551,520 ) | (5,060,079 ) |
| Treasury stock, at cost, 735,000 and -0- shares at September 30, 2011 and December 31, 2010, respectively | (5,192 ) | - |
| Total stockholders' (deficit) | (860,014 ) | (631,574 ) |
| | | |
| Total liabilities and stockholders' (deficit) | $49,814 | $37,144 |

See accompanying notes to financial statements.

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Competitive Companies, Inc.
(Debtor-in-Possession from May 5, 2009 until October 21, 2010)
Condensed Consolidated Statements of Operations
(Unaudited)

| | For the Three Months ended September 30, 2011 | For the Three Months ended September 30, 2010 | For the Nine Months ended September 30, 2011 | For the Nine Months ended September 30, 2010 |
|---|---|---|---|---|
| Revenue | $30,106 | $39,935 | $98,410 | $147,965 |
| Cost of sales | 14,939 | 44,715 | 46,559 | 165,953 |
| Gross profit (loss) | 15,167 | (4,780) | 51,851 | (17,988) |
| Expenses: | | | | |
| General and administrative | 63,157 | 782,135 | 187,402 | 1,073,429 |
| Salaries and wages | 69,103 | 9,024 | 211,587 | 62,960 |
| Depreciation | 688 | 3,352 | 2,064 | 10,430 |
| Bad debts (recoveries) | 400 | (2,417) | (1,763) | (5,417) |
| Total operating expenses | 133,348 | 792,094 | 399,290 | 1,141,402 |
| Net operating loss | (118,181) | (796,874) | (347,439) | (1,159,390) |
| Other income (expense): | | | | |
| Impairment of goodwill | - | - | - | (373,018) |
| Interest income | 55 | - | 55 | - |
| Interest expense | (58,663) | (36,525) | (144,057) | (73,413) |
| Total other income (expense) | (58,608) | (36,525) | (144,002) | (446,431) |
| Net loss before reorganization items | (176,789) | (833,399) | (491,441) | (1,605,821) |
| Forgiveness of debt under Chapter 11 | - | - | - | 8,097 |
| Professional fees | - | (650) | - | (2,275) |
| Net loss | $(176,789) | $(834,049) | $(491,441) | $(1,599,999) |
| Weighted average number of common shares outstanding - basic and fully diluted | 158,862,430 | 117,500,976 | 144,487,064 | 109,999,536 |
| Net loss per share - basic and fully diluted | $- | $(0.01) | $- | $(0.01) |

See accompanying notes to financial statements.

Competitive Companies, Inc.
(Debtor-in-Possession from May 5, 2009 until October 21, 2010)
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | For the Nine Months ended September 30, 2011 | 2010 |
|---|---|---|
| Cash flows from operating activities | | |
| Net (loss) before reorganization items | $(491,441) | $(1,605,821) |
| Adjustments to reconcile net (loss) to net cash used in operating activities: | | |
| Provision for bad debt recoveries | (1,763) | (5,417) |
| Depreciation | 2,064 | 10,430 |
| Impairment of goodwill | - | 373,018 |
| Amortization of beneficial conversion feature | 119,578 | 48,331 |
| Common stock issued for services | 6,200 | 623,929 |
| Decrease (increase) in assets: | | |
| Accounts receivable | 3,070 | 13,614 |
| Interest receivable | (55) | - |
| Deposits | - | (1,637) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 3,692 | 162,855 |
| Accrued expenses | 94,373 | - |
| Deferred revenues | (2,540) | (25,240) |
| Net cash used in operating activities before reorganization items | (266,822) | (405,938) |
| Debt forgiveness on prepetition liabilities | - | 8,097 |
| Professional fees paid for services rendered in connection with the Chapter 7 proceeding | - | (2,275) |
| Net cash used in operating activities | (266,822) | (400,116) |
| | | |
| Cash flows from investing activities | | |
| Purchase of equipment | - | (4,611) |
| Payments on notes receivable investments | (22,315) | - |
| Net cash used in investing activities | (22,315) | (4,611) |
| | | |
| Cash flows from financing activities | | |
| Proceeds from short term and convertible debts | 288,000 | 102,000 |
| Principal payments on short term debt | - | (3,473) |
| Proceeds from sale of common stock | - | 322,449 |
| Principal payments on prepetition debt | - | (4,800) |
| Purchase of treasury stock | (5,192) | - |
| Net cash provided by financing activities | 282,808 | 416,176 |
| | | |
| Net increase (decrease) in cash | (6,329) | 11,449 |
| Cash - beginning | 20,124 | 10,133 |
| Cash - ending | $13,795 | $21,582 |

| | | |
|---|---|---|
| Supplemental disclosures: | | |
| Interest paid | $2,000 | $3,248 |
| Income taxes paid | $- | $- |
| | | |
| Non-cash investing and financing activities: | | |
| Value of shares issued for subscriptions payable | $36,433 | $388,260 |
| Beneficial conversion feature on short term debt | $146,560 | $86,207 |
| Value of shares payable for the acquisition of Voice Vision, Inc. | $- | $(300,000 ) |
| Cancellation of common stock | $- | $(100 ) |
| Value of shares issued for conversion of debt | $79,000 | $18,00 |

See accompanying notes to financial statements.

Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 – Nature of Business and Significant Accounting Policies

The condensed consolidated interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2010 and notes thereto included in the Company's Form 10-K annual report. The Company follows the same accounting policies in the preparation of interim reports.

The comparative financial statements for the three and nine months ended September 30, 2010 include the former wholly owned subsidiaries of Competitive Companies, Inc., DiscoverNet, Inc. and DiscoverNet of Wisconsin, LLC, which were previously acquired on April 2, 2009. On May 5, 2009, DiscoverNet, Inc. and DiscoverNet of Wisconsin, LLC filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code, and were subsequently converted to Chapter 7 before the bankruptcies were closed on October 21, 2010, and all matters relating to these entities were fully discharged.

Results of operations for the interim period are not indicative of annual results.

The Company is in the telecommunications industry with operations in San Antonio, Texas and Wisconsin. The Company's Wisconsin operations consist of providing Dial-up, Wireless and DSL Internet services to businesses and residents within various markets throughout Wisconsin, the United States and Puerto Rico. The Company is focused on serving a wide array of customers as a general broadband internet service provider with a concentrated focus on fixed wireless for its broadband delivery.

Reclassifications
Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Recent Accounting Pronouncements
In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment. The guidance in ASU 2011-08 is intended to reduce complexity and costs by allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should calculate the fair value of a reporting unit. The amendments also improve previous guidance by expanding upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Also, the amendments improve the examples of events and circumstances that an entity having a reporting unit with a zero or negative carrying amount should consider in determining whether to measure an impairment loss, if any, under the second step of the goodwill impairment test.

The amendments in this ASU are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. The adoption of this guidance is not expected to have a material impact on the Company's financial position or results of operations.

In June 2011, the FASB issued ASU 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income", which is effective for annual reporting periods beginning after December 15, 2011. ASU 2011-05 will become effective for the Company on January 1, 2012. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. In addition, items of other comprehensive income that are reclassified to profit or loss are required to be presented separately on the face of the financial statements. This guidance is intended to increase the prominence of other comprehensive income in financial statements by requiring that such amounts be presented either in a single continuous statement of income and comprehensive income or separately in consecutive statements of income and comprehensive income. The adoption of ASU 2011-05 is not expected to have a material impact on our financial position or results of operations.

Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

In May 2011, the FASB issued ASU 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs”, which is effective for annual reporting periods beginning after December 15, 2011. This guidance amends certain accounting and disclosure requirements related to fair value measurements. Additional disclosure requirements in the update include: (1) for Level 3 fair value measurements, quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for an entity’s use of a nonfinancial asset that is different from the asset’s highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and (4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. ASU 2011-04 will become effective for the Company on January 1, 2012. We are currently evaluating ASU 2011-04 and have not yet determined the impact that adoption will have on our financial statements.

In April 2011, the FASB issued ASU 2011-02, “Receivables (Topic 310): A Creditor’s Determination of Whether a Restructuring is a Troubled Debt Restructuring”. This amendment explains which modifications constitute troubled debt restructurings (“TDR”). Under the new guidance, the definition of a troubled debt restructuring remains essentially unchanged, and for a loan modification to be considered a TDR, certain basic criteria must still be met. For public companies, the new guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructuring occurring on or after the beginning of the fiscal year of adoption. The Company does not expect that the guidance effective in future periods will have a material impact on its consolidated financial statements.

Note 2 – Going Concern

Our condensed consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. We have incurred continuous losses from operations, have an accumulated deficit of $5,551,520 and a working capital deficit of $869,356 at September 30, 2011, and have reported negative cash flows from operations over the last five years. In addition, we do not currently have the cash resources to meet our operating commitments for the next twelve months, and we expect to have ongoing requirements for capital investment to implement our business plan. Finally, our ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered by entrance into established markets and the competitive environment in which we operate.

Since inception, our operations have primarily been funded through private equity financing, and we expect to continue to seek additional funding through private or public equity and debt financing.

Our ability to continue as a going concern is dependent on our ability to generate sufficient cash from operations to meet our cash needs and/or to raise funds to finance ongoing operations and repay debt. However, there can be no assurance that we will be successful in our efforts to raise additional debt or equity capital and/or that our cash generated by our operations will be adequate to meet our needs. These factors, among others, indicate that we may be unable to continue as a going concern for a reasonable period of time.

Our condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 3 – Related Party

On August 15, 2011 Ray Powers resigned as President and Director. The Company has not yet appointed a replacement for Mr. Powers. Upon his resignation he was retained as a consultant under a month to month consulting agreement that includes compensation of $2,000 per month.

Note 4 – Notes Receivable

In September 2011, the Company paid a total of $22,315 on investments in two convertible promissory notes to Mediag3, Inc. (MDGC.PK). The notes are due on demand and carry interest at 10% per annum. The principal and outstanding accrued interest is convertible into common stock of Mediag3, Inc. at a conversion price equal to one tenth of one cent ($0.001) per share. On November 10, 2011 the Company was repaid in full and the proceeds were applied as a partial payment on an asset acquisition with Mediag3, Inc. in which Competitive Companies received the right to certain assets called the Wytech Assets.

Note 5 – Property and Equipment

Property and equipment consist of the following:

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Telecommunication equipment and computers | $4,611 | $4,611 |
| Furniture and fixtures | 9,150 | 9,150 |
| | 13,761 | 13,761 |
| Less accumulated depreciation | (7,422) | (5,358) |
| | $6,339 | $8,403 |

Depreciation expense totaled $2,064 and $10,430 for the nine months ending September 30, 2011 and 2010, respectively.

Note 6 – Notes Payable

Short term debt consists of the following at September 30, 2011 and December 31, 2010, respectively:

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Unsecured promissory note carries an 8% interest rate, matured on March 2, 2010. Currently in default. | $30,000 | $30,000 |
| Unsecured promissory note carries an 8% interest rate, matured on June 15, 2009. Currently in default. | 10,000 | 10,000 |
| | 10,000 | 10,000 |

| | | |
|---|---|---|
| Unsecured promissory note carries an 8% interest rate, matured on June 15, 2009. Currently in default. | | |
| Unsecured note payable in default to a stockholder, with interest at 8%, and monthly principal and interest payments of $683, matured on February 23, 2011. Currently in default. | 17,006 | 17,006 |
| Total notes payable | 67,006 | 67,006 |
| Less: current portion | 67,006 | 67,006 |
| Notes payable, less current portion | $ - | $ - |

The Company recorded interest expense on short term debt in the amount of $4,043 and $4,029 for the nine months ended September 30, 2011 and 2010, respectively.

Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 7 – Convertible Debt

Convertible debt consists of the following at September 30, 2011 and December 31, 2010, respectively:

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Unsecured convertible promissory note carries an 8.75% interest rate, matured on July 16, 2010. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or $0.06 per share, whichever is greater. Currently in default. | $50,000 | $50,000 |
| Unsecured convertible promissory note carries an 8.75% interest rate, matured on December 26, 2009. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or $0.001 per share, whichever is greater. Currently in default. | 10,000 | 10,000 |
| Unsecured convertible promissory note carries an 8.75% interest rate, matured on December 15, 2009. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or $0.001 per share, whichever is greater. Currently in default. | 10,000 | 10,000 |
| Unsecured convertible promissory note carries an 8.75% interest rate, matured on December 15, 2009. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or $0.001 per share, whichever is greater. Currently in default. | 5,000 | 5,000 |
| Unsecured convertible promissory note carries an 8.75% interest rate, matured on May 11, 2009. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or $0.001 per share, whichever is greater. Currently in default. | 10,000 | 10,000 |

Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

| | | |
|---|---|---|
| Unsecured convertible promissory note carries an 8.75% interest rate, matured on April 30, 2009. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or $0.001 per share, whichever is greater. Currently in default. | 5,000 | 5,000 |
| Secured convertible promissory note carried an 8.00% interest rate in the original principal amount of $25,000, matured on February 11, 2011. The principal was convertible into shares of common stock at the discretion of the note holder at a price equal to fifty five percent (55%) of the average of the three lowest trading bid prices of the Company's common stock over the ten (10) trading days prior to the conversion notice, or the greater of $0.0001 per share. This conversion ratio was modified and amended to thirty seven percent (37%) on May 3, 2011 with the additional funding of another convertible note in the amount of $35,000 with similar terms. The note was secured by a reserve of authorized and issuable shares of three times the number of shares that were actually issuable upon full conversion of the note. The note carried a twenty two percent (22%) interest rate in the event of default, and the debt holder was limited to owning 4.99% of the Company's issued and outstanding shares. The debt and accrued interest has been converted into common stock in full as of the end of this period. | - | 17,000 |
| Secured convertible promissory note carried an 8.00% interest rate, matured on March 28, 2011. The principal was convertible into shares of common stock at the discretion of the note holder at a price equal to fifty percent (50%) of the average of the three lowest trading bid prices of the Company's common stock over the ten (10) trading days prior to the conversion notice, or the greater of $0.001 per share. This conversion ratio was modified and amended to thirty seven percent (37%) on May 3, 2011 with the additional funding of another convertible note in the amount of $35,000 with similar terms. The note was secured by a reserve of authorized and issuable shares of three times the number of shares that were actually issuable upon full conversion of the note. The note carried a twenty two percent (22%) interest rate in the event of default, and the debt holder was limited to owning 4.99% of the Company's issued and outstanding shares. The debt and accrued interest has been converted into common stock in full as of the end of this period. | - | 25,000 |
| Unsecured convertible promissory note carries an 8% interest rate, matured on August 24, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to fifty percent (50%) of the average of the three lowest trading bid prices of the Company's common stock for the ten (10) trading days prior to the conversion date, or $0.0001 per share, whichever is greater. This conversion ratio was modified and amended to thirty seven percent (37%) on May 3, 2011 with the additional funding of another convertible note in the amount of | 20,000 | 55,000 |

$35,000 with similar terms. Currently in default.

Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

| | | |
|---|---|---|
| Unsecured convertible promissory note carries an 8% interest rate, matured on October 13, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to fifty percent (50%) of the average of the three lowest trading bid prices of the Company's common stock for the ten (10) trading days prior to the conversion date, or $0.0001 per share, whichever is greater. This conversion ratio was modified and amended to thirty seven percent (37%) on May 3, 2011 with the additional funding of another convertible note in the amount of $35,000 with similar terms. Currently in default. | 25,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matured on July 2, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. Currently in default. | 2,500 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matured on July 3, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. Currently in default. | 10,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matured on July 9, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. Currently in default. | 10,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matured on July 19, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. Currently in default. | 10,000 | - |

Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

| | | |
|---|---|---|
| Unsecured convertible promissory note carries a 12.5% interest rate, matured on September 4, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. Currently in default. | 1,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matured on September 17, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. Currently in default. | 10,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matured on September 24, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. Currently in default. | 5,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matured on September 26, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the volume weighted average price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. Currently in default. | 3,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matured on September 28, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. Currently in default. | 10,000 | - |

Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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|---|---|---|
| Unsecured convertible promissory note carries a 12.5% interest rate, matured on October 12, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the average closing price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. Currently in default. | 2,500 | - |
| Unsecured convertible promissory note carries an 8% interest rate, matures on February 5, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to thirty seven percent (37%) of the average of the three lowest trading bid prices of the Company's common stock for the ten (10) trading days prior to the conversion date, or $0.0001 per share, whichever is greater. | 35,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matured on November 13, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the average closing price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. Currently in default. | 5,000 | - |
| Unsecured convertible promissory note in the amount of $5,000, carried a 12.5% interest rate, with a December 4, 2011 maturity date. The principal was convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the average closing price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever was greater. The outstanding debt of $5,110, including $110 of accrued interest, was converted on August 8, 2011 pursuant to the terms of the note, in exchange for a subscription payable of $5,110. The subscription payable was subsequently satisfied in exchange for 690,019 shares of common stock on November 11, 2011. | - | - |
| Unsecured convertible promissory note in the amount of $2,500, carried a 12.5% interest rate, with a December 12, 2011 maturity date. The principal was convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever was greater. The outstanding debt of $2,558, including $58 of accrued interest, was converted on August 22, 2011 pursuant to the terms of the note, in exchange for a subscription payable of $2,558. The subscription payable was subsequently satisfied in exchange for 381,881 shares of common stock on November 11, 2011. | - | - |

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Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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|---|---|---|
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on December 12, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (90%) of the average closing price of the Company’s common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 2,500 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on December 12, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the average closing price of the Company’s common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 2,500 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on December 13, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the average closing price of the Company’s common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 2,500 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on December 13, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the average closing price of the Company’s common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 3,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on December 13, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the average closing price of the Company’s common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 2,500 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on December 14, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the average closing price of the Company’s common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 2,500 | - |

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Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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| Unsecured convertible promissory note in the amount of $5,000, carried a 12.5% interest rate, with a December 21, 2011 maturity date. The principal was convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever was greater. The outstanding debt of $5,104, including $104 of accrued interest, was converted on August 24, 2011 pursuant to the terms of the note, in exchange for a subscription payable of $5,104. The subscription payable was subsequently satisfied in exchange for 601,869 shares of common stock on November 11, 2011. | - | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on December 25, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 2,500 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on December 26, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 5,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on December 28, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 5,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on January 1, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 5,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on January 3, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to | 2,500 | - |

the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater.

Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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|---|---|---|
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on January 4, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (80%) of the average closing price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 2,500 | - |
| Unsecured convertible promissory note in the amount of $3,000, carried a 12.5% interest rate, with a February 29, 2011 maturity date. The principal was convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever was greater. The outstanding debt of $3,004, including $4 of accrued interest, was converted on September 6, 2011 pursuant to the terms of the note, in exchange for a subscription payable of $3,004. The subscription payable was subsequently satisfied in exchange for 424,729 shares of common stock on November 11, 2011. | - | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on February 4, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 5,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on February 7, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 2,500 | - |
| Unsecured convertible promissory note in the amount of $10,000, carried a 12.5% interest rate, with a February 7, 2011 maturity date. The principal was convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever was greater. The outstanding debt of $10,072, including $72 of accrued interest, was converted on September 1, 2011 pursuant to the terms of the note, in exchange for a subscription payable of $10,072. The subscription payable was subsequently satisfied in exchange for 2,438,131 shares of common stock on November 11, 2011. | - | - |

Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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|---|---|---|
| Unsecured convertible promissory note in the amount of $2,500, carried a 12.5% interest rate, with a February 7, 2011 maturity date. The principal was convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever was greater. The outstanding debt of $2,519, including $19 of accrued interest, was converted on September 2, 2011 pursuant to the terms of the note, in exchange for a subscription payable of $2,519. The subscription payable was subsequently satisfied in exchange for 568,844 shares of common stock on November 11, 2011. | - | - |
| Unsecured convertible promissory note in the amount of $5,000, carried a 12.5% interest rate, with a February 12, 2011 maturity date. The principal was convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the average closing price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever was greater. The outstanding debt of $5,034, including $34 of accrued interest, was converted on September 6, 2011 pursuant to the terms of the note, in exchange for a subscription payable of $5,034. The subscription payable was subsequently satisfied in exchange for 869,034 shares of common stock on November 11, 2011. | - | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on February 13, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (80%) of the average closing price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 10,000 | - |
| Unsecured convertible promissory note in the amount of $3,000, carried a 12.5% interest rate, with a January 26, 2012 maturity date. The principal was convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever was greater. The outstanding debt of $3,082, including $82 of accrued interest, was converted on September 2, 2011 pursuant to the terms of the note, in exchange for a subscription payable of $3,082. The subscription payable was subsequently satisfied in exchange for 432,689 shares of common stock on November 11, 2011. | - | - |

Competitive Companies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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|---|---|---|
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on February 29, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 2,500 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on March 4, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 5,000 | - |
| Unsecured convertible promissory note carries an 8% interest rate, matures on June 12, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to fifty percent (50%) of the average of the three lowest trading bid prices of the Company's common stock for the ten (10) trading days prior to the conversion date, or $0.0001 per share, whichever is greater. | 50,000 | - |
| Unsecured convertible promissory note carries a 12.5% interest rate, matures on February 28, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (80%) of the average closing price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater. | 10,000 | - |
| Total convertible debt | 362,000 | 187,000 |
| Less unamortized discount on beneficial conversion feature | (86,288) | (59,306) |
| Convertible debt | $275,712 | $127,694 |

In addition, the Company recognized and measured the embedded beneficial conversion feature present in the convertible debts by allocating a portion of the proceeds equal to the intrinsic value of the feature to additional paid-in-capital. The intrinsic value of the feature was calculated on the commitment date using the effective conversion price of the convertible debt. This intrinsic value is limited to the portion of the proceeds allocated to the convertible debt.

Competitive Companies, Inc.
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The aforementioned accounting treatment resulted in a total debt discount equal to $287,767. The discount is amortized from the dates of issuance until the stated redemption date of the debts, consisting of various periods between six and nine months.

Seven of the convertible notes, totaling $265,000 that created the beneficial conversion feature carry default provisions that place a (”maximum share amount”) on the note holders. The maximum share amount that can be owned as a result of the conversions to common stock by the note holders is 4.99% of the issued and outstanding shares of CCI. In the event that the lenders’ holdings exceed that threshold, the borrower shall pay to the note holder, within fifteen (15) business days an amount equal to 150% of the sum of (a) the then outstanding principal amount of the note, plus (b) accrued and unpaid interest, and (c) accrued and unpaid default interest.

On May 3, 2011, the conversion rates on two of these convertible promissory notes in the original principal amounts of $55,000 and $25,000 were modified and amended to thirty seven percent (37%) with the additional funding of another convertible note in the amount of $35,000 with similar terms. The outstanding balance of these debts consisted of a total of $83,000 of principal and approximately $2,000 of accrued interest immediately prior to the modification. The modification of the embedded conversion option, from which the change in the fair value of the embedded conversion option, was less than 10% of the carrying amount of the original debt instrument immediately prior to the modification, as a result, no additional loss on the modification was recognized.

Another nineteen (19) convertible notes in the amount of $76,000 resulted in a $43,082 beneficial conversion feature that is being amortized over the six month term of the convertible promissory notes.

According to the terms of the Convertible Promissory Notes, the number of shares that would be received upon conversion was 39,908,819 shares at September 30, 2011.

During the nine months ended September 30, 2011 and 2010, the Company recorded financial expenses in the amount of $119,578 and $48,331, respectively, attributed to the amortization of the aforementioned debt discount.

During the nine months ended September 30, 2011, the Company issued a total of 38,959,735 shares pursuant to debt conversion in settlement of $77,000 of outstanding principal and $2,000 of accrued interest. The Company also exchanged subscriptions payable totaling $36,433 amongst eight debt holders that elected to convert their outstanding convertible promissory notes during the three months ended September 30, 2011. A total of 6,408,086 shares of common stock were subsequently issued on November 11, 2011 in satisfaction of the subscriptions payable. The notes were converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

The Company recorded interest expense in the amount of $140,014 and $69,384 for the nine months ended September 30, 2011 and 2010, respectively related to convertible debts.

Note 8 – Changes in Stockholders’ equity

On January 30, 2009, the shareholders of the Company voted to increase the authorized common shares of the Company from 70,000,000 authorized shares of common stock to 500,000,000 authorized shares of common stock. As of September 30, 2011, a total of 211,574,807 shares were reserved in accordance with terms set forth in convertible notes. Additionally, the shareholders voted to increase the authorized preferred shares of the Company from 10,000,000 authorized shares of preferred stock to 100,000,000 authorized shares of preferred stock on January

30, 2009. As a result of this vote, the Company filed an amendment to its Articles of Incorporation to reflect this change.

Common Stock

On January 10, 2011, CCI issued 2,812,500 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $18,000, which consisted of $17,000 of principal and $1,000 of accrued interest. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

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On March 15, 2011, CCI issued 3,243,243 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $12,000, which consisted of $12,000 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On April 28, 2011, the Company issued 500,000 shares of restricted common stock to a law firm for legal services rendered. The total fair value of the common stock was $3,500 based on the closing price of the Company's common stock on the date of grant.

On May 2, 2011, CCI issued 4,000,000 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $10,000, which consisted of $10,000 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On May 27, 2011, the Company issued a total of 450,000 shares of restricted common stock amongst three employees for services rendered. The total fair value of the common stock was $2,700 based on the closing price of the Company's common stock on the date of grant.

On June 7, 2011, CCI issued 2,666,667 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $4,000, which consisted of $3,000 of principal, and $1,000 of accrued interest. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On June 13, 2011, CCI issued 4,062,500 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $6,500, which consisted of $6,500 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On July 5, 2011, CCI issued 5,000,000 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $10,000, which consisted of $10,000 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On August 22, 2011, CCI issued 7,000,000 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $7,000, which consisted of $7,000 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On August 29, 2011, CCI issued 3,181,818 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $3,500, which consisted of $3,500 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On September 2, 2011, CCI issued 5,454,545 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $6,000, which consisted of $6,000 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On September 6, 2011, CCI issued 1,538,462 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $2,000, which consisted of $2,000 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

Subscriptions Payable

On August 8, 2011, CCI converted $5,110 of outstanding debt, consisting of $5,000 of principal and $110 of accrued interest pursuant to the terms of a convertible debenture in exchange for a subscription payable of $5,110, based on 690,019 shares of common stock. The subscription payable was subsequently satisfied on November 11, 2011 with the issuance of 690,019 shares of common stock. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On August 22, 2011, CCI converted $2,582 of outstanding debt, consisting of $2,500 of principal and $82 of accrued interest pursuant to the terms of a convertible debenture in exchange for a subscription payable of $2,582, based on 381,881 shares of common stock. The subscription payable was subsequently satisfied on November 11, 2011 with the issuance of 381,881 shares of common stock. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

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On August 24, 2011, CCI converted $5,104 of outstanding debt, consisting of $5,000 of principal and $104 of accrued interest pursuant to the terms of a convertible debenture in exchange for a subscription payable of $5,104, based on 601,869 shares of common stock. The subscription payable was subsequently satisfied on November 11, 2011 with the issuance of 601,869 shares of common stock. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On August 30, 2011, CCI converted $3,032 of outstanding debt, consisting of $3,000 of principal and $32 of accrued interest pursuant to the terms of a convertible debenture in exchange for a subscription payable of $3,032, based on 432,689 shares of common stock. The subscription payable was subsequently satisfied on November 11, 2011 with the issuance of 432,689 shares of common stock. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On September 1, 2011, CCI converted $10,072 of outstanding debt, consisting of $10,000 of principal and $72 of accrued interest pursuant to the terms of a convertible debenture in exchange for a subscription payable of $10,072, based on 2,438,131 shares of common stock. The subscription payable was subsequently satisfied on November 11, 2011 with the issuance of 2,438,131 shares of common stock. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On September 2, 2011, CCI converted $2,519 of outstanding debt, consisting of $2,500 of principal and $19 of accrued interest pursuant to the terms of a convertible debenture in exchange for a subscription payable of $2,519, based on 568,844 shares of common stock. The subscription payable was subsequently satisfied on November 11, 2011 with the issuance of 568,844 shares of common stock. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On September 6, 2011, CCI converted $5,034 of outstanding debt, consisting of $5,000 of principal and $34 of accrued interest pursuant to the terms of a convertible debenture in exchange for a subscription payable of $5,034, based on 869,924 shares of common stock. The subscription payable was subsequently satisfied on November 11, 2011 with the issuance of 869,924 shares of common stock. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On September 6, 2011, CCI converted $3,004 of outstanding debt, consisting of $3,000 of principal and $4 of accrued interest pursuant to the terms of a convertible debenture in exchange for a subscription payable of $3,004, based on 424,769 shares of common stock. The subscription payable was subsequently satisfied on November 11, 2011 with the issuance of 424,769 shares of common stock. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

Treasury Stock
During 2011, the board of directors authorized the purchase of up to 1,000,000 shares of the Company’s common stock. During the nine months ended September 30, 2011, the Company repurchased a total of 735,000 shares of common stock, at an aggregate cost of $5,192.

Note 9 – Subsequent Events

Resignation of Director

On November 7, 2011 David Hewitt resigned as Director. The Company has not yet appointed a replacement for Mr. Hewitt.

Convertible Notes Receivable

On October 19, 2011 the Company paid $2,000 to Mediag3, Inc. (MDGC.PK) in exchange for an unsecured convertible promissory note that bears interest at 10% per annum and matures on November 17, 2012. The principal is convertible into shares of common stock at the discretion of the Company at a price equal to one tenth of one cent ($0.001). On November 10, 2011 the Company was repaid in full and the proceeds were applied as a partial payment on an asset acquisition with Mediag3, Inc. in which Competitive Companies received the right to certain assets called the Wytech Assets.

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On October 26, 2011 the Company paid $5,000 to Mediag3, Inc. (MDGC.PK) in exchange for an unsecured convertible promissory note that bears interest at 10% per annum and matures on November 24, 2012. The principal is convertible into shares of common stock at the discretion of the Company at a price equal to one tenth of one cent ($0.001). On November 10, 2011 the Company was repaid in full and the proceeds were applied as a partial payment on an asset acquisition with Mediag3, Inc. in which Competitive Companies received the right to certain assets called the Wytech Assets.

Asset Acquisition
On November 10, 2011 the Company closed on a stock purchase agreement with Wytech, Inc., ("Seller") a California entity and wholly owned subsidiary of MediaG3, Inc. ("MDGC.PK"), a publicly traded Delaware company, in which Competitive Companies, Inc. ("CCI") ("Buyer") acquired 100% of the issued and outstanding shares of Wytech International, Inc., a Nevada entity and wholly owned subsidiary of Wytech, Inc. from Wytech, Inc. In anticipation of the closing, MediaG3, Inc. assigned five patents related to the development of fixed and mobile broadband technology to Wytech, International, Inc. that were included in the sale to CCI. These patents were subsequently licensed back to the seller's parent company, MediaG3, Inc. with a royalty free, worldwide non-exclusive, non-transferrable, non-assignable, non-sublicensable license to use the patents in perpetuity.

As consideration for the purchase CCI agreed to pay to the seller's parent company, MediaG3, Inc. (1) the issuance of a number of cashless warrants to purchase shares of CCI's common stock at an exercise price of $0.001 per share, exercisable until June 5, 2012. The number of cashless warrants to be issued is to be determined based on a pro-rata amount as derived from an independent valuation of the patents that is yet to be performed, not to exceed 45% of CCI's total issued and outstanding shares of common stock on a fully diluted basis. In addition, CCI agreed to pay to the seller's parent company, MediaG3, Inc. (2) up to $1,000,000 through purchases of MediaG3's common stock at a price per share equal to 90% of the average closing trade price over the five days immediately preceding the patent valuation report date. The precise amount of the purchase price is to be derived from the yet to be performed valuation report.

Convertible Debts
On October 14, 2011 the Company received $5,000 in exchange for an unsecured convertible promissory note that carries a 12.5% interest rate and matures on April 3, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater.

On October 18, 2011 the company received $42,500 in exchange for an unsecured convertible promissory note carries an 8% interest rate, matures on July 20, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to thirty seven percent (37%) of the average of the three lowest trading bid prices of the Company's common stock for the ten (10) trading days prior to the conversion date, or $0.0001 per share, whichever is greater.

On November 2, 2011 the Company received $6,000 in exchange for an unsecured convertible promissory note that carries a 12.5% interest rate and matures on April 30, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater.

On November 7, 2011 the Company received $10,000 in exchange for an unsecured convertible promissory note that carries a 12.5% interest rate and matures on May 5, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to ninety percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater.

Common Stock Issuances

On November 7, CCI issued 500,000 shares of its $.001 par value common stock to David Hewitt in exchange for his services as a member of our Board of Directors.

On November 11, 2011, CCI issued 200,000 shares of its $.001 par value common stock pursuant to a subscription payable related to the previous rescission of the VVI acquisition.

On November 11, 2011, The Company issued a total of 6,408,086 shares of common stock in satisfaction of total subscriptions payable of $36,433 amongst a total of eight debt holders that elected to convert their outstanding convertible notes payable during the three months ended September 30, 2011.

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

You should read the following discussion and analysis of our financial condition and plan of operations together with our financial statements and related notes appearing elsewhere in this Quarterly Report. Various statements have been made in this Quarterly Report on Form 10-Q that may constitute "forward-looking statements". Forward-looking statements may also be made in Competitive Companies, Inc.'s other reports filed with or furnished to the United States Securities and Exchange Commission (the "SEC") and in other documents. In addition, from time to time, Competitive Companies, Inc. through its management may make oral forward-looking statements. Forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from such statements. The words "believe," "expect," "anticipate," "optimistic," "intend," "plan," "aim," "will," "may," "should," "could and similar expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. Competitive Companies, Inc. ("CCI" or the "Company") undertakes no obligation to update or revise any forward-looking statements.

Business

CCI is a Nevada corporation that acts as a holding company for its operating subsidiaries, as follows: (a) Competitive Communications, Inc. ("Competitive Communications"), which is an approved and regulated local and long distance telephone company, (b) CCI Residential Services Inc. ("CCI Residential"), which is a non-regulated telephone company providing local and long distance telephone, high-speed Internet, and cable television service to large apartment complexes, (c) DiscoverNet, Inc. ("DiscoverNet"), a company that provided web hosting, dial-up, wireless and DSL Internet services prior to being discharged in bankruptcy on October 21, 2010, (d) DiscoverNet of Wisconsin, LLC ("DiscoverNet, LLC"), a dormant entity that was discharged in bankruptcy on October 21, 2010, (e) Innovation Capital Management, Inc. ("ICM, Inc."), a company that focuses on raising capital and developing joint ventures and acquisitions, and (f) Innovation Capital Management, LLC ("ICM, LLC"), a company that maintains management office operations, and (g) Wisconsin Wireless, LLC ("WW"), a company that provides web hosting, dial-up, wireless and DSL Internet services to businesses and residents within various markets throughout Wisconsin, the United States and Puerto Rico.

The telecommunications products and services provided by the Company and its subsidiaries include local telephone services, domestic and international long distance services, enhanced voice, data and Internet services, and cable TV service primarily to rural residential users and retail businesses. It is our intention in the future to provide bundled services to our customers as well as expand to customers beyond apartment complexes by providing additional services and options other than our current products.

Overview of Current Operations

Our headquarters are located in San Antonio, Texas, and we have an office in Eau Claire, Wisconsin where we provide web hosting, dial-up, wireless and DSL internet services to customers throughout rural areas in Wisconsin.

On April 2, 2009, we entered into an acquisition agreement and plan of merger whereby the Company acquired 100% of the outstanding interest of four private companies under common control by the Chief Executive Officer of CCI. Pursuant to the share exchange agreement, CCI acquired 100% of the combined equity of DiscoverNet, Inc., ICM, Inc., ICM, LLC and DiscoverNet, LLC. DiscoverNet, Inc. and DiscoverNet, LLC were subsequently discharged in bankruptcy under Chapter 7 on October 21, 2010.

Management continues to seek out mergers that will complement our business model and help us grow.

For the nine months ended September 30, 2011 and 2010, we incurred net losses of $491,441 and $1,599,999, respectively. Our accumulated deficit as of September 30, 2011 was $5,551,520. These conditions raise substantial doubt about our ability to continue as a going concern over the next twelve months.

Result of Operations for the Three and Nine Months Ended September 30, 2011 and 2010

The following income and operating expenses tables summarize selected items from the statement of operations for the three and nine months ended September 30, 2011 compared to the three and nine months ended September 30, 2010.

INCOME:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | | Increase / (Decrease) 2011 Compared to 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | Three Months | | Nine Months | |
| Revenue | $30,106 | $39,935 | $98,410 | $147,965 | $(9,829 ) | (25 %) | $(49,555 ) | (34 %) |
| Cost of sales | 14,939 | 44,715 | 46,559 | 165,953 | (29,776 ) | (67 %) | (119,394 ) | (72 %) |
| Gross profit (loss) | $15,167 | $(4,780 ) | $51,851 | $(17,988 ) | $19,947 | 100 % | $69,839 | 100 % |
| Percentage of revenue | 50 % | (12 %) | 53 % | (12 %) | - | 100 % | - | 100 % |

Revenues

Revenues for the three and nine months ended September 30, 2011 were $30,106 and $98,410 compared to revenues of $39,935 and $147,965 for the three and nine months ended September 30, 2010. This resulted in a decrease in revenues of $9,829 or 25% for the three months ended September 30, 2011 compared to the same period in 2010, and a decrease in revenues of $49,555 or 34% for the nine months ended September 30, 2011 compared to the same period in 2010.

Revenues decreased as satellite internet and other high speed internet services have caused our market share to diminish in rural service areas.

Due to this change in the environment of our traditional business operations, we have begun to pursue and investigate alternative revenue sources.

Cost of sales

Our cost of sales for the three and nine months ended September 30, 2011 was $14,939 and $46,559, respectively, compared to $44,715 and $165,938 for the three and nine months ended September 30, 2010, respectively, a decrease of $29,776 or 67% and $119,394 or 72% for the three and nine month periods, respectively. We were able to reduce cost of sales significantly in 2011 with the discontinuation of our entities discharged in bankruptcy during the 4th quarter of 2010, and are continuing to eliminate underutilized circuits. We have made continued efforts to continually manage and reduce costs, where applicable.

Gross profit as a percentage of revenue

As of the nine months ended September 30, 2011, gross profit margins improved by 100% from the prior year due to our ability to reduce cost of sales on more than a pro rata basis with our reduction in revenues. Gross profit as a percentage of revenue increased due to our ability to reduce cost of sales on more than a pro rata basis with our reduction in revenues due to the discharge of unprofitable entities in bankruptcy during the fourth quarter of 2010. Our fixed costs supporting the infrastructure of our cable services were reduced. Overall our gross profit has improved as a result of being able to better manage our cost of sales in relation to our decrease in revenues.

EXPENSES:

| | For the Three Months Ended September 30, 2011 | 2010 | For the Nine Months Ended September 30, 2011 | 2010 | Increase / (Decrease) 2011 Compared to 2010 Three Months | | Nine Months | |
|---|---|---|---|---|---|---|---|---|
| Expenses: | | | | | | | | |
| General and administrative | $63,157 | $782,135 | $187,402 | $1,073,429 | $(718,978) | (92%) | $(886,027) | (83%) |
| Salaries and wages | 69,103 | 9,024 | 211,587 | 62,960 | 60,079 | 666% | 148,627 | 236% |
| Depreciation | 688 | 3,352 | 2,064 | 10,430 | (2,664) | (80%) | (8,366) | (80%) |
| Bad debts (recoveries) | 400 | (2,417) | (1,763) | (5,417) | 2,817 | (117%) | 3,654 | (68%) |
| Total operating expenses | 133,348 | 792,094 | 399,290 | 1,141,102 | (658,746) | (83%) | (742,112) | (65%) |
| Net operating (loss) | (118,181) | (796,874) | (347,439) | (1,159,390) | (678,693) | (85%) | (811,951) | (70%) |
| | | | | | | | | |
| Other income (expenses): | | | | | | | | |
| Impairment of goodwill | - | - | - | (373,018) | - | - | (373,018) | (100%) |
| Interest income (expense) | (58,608) | (36,525) | (144,002) | (73,413) | (22,083) | (61%) | (70,589) | 96% |
| Forgiveness of Chapter 11 debt | - | - | - | 8,097 | - | - | (8,097) | (100%) |
| Professional fees | - | (650) | - | (2,275) | 650 | 100% | (2,275) | (100%) |
| Total other income (expenses) | (58,608) | (37,175) | (144,002) | (440,609) | (21,433) | (58%) | 296,607 | (67%) |
| | | | | | | | | |
| Net (loss) | $(176,789) | $(834,049) | $(491,441) | $(1,599,999) | $657,260 | (79%) | $(1,108,558) | (69%) |

General and administrative expenses

General and administrative expenses for the three and nine months ended September 30, 2011, respectively, were $63,157 and $187,402, respectively, a decrease of $718,978, or 92%, from $782,135 for the three months ended September 30, 2010 and a decrease of $886,027, or 83%, from $1,073,429 for the nine months ended September 30, 2010. The decrease in our general and administrative expenses was a result of the discontinuation of our entities discharged in bankruptcy during the 4th quarter of 2010.

Salaries and wages

Salaries and wages for the three and nine months ended September 30, 2011 were $69,103 and $211,587, respectively, an increase of $60,079, or 666%, from $9,024 for the three months ended September 30, 2010 and an increase of $148,627, or 236%, from $62,960 for the nine months ended September 30, 2010. The increase in salary expense was a result of employment agreements we entered into with our management team on July 1, 2010. We previously paid management salaries as funds were available with no right to future remuneration. Accrued officer compensation was $34.014 at September 30, 2011.

Depreciation

Depreciation expenses for the three and nine months ended September 30, 2011 were $688 and $2,064, respectively, a decrease of $2,664, or 80%, from $3,352 for the three months ended September 30, 2010 and a decrease of $8,366, or 80%, from $10,430 for the nine months ended September 30, 2010. The decreases are principally due to certain assets reaching the end of their depreciable life cycle. We anticipate the replacement of these assets in the near future as funds become available.

Bad debts (recoveries)

Bad debt expenses (recoveries) for the three and nine months ended September 30, 2011 were $400 and $(1,763), respectively, an increase of $2,817, or 100%, from $(2,417) for the three months ended September 30, 2010 and an increase of $3,654, or 68%, from $(5,417) for the nine months ended September 30, 2010. Our increase in bad debt expense (recoveries) for the three months ended September 30, 2011 is a result of reductions in our allowance for bad debts as we improved our collection efforts. Our decrease in bad debt expense (recoveries) for the nine months ended September 30, 2011 is due to changes in our provision for doubtful accounts as well.

Net operating (loss)

The net operating loss for the three and nine months ended September 30, 2011 was $118,181 and $347,439, respectively, a decrease of $678,693, or 85%, from $796,874 for the three months ended September 30, 2010 and a decrease of $811,951, or 70%, from $1,159,390 for the nine months ended September 30, 2010. Our improved net loss was primarily due to our ability to control our costs of sales in relation to our decreased revenues, along with reductions in salaries and wages in the current year.

Liquidity and Capital Resources

The following table summarizes total current assets, liabilities and working capital at September 30, 2011 compared to December 31, 2010.

| | September 30, 2011 | December 31, 2010 | Increase/(Decrease) $ | % | |
|---|---|---|---|---|---|
| Current Assets | $40,472 | $25,738 | $14,734 | 57 | % |
| Current Liabilities | $909,828 | $668,718 | $241,110 | 36 | % |
| Accumulated (deficit) | $(5,551,520) | $(5,060,079) | $491,441 | 10 | % |
| Working Capital (Deficit) | $(869,356 ) | $(642,980 ) | $226,376 | 35 | % |

While we have raised capital to meet our working capital and financing needs in the past, additional financing will be required in order to meet our current and projected cash requirements for operations. As of September 30, 2011, we had a working capital (deficit) of ($869,356).

During the nine months ended September 30, 2011 the Company received a total of $91,500 from a total of fifteen private lenders in exchange for unsecured convertible promissory notes at various dates from January 3, 2011 through September 30, 2011. The convertible promissory notes carry a 12.5% interest rate and mature 179 days from the origination date at various dates between July 2, 2011 and December 31, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the average closing price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater.

During the nine months ended September 30, 2011 the Company received a total of $15,500 from a total of six private lenders in exchange for unsecured convertible promissory notes at various dates from June 15, 2011 through

September 30, 2011. The convertible promissory notes carry a 12.5% interest rate and mature 179 days from the origination date at various dates between December 15, 2011 and December 31, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (80%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater.

From June 28, 2011 through September 30, 2011 the Company received a total of $61,000 from fifteen private lenders in exchange for unsecured convertible promissory notes. The convertible promissory notes carry a 12.5% interest rate and mature 179 days from the origination dates between December 25, 2011 and March 4, 2012. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (90%) of the average closing price of the Company's common stock for the ten (10) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater.

On September 9, 2011 the Company received $50,000 in exchange for an unsecured convertible promissory note that carries an 8% interest rate and matures on June 12, 2012 The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to fifty percent (50%) of the average of the three lowest trading bid prices of the Company's common stock for the ten (10) trading days prior to the conversion date, or $0.0001 per share, whichever is greater.

On May 3, 2011 the Company received $35,000 in exchange for an unsecured convertible promissory note that carries an 8% interest rate and matures on February 5, 2012 The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to thirty seven (37%) of the average of the three lowest trading bid prices of the Company's common stock for the ten (10) trading days prior to the conversion date, or $0.0001 per share, whichever is greater.

On April 1, 2011 the Company received $10,000 from a private lender in exchange for an unsecured convertible promissory note. The convertible promissory note carries a 12.5% interest rate and matures on September 28th, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to eighty percent (90%) of the average closing price of the Company's common stock for the twenty two (22) trading days prior to the conversion date, or 110% of the average closing price as of the Closing Date of the Note, whichever is greater.

On January 11, 2011 the Company received $25,000 in exchange for an unsecured convertible promissory note that carries an 8% interest rate and matures on October 13, 2011. The principal is convertible into shares of common stock at the discretion of the note holder at a price equal to thirty seven percent (37%) of the average of the three lowest trading bid prices of the Company's common stock for the ten (10) trading days prior to the conversion date, or $0.0001 per share, whichever is greater, as modified on May 3, 2011 from the original conversion terms of fifty percent (50%) of the average of the three lowest trading bid prices.

We anticipate that we will incur operating losses in the next twelve months. Our revenues are not expected to exceed our investment and operating costs in the next twelve months. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of operations. To address these risks, we must, among other things, seek growth opportunities through investment and acquisitions, effectively monitor and manage our claims for payments that are owed to us, implement and successfully execute our business strategy, respond to competitive developments, and attract, retain and motivate qualified personnel. We cannot assure that we will be successful in addressing such risks, and the failure to do so could have a material adverse effect on our business prospects, financial condition and results of operations.

Satisfaction of our cash obligations for the next 12 months.

As of September 30, 2011, our cash balance was $13,795. Our plan for satisfying our cash requirements for the next twelve months is through sales-generated income, sale of shares of our common stock, third party financing, and/or traditional bank financing. We anticipate sales-generated income during that same period of time, but do not anticipate generating sufficient revenue to meet our working capital requirements. Consequently, we intend to attempt to find sources of additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities.

Going concern.

Our condensed consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. We have incurred continuous losses from operations, have an accumulated deficit of $5,551,520 and a working capital deficit of $869,356 at September 30, 2011, and have reported negative cash flows from operations over the last five years. In addition, we do not currently have the cash resources to meet our operating commitments for the next twelve months. The Company’s ability to continue as a going concern must be considered in light of the problems, expenses, and complications frequently encountered by entrance into established markets and the competitive nature of the industry in which we operate.

Our ability to continue as a going concern is dependent on our ability to generate sufficient cash from operations to meet our cash needs and/or to raise funds to finance ongoing operations and repay debt. However, there can be no assurance that we will be successful in our efforts to raise additional debt or equity capital and/or that our cash generated by our operations will be adequate to meet our needs. These factors, among others, indicate that we may be unable to continue as a going concern for a reasonable period of time.

Summary of product and research and development that we will perform for the term of our plan.

We are not anticipating significant research and development expenditures in the near future.

Expected purchase or sale of plant and significant equipment.

We do not anticipate the purchase or sale of any plant or significant equipment as such items are not required by us at this time.

Significant changes in the number of employees.

On August 15, 2011 Ray Powers resigned as President and Director. The Company has not yet appointed a replacement for Mr. Powers. Upon his resignation he was retained as a consultant under a month to month consulting agreement that includes compensation of $2,000 per month.

On November 7, 2011 David Hewitt resigned as Director. The Company has not yet appointed a replacement for Mr. Hewitt.

As of September 30, 2011, we had five full-time employees. Currently, there are no organized labor agreements or union agreements between us and our employees.

Assuming we are able to pursue additional revenue through acquisitions and/or strategic alliances with other companies we anticipate an increase of personnel and may need to hire additional employees. In the interim, we intend to use the services of independent consultants and contractors to perform various professional services when appropriate. We believe the use of third-party service providers may enhance our ability to control general and administrative expenses and operate efficiently.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Recently Issued Accounting Standards

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment. The guidance in ASU 2011-08 is intended to reduce complexity and costs by allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should calculate the fair value of a reporting unit. The amendments also improve previous guidance by expanding upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Also, the amendments improve the examples of events and circumstances that an entity having a reporting unit with a zero or negative carrying amount should consider in determining whether to measure an impairment loss, if any, under the second step of the goodwill impairment test. The amendments in this ASU are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. The adoption of this guidance is not expected to have a material impact on the Company's financial position or results of operations.

In June 2011, the FASB issued ASU 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income", which is effective for annual reporting periods beginning after December 15, 2011. ASU 2011-05 will become effective for the Company on January 1, 2012. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. In addition, items of other comprehensive income that are reclassified to profit or loss are required to be presented separately on the face of the financial statements. This guidance is intended to increase the prominence of other comprehensive income in financial statements by requiring that such amounts be presented either in a single continuous statement of income and comprehensive income or separately in consecutive statements of income and comprehensive income. The adoption of ASU 2011-05 is not expected to have a material impact on our financial position or results of operations.

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs", which is effective for annual reporting periods beginning after December 15, 2011. This guidance amends certain accounting and disclosure requirements related to fair value measurements. Additional disclosure requirements in the update include: (1) for Level 3 fair value measurements, quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for an entity's use of a nonfinancial asset that is different from the asset's highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and (4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. ASU 2011-04 will become effective for the Company on January 1, 2012. We are currently evaluating ASU 2011-04 and have not yet determined the impact that adoption will have on our financial statements.

In April 2011, the FASB issued ASU 2011-02, "Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring". This amendment explains which modifications constitute troubled debt restructurings ("TDR"). Under the new guidance, the definition of a troubled debt restructuring remains essentially unchanged, and for a loan modification to be considered a TDR, certain basic criteria must still be met. For public companies, the new guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructuring occurring on or after the beginning of the fiscal year of adoption. The Company does not expect that the guidance effective in future periods will have a material impact on its consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

This item in not applicable as we are currently considered a smaller reporting company.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Principal Accounting Officer, William Gray, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on the evaluation, Mr. Gray concluded that our disclosure controls and procedures are not effective in timely alerting him to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings and ensuring that information required to be disclosed by us in the reports we file or submit under the Act is accumulated and communicated to our management, including our chief financial officer, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure, for the following reasons:

- The Company does not have an independent board of directors or audit committee or adequate segregation of duties.
- All of our financial reporting is generated by our financial consultant.
- We do not have an independent body to oversee our internal controls over financial reporting and lack segregation of duties due to the limited nature and resources of the Company.

We plan to rectify these weaknesses by implementing an independent board of directors and hiring additional accounting personnel once we have additional resources to do so.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors.

Risks Relating to Our Business and Marketplace

We have incurred losses since inception and expect to incur losses for the foreseeable future. In addition, our poor financial condition raises substantial doubt about our ability to continue as a going concern.

Our net losses for the nine months ended September 30, 2011 and 2010 were $491,441 and $1,599,999, respectively. As of September 30, 2011, we had $13,795 in cash available to finance our operations and a working capital deficit of $869,356. Capital requirements have been and will continue to be significant, and our cash requirements have exceeded cash flow from operations since inception. We are in need of additional capital to continue our operations and have been dependent on the proceeds of private placements of securities and recent loans from an officer to satisfy working capital requirements. We will continue to be dependent upon the proceeds of future private or public offerings to fund development of products, short-term working capital requirements, marketing activities and to continue implementing the current business strategy. There can be no assurance that we will be able to raise the necessary capital to continue operations.

Our ability to continue as a going concern is dependent on our ability to raise funds to finance ongoing operations; however, we may not be able to raise sufficient funds to do so. Our independent auditors have indicated that there is substantial doubt about our ability to continue as a going concern over the next twelve months. Because of these factors, an investor cannot determine if and when we will become profitable and therefore runs the risk of losing their investment.

If we are unable to obtain additional funding, our business operations will be harmed and if we do obtain additional financing our then existing stockholders may suffer substantial dilution.

We will require additional funds to expand our operations and believe the current cash on hand and the other sources of liquidity will not be sufficient to fund our operations over the next twelve months. We anticipate that we will require approximately $500,000 to $1,000,000 to fund our continued operations over the next twelve months, depending on revenue from operations. Additional capital will be required to effectively support the operations and to otherwise implement our overall business strategy. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. The inability to obtain additional capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will likely be required to curtail our marketing and development plans and possibly cease our operations. Any additional equity financing may involve substantial dilution to our then existing stockholders.

We may acquire assets or other businesses in the future.

We may consider acquisitions of assets or other businesses. Any acquisition involves a number of risks that could cause the acquired business to fail to meet our expectations and adversely affect our prospects for profitability. For example:

The acquired assets or business may not achieve expected results;

We may incur substantial unanticipated costs, delays or other operational or financial problems when integrating the acquired assets;
We may not be able to retain key personnel of an acquired business;
Our management's attention may be diverted; and
Our management may not be able to manage the acquired assets or combined entity effectively or to make acquisitions and grow our business internally at the same time.

If these problems arise we may not realize the expected benefits of an acquisition.

Without realization of additional capital, it would be unlikely for us to continue as a going concern.

As a result of our accumulated deficit and deficiency in working capital at September 30, 2011 and other factors, our independent auditors have indicated that there is substantial doubt about our ability to continue as a going concern over the next twelve months. The financial statements do not include any adjustments as a result of this uncertainty. The going concern qualification may adversely impact our ability to raise the capital necessary for the continuation of operations.

Our limited resources may prevent us from retaining key employees or inhibit our ability to hire and train a sufficient number of qualified management, professional, technical and regulatory personnel.

Our success may also depend on our ability to attract and retain other qualified management and personnel familiar with the telecommunications industry. Currently, we have a limited number of personnel that are required to perform various roles and duties as a result of our limited financial resources. We intend to use the services of independent consultants and contractors to perform various professional services, when appropriate, to help conserve our capital. If and when we determine to hire additional personnel, we will compete for such persons with other companies and other organizations, some of which have substantially greater capital resources than we do. We cannot give you any assurance that we will be successful in recruiting or retaining personnel of the requisite caliber or in adequate numbers to enable us to conduct our business.

Competition from companies with already established marketing links and brand recognition to our potential customers may adversely affect our ability to introduce and market our products.

The telecommunications industry is highly competitive. Many of our current and potential competitors have financial, personnel and other resources, including brand name recognition, substantially greater than ours, as well as other competitive advantages over us. Certain competitors may be able to secure product from vendors on more favorable terms, devote greater resources to marketing and promotional campaigns, and adopt more aggressive pricing than we will. There can be no assurance we will be able to compete successfully against these competitors, which ultimately may have a materially adverse effect on our business, results of operations, financial condition and potential products in the future.

We may not be able to provide our products and services if we do not connect or continue to connect with the traditional carriers, our primary competitors.

As a competitive carrier, we must coordinate with traditional carriers so that we can provide local service to customers on a timely and competitive basis. The Telecommunications Act created incentives for regional Bell operating companies to cooperate with competitive carriers and permit access to their facilities by denying such companies the ability to provide in-region long distance services until they have satisfied statutory conditions designed to open their local markets to competition. The regional Bell operating companies in our markets are not yet permitted by the FCC to offer long distance services. These companies may not be accommodating once they are permitted to offer long distance service. Currently, AT&T is permitted to offer both local and long distance services in some of our mutual service areas, but we have not yet noticed any impact on our markets.

Many competitive carriers, including us, have experienced difficulties in working with traditional carriers with respect to initiating, connecting, and implementing the systems used by these competitive carriers to order and receive network and wholesale services and locating equipment in the offices of the traditional carriers.

If we cannot obtain the cooperation of a regional Bell operating company in a region, whether or not we have been authorized to offer long distance services, our ability to offer local services in such regions on a timely and cost-effective basis will be harmed.

Risks Relating to our Common Stock

If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. More specifically, FINRA has enacted Rule 6530, which determines eligibility of issuers quoted on the OTC Bulletin Board by requiring an issuer to be current in its filings with the Commission. Pursuant to Rule 6530(e), if we file our reports late with the Commission three times in a two-year period or our securities are removed from the OTC Bulletin Board for failure to timely file twice in a two-year period then we will be ineligible for quotation on the OTC Bulletin Board for one year. We have had one late filing and have once been removed from the OTC Bulletin Board in the last two years. Therefore, we must not have two more late filings or have our securities removed from the OTC Bulletin Board, within the two year period, otherwise we will be in jeopardy of being dequoted from the OTC Bulletin Board for a one year period. If our common stock is removed from the OTC Bulletin Board, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to trade our securities and the ability of stockholders to trade their securities in the secondary market.

Our internal controls may be inadequate, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. It includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

We have a limited number of personnel that are required to perform various roles and duties. Furthermore, we have one individual, our CEO, who is responsible for monitoring and ensuring compliance with our internal control procedures. As a result, our internal controls may be inadequate or ineffective, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public. Investors relying upon this misinformation may make an uninformed investment decision.

Because our common stock is deemed a low-priced “penny stock,” an investment in our common stock should be considered high risk and subject to marketability restrictions.

Since our common stock is a “penny stock,” as defined in Rule 3a51-1 under the Securities Exchange Act, it will be more difficult for investors to liquidate their investment of our common stock. Until the trading price of the common stock rises above $5.00 per share, if ever, trading in the common stock is subject to the penny stock rules of the Securities Exchange Act specified in Rules 15g-1 through 15g-10. Those rules require broker-dealers, before effecting transactions in any penny stock, to:

- Deliver to the customer, and obtain a written receipt for, a disclosure document;
- Disclose certain price information about the stock;
- Disclose the amount of compensation received by the broker-dealer or any associated person of the broker-dealer;
- Send monthly statements to customers with market and price information about the penny stock; and
- In some circumstances, approve the purchaser's account under certain standards and deliver written statements to the customer with information specified in the rules.

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Consequently, the penny stock rules may restrict the ability or willingness of broker-dealers to sell the common stock and may affect the ability of holders to sell their common stock in the secondary market and the price at which such holders can sell any such securities. These additional procedures could also limit our ability to raise additional capital in the future.

FINRA sales practice requirements may also limit a stockholder's ability to buy and sell our stock.

In addition to the "penny stock" rules described above, FINRA has adopted rules that require that, in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Item 2. Unregistered Sales of Equity Securities.

On July 5, 2011, CCI issued 5,000,000 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $10,000, which consisted of $10,000 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On August 22, 2011, CCI issued 7,000,000 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $7,000, which consisted of $7,000 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On August 29, 2011, CCI issued 3,181,818 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $3,500, which consisted of $3,500 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On September 2, 2011, CCI issued 5,454,545 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $6,000, which consisted of $6,000 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

On September 6, 2011, CCI issued 1,538,462 shares of its $0.001 par value common stock pursuant to a convertible debenture conversion request in the amount of $2,000, which consisted of $2,000 of principal. The note was converted in accordance with the conversion terms, therefore no gain or loss has been recognized.

All of these shares were issued in reliance upon an exemption from the securities registration afforded by the provisions of Section 4(2) and/or Regulation D as promulgated by the United States Securities and Exchange Commission under the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities.

There were no defaults on senior securities during the period ended September 30, 2011.

Item 4. (Removed and Reserved).

Item 5. Other Information.

None.

Item 6. Exhibits.

| Exhibit No. | Description |
|---|---|
| 31.1 | Certification of Principal Executive Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 * |
| 31.2 | Certification of Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002 * |
| 32.1 | Certification of Principal Executive Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 * |
| 32.2 | Certification of Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 * |
| 101.INS | XBRL Instance Document.* |
| 101.SCH | XBRL Schema Document.* |
| 101.CAL | XBRL Calculation Linkbase Document.* |
| 101.DEF | XBRL Definition Linkbase Document.* |
| 101.LAB | XBRL Labels Linkbase Document. * |
| 101.PRE | XBRL Presentation Linkbase Document.* |

* Filed herewith.

## SIGNATURES

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

COMPETITIVE COMPANIES, INC.

By: /S/ William H. Gray
William H. Gray,
Chief Executive Officer

Date: November 14, 2011