COMPETITIVE COMPANIES INC
Form 10-Q
November 14, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

For the quarter ended: **September 30, 2016**

or

o **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** | **65-1146821** |
| (State or other jurisdiction of incorporation) | |

(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 x No o

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 x No o

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 o | Accelerated filer o |
| Non-accelerated filer o | Smaller reporting company x |

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

Yes o No x

As of November 9, 2016, there were 332,752,068 shares outstanding of the registrant's common stock.

**COMPETITIVE COMPANIES, INC.**

**FORM 10-Q**

**September 30, 2016**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**COMPETITIVE COMPANIES, INC.**

**CONSOLIDATED BALANCE SHEETS**

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash | $2,920,024 | $1,085,113 |
| Accounts receivable, net | 8,215 | 4,328 |
| Prepaid expense | 1,183 | 8,200 |
| Total current assets | 2,929,422 | 1,097,641 |
| Property and equipment, net | 692,429 | 782,194 |
| Other assets: | | |
| Construction in process | 357,890 | 359,900 |
| Deposits and other assets | 43,155 | 43,610 |
| | 401,045 | 403,510 |
| Total assets | $4,022,896 | $2,283,345 |
| Liabilities and Stockholders' (Deficit) | | |
| Current liabilities: | | |
| Accounts payable | $63,311 | $253,975 |
| Accrued expenses | 30,146 | 65,932 |
| Deferred revenues, net of commissions | 2,210,000 | 6,242,500 |
| Stock subscriptions payable | 765,000 | – |
| Convertible debentures | 5,000 | 18,500 |
| Total current liabilities | 3,073,457 | 6,580,907 |
| Total liabilities | 3,073,457 | 6,580,907 |
| Stockholders' (deficit): | | |
| Controlling interest: | | |

| | | |
|---|---|---|
| Preferred stock, $0.001 par value 100,000,000 shares authorized: | | |
| Class A convertible, no shares issued and outstanding with no liquidation value | – | – |
| Class B convertible, 1,495,436 shares issued and outstanding with no liquidation value | 1,495 | 1,495 |
| Class C convertible, 1,000,000 shares issued and outstanding with no liquidation value | 1,000 | 1,000 |
| Class D convertible, 100,000 shares issued and outstanding with no liquidation value | 100 | 100 |
| Common stock, $0.001 par value, 500,000,000 shares authorized, 337,167,991 shares issued and 333,054,768 share and 334,410,828 shares outstanding at September 30, 2016 and December 31, 2015 | 337,164 | 337,164 |
| Additional paid-in capital | 6,141,638 | 6,111,263 |
| Accumulated (deficit) | (19,250,530) | (18,136,863) |
| Treasury Stock, at cost, 4,113,223 shares and 2,757,163 shares at September 30, 2016 and December 31, 2015, respectively | (108,218) | (78,718) |
| Noncontrolling interest | 13,826,790 | 7,466,997 |
| Total stockholders' (deficit) | 949,439 | (4,297,562) |
| Total liabilities and stockholders' (deficit) | $4,022,896 | $2,283,345 |

See accompanying notes to consolidated financial statements.

**COMPETITIVE COMPANIES, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue | $67,095 | $11,382 | $115,226 | $62,239 |
| Cost of sales | 14,098 | 13,700 | 36,579 | 39,916 |
| Gross profit (loss) | 52,997 | (2,318) | 78,647 | 22,323 |
| Expenses: | | | | |
| General and administrative | 623,138 | 458,672 | 1,775,081 | 1,283,670 |
| Research and development | 1,320 | 426 | 5,942 | 6,438 |
| Salaries and wages | 215,013 | 208,841 | 617,849 | 607,806 |
| Depreciation | 54,033 | 52,645 | 159,765 | 159,141 |
| Bad debts | – | – | – | 1,065 |
| Total operating expenses | 893,504 | 720,584 | 2,558,637 | 2,058,120 |
| Net operating loss | (840,507) | (722,902) | (2,479,990) | (2,035,797) |
| Other income (expense): | | | | |
| Interest expense | (88) | (4,324) | (12,169) | (133,946) |
| Interest income | 8 | 19 | 25 | 29 |
| Other expense | (1,745) | – | (1,748) | (150) |
| Total other income (expense) | (1,825) | (4,305) | (13,892) | (134,067) |
| Net loss | (842,332) | (727,207) | (2,493,882) | (2,169,864) |
| Net loss attributable to the noncontrolling interest | (1,248,150) | (41,229) | (1,380,215) | (137,914) |
| Net income (loss) attributable to Competitive Companies, Inc. | $405,818 | $(685,978) | $(1,113,667) | $(2,031,950) |
| Weighted average number of common shares outstanding - basic and fully diluted | 333,227,894 | 333,008,041 | 333,604,132 | 333,511,200 |
| Net loss per share - basic and fully diluted | $– | $– | $– | $– |

See accompanying notes to consolidated financial statements.

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**COMPETITIVE COMPANIES, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

| | For the Nine Months Ended September 30, 2016 | 2015 |
|---|---|---|
| Cash flows from operating activities | | |
| Net loss | $(2,493,882) | $(2,169,864) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Stock-based compensation | 30,920 | 32,125 |
| Warrants issued for services and debt conversion | 14,355 | – |
| Depreciation | 159,765 | 159,140 |
| Decrease (increase) in assets: | | |
| Accounts receivable | (3,887) | (211) |
| Prepaid expenses | 7,017 | 78,374 |
| Deposits and other assets | 455 | (427) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (190,664) | (78,836) |
| Accrued expenses | (35,786) | 20,799 |
| Deferred revenues | 22,500 | 1,295,000 |
| Net cash (used) in operating activities | (2,489,207) | (663,900) |
| | | |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (2,245) | (3,561) |
| Purchases of construction in process equipment | – | (135) |
| Return of construction in process equipment | 4,255 | 54,868 |
| Net cash provided by investing activities | 2,010 | 51,172 |
| | | |
| Cash flows from financing activities | | |
| Principal payments on nonconvertible debentures | (13,500) | (111,206) |
| Proceeds from the issuance of stock subscriptions | 345,000 | – |
| Proceeds from issuance of Wytec common stock | 48,750 | 5,000 |
| Proceeds from issuance of Wytec preferred stock | 3,971,358 | 676,638 |
| Purchase of treasury stock | (29,500) | (3,170) |
| Net cash provided by financing activities | 4,322,108 | 567,262 |
| | | |
| Net decrease in cash | 1,834,911 | (45,466) |
| Cash - beginning | 1,085,113 | 318,397 |
| Cash - ending | $2,920,024 | $272,931 |
| | | |
| Supplemental disclosures: | | |
| Interest paid | $7,421 | $30,585 |
| Income taxes paid | $– | $– |

| | | |
|---|---|---|
| Non-cash investing and financing activities: | | |
| CCI common stock issued for conversion of CCI convertible debentures | $– | $76,550 |
| Wytec International, Inc. preferred stock issued for conversion of CCI convertible debentures | $– | $68,824 |
| Wytec International, Inc. preferred stock issued for conversion of Wytec convertible debentures | $– | $271,253 |
| Wytec International, Inc. preferred stock issued for exchange of Wytec non-convertible debentures | $– | $230,380 |
| Wytec International, Inc. preferred stock issued to satisfy subscription payable | $3,635,000 | $– |
| Wytec International, Inc. preferred stock issued in exchange for registered links and related equipment | $70,000 | $– |
| Reclassification of software to prepaid expenses | $– | $3,505 |
| Refinanced convertible debentures to nonconvertible debentures | $– | $262,161 |
| Notes payable converted to additional paid-in capital | $– | $68,010 |

See accompanying notes to consolidated financial statements.

**Note 1 – Nature of Business and Basis of Presentation**

The consolidated interim financial statements included herein, presented in accordance with United States generally accepted accounting principles, 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, 2015 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.

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

Through the Company’s subsidiary, Wireless Wisconsin, LLC, the Company provides high speed wireless Internet connections to residents in rural communities, as well as some dial-up internet services to businesses and residents within various markets throughout rural Wisconsin. The Company operates in both a regulated and non-regulated environment.

Through the Company’s subsidiary, Capaciti Networks, Inc., the Company generates sales of both wired and wireless services, including products, wireless data cards, back office platform and rate plans to their commercial and enterprise clients.

As further discussed in Note 8, the Company entered into an agreement with Wytec International, Inc. (“Wytec”) and its subsidiary Wylink, Inc. (“Wylink”) pursuant to which the Company agreed to cancel shares of Wytec common stock owned by the Company in consideration for the cancellation of intercompany debts. After consummation of the transaction, the Company’s percentage ownership of Wytec decreased to a level such that both Wytec and Wylink are now consolidated as variable interest entities. The Company is the primary beneficiary of Wytec and controls it though its governing board and continuity of management.

The 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. The Company has incurred continuous losses from operations, has an accumulated deficit of $19,250,532 and a working capital deficit of $144,035 at September 30, 2016, and has reported negative cash flows from operations in most periods over the last seven years. In addition, the Company does not currently have the cash resources to meet its 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 the Company operates.

The Company's ability to continue as a going concern is dependent on the Company's ability to generate sufficient cash from operations to meet its cash needs and/or to raise funds to finance ongoing operations and repay debt. There can be no assurance that the Company will be successful in its efforts to raise additional debt or equity capital and/or that cash generated by operations will be adequate to meet the Company's needs. These factors, among others, indicate that the Company may be unable to continue as a going concern for a reasonable period of time. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Note 2 – Property and Equipment**

Property and equipment consist of the following:

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| Telecommunication equipment and computers | $1,122,792 | $1,052,792 |
| Furniture and fixtures | 44,746 | 44,746 |
| | 1,167,538 | 1,097,538 |
| Less accumulated depreciation | (475,109) | (315,344) |
| | $692,429 | $782,194 |

Depreciation expense totaled $159,765 and $159,140 for the nine months ending September 30, 2016 and 2015, respectively.

**Note 3 – Construction in Process**

Construction in process consists of equipment and materials that will be used to construct network, plant property and equipment. Equipment and materials related to links that have not gone live is a small portion of the value of this account and when installed for that purpose will be treated as cost of goods sold. Largely the value of the equipment and materials will be capitalized when each construction project is completed. This account will also hold certain direct and indirect non-equipment costs until construction of a market has been completed and capitalized.

**Note 4 – Convertible Debentures**

The Company has issued unsecured convertible promissory notes at various times from 2008 through 2015. The notes bear interest at rates of 8.0% to 12.5% per annum. The notes mature at various times through June 2017. At September 30, 2016, convertible debentures totaling $5,000 were outstanding.

The principal balance of each note is convertible into shares of the Company's common stock. The conversion terms of each note varies, but in general, the notes are convertible at a rate equal to a specified percentage (most range from 80% to 90%) of the Company's average common stock closing price for a short period of time prior to conversion.

**Note 5 – Warrants**

The Company currently has a total of 83,380,952 common stock purchase warrants outstanding to purchase a total of 83,380,952 shares of its common stock exercisable through various dates ranging to April 17, 2024, all of which are exercisable at $0.025 per share and only if the Company achieves certain milestones. These warrants are held by the Company's chief executive officer, and as of September 30, 2016 these milestones have not been met.

During the period ended September 30, 2016, the Company paid $88,000 to repurchase 4,190,477 of the unvested CCI common stock purchase warrants held by the Company's chief executive officer. This is recorded as general and administrative expense in the accompanying consolidated statement of operations.

Wytec currently has a total of 5,235,342 common stock purchase warrants outstanding to purchase a total of 5,235,342 shares of Wytec common stock exercisable until various dates through December 31, 2017, 750,000 of which are exercisable at an exercise price of $1.00, 461,000 of which are exercisable at an exercise price of $1.25 per share, 75,000 of which are exercisable at an exercise price of $1.45, 3,949,342 of which are exercisable at an exercise price of $1.50 per share.

The following is a summary of activity of CCI and Wytec outstanding common stock warrants:

| | Number of CCI Warrants | Number of Wytec Warrants |
|---|---|---|
| Balance, December 31, 2015 | 87,579,429 | 2,805,672 |
| Warrants granted | – | 2,658,670 |
| Warrants exercised | – | (59,000 ) |
| Warrants repurchased | (4,190,477 ) | (170,000 ) |
| Warrants expired | – | – |
| Balance, September 30, 2016 | 83,380,952 | 5,235,342 |
| Exercisable, September 30, 2016 | 83,380,952 | 5,235,342 |

**Note 6 – Changes in Stockholders' Equity (Deficit)**

In October 2012, the Company granted employees options to purchase 3,000,000 shares of common stock exercisable at $0.01 per share with a three year vesting schedule and expiration dates four years from the grant date. In August 2015, one of the employees resigned from the Company and forfeited his 1,000,000 stock options. For the nine month periods ended September 30, 2016 and 2015, the stock-based compensation related to these option grants was $-0- and $1,500, respectively.

In April 2014, the Company granted 10,000,000 stock options to purchase 10,000,000 shares of its common stock to the Company's chief executive officer, exercisable at $0.025 per share with a three year vesting schedule and an expiration date of April 17, 2019. For the nine month periods ended September 30, 2016 and 2015, the stock-based compensation related to these option grants was $25,500 and $25,500, respectively.

In September 2014, the Company granted options to purchase a total of 1,500,000 shares of common stock exercisable at $0.02 per share with a three year vesting schedule and an expiration date of September 1, 2018 to two employees. In July 2015, one of the employees was terminated from the Company and forfeited his 750,000 stock options prior to the first vesting milestone. For the nine month periods ended September 30, 2016 and 2015, the stock-based compensation related to these option grants was $1,875 and $3,125, respectively.

In May 2015, the Company granted 750,000 options to one employee to purchase 750,000 shares of common stock, exercisable at $0.02 per share with a three year vesting schedule and an expiration date of May 14, 2019. For the nine month periods ended September 30, 2016 and 2015, the stock-based compensation related to these option grants was $3,000 and $2,000, respectively.

During the nine months ending September 30, 2016, the Company issued 39,000 shares of Wytec common stock for $48,750, 1,358,786 shares of Wytec Series B Preferred Stock and 1,358,786 common stock purchase warrants for $3,971,358 in cash and 1,035,000 shares of Wytec Series B Preferred Stock and 1,035,000 common stock purchase warrants in exchange for 117 registered link obligations that were included in deferred revenue and two registered link obligations and related equipment for which all obligations to the customer had already been met.

During the nine months ending September 30, 2016, the Company refunded $37,500 that had been received for the purpose of issuing 12,500 shares of Wytec Series B Preferred Stock to an investor. The Wytec Preferred Stock Series B shares were never issued to the investor, and the funds were returned.

**Note 7 – Treasury Stock**

For the nine months ending September 30, 2016, the Company purchased 1,356,060 shares of its common stock at an aggregate cost of $29,500 from a director and employee of the Company.

**Note 8 – Intercompany Transaction with Wytec International, Inc. and Subsidiaries**

On July 26, 2016, a Certificate of Designation for the Company’s Series C Preferred Stock was recorded with the Secretary of State of Nevada designating 1,000 shares of its authorized preferred stock as Series C Preferred Stock. The Series C Preferred Stock does not have a dividend rate or liquidation preference and is not convertible into shares of common stock. For so long as any shares of the Series C Preferred Stock remain issued and outstanding, the holders thereof, voting separately as a class, shall have the right to vote in an amount equal to 51% of the total vote (representing a super majority voting power) with respect to all matters submitted to a vote of the shareholders of the Company. On July 20, 2016, the Board of Directors of Wytec International, Inc. (the “Company”), a subsidiary of Competitive Companies, Inc., a Nevada corporation, authorized the issuance of 1,000 shares of Series C Preferred Stock to the Company’s Chief Executive Officer and Chairman, William H. Gray, upon the recording of the Certificate of Designation with the Secretary of State of Nevada.

An audit of Wytec International, Inc. (“Wytec”) financial statements, as a stand-alone entity, for the fiscal years ended December 31, 2104 and 2015 was completed on July 28, 2016 (the “Audit”). Prior to the completion of the audit, the Company owed an intercompany debt to Wytec for the fiscal years ended December 31, 2104 and 2015 (“Intercompany Debt”). As of June 30, 2016, the Company owned 25,000,000 shares of Wytec’s common stock (the “Wytec Stock”). Prior to the completion of the Audit, management of Wytec and the Company agreed to settle the Intercompany Debt by exchanging 24,529,389 shares of Wytec Stock owned by the Company for settlement of its intercompany debt. The settlement of the Intercompany Debt and the exchange of 24,529,389 shares of Wytec Stock are reflected in the Audit and are reflected in the Company’s consolidated financial statements for the period ending September 30, 2016. The value of the Wytec Stock was calculated based on the relative fair value of the two companies, Wytec as a separate entity and the Company on a consolidated basis without Wytec, and then determining the relative percentage of the Company’s total market capitalization attributable to Wytec. Based on these and other considerations including relative contributed capital, management of Wytec and the Company determined that Wytec’s value represented 62% and 82% of the Company’s market capitalization as of December 31, 2014 and December 31, 2015, respectively. This value was then divided by the number of outstanding shares of Wytec’s common and preferred stock as of December 31, 2014 and December 31, 2015, respectively. When computing the number of outstanding shares of Wytec’s common and preferred stock as of December 31, 2015, the shares of Wytec Stock received by Wytec from the Company to settle the Intercompany Debt were treated as treasury stock. During the period ended September 30, 2016, Wytec and the Company agreed to settle additional Intercompany Debt by exchanging an additional 214,662 shares of Wytec Stock owned by the Company for settlement its additional intercompany debt and these shares were treated as treasury stock.

**Note 9 – Subsequent Events**

In October 2016, the Company purchased 152,700 shares of its common stock from the Company’s chief strategy officer for a cash payment of $5,000.

In October 2016, the Company purchased 150,000 shares of its common stock from an employee of the Company for a cash payment of $4,995.

In October 2016, a convertible promissory note payable by the Company with an outstanding balance of $7,787 including accrued interest and a maturity date of June 30, 2017 was paid off in cash.

In October 2016, the Company issued 22,000 shares of Wytec International, Inc. (“Wytec”) common stock to one investor pursuant to a warrant exercise.

In October 2016, the Company issued 105,000 shares of Wytec. Series B Preferred Stock and 105,000 Wytec common stock purchase warrants to investors pursuant to Wytec’s private placement made pursuant to Rule 506(c) of Regulation D of the Securities Act of 1933, as amended.

In October 2016, the Company issued 120,000 shares of Wytec’s Series B Preferred Stock and 120,000 Wytec common stock purchase warrants in exchange for 12 registered links that were included in deferred revenue.

In October 2016, the Company refunded two Registered Links for a total cash payment of $70,000 for the return of two link obligations.

In October 2016, the Company approved through shareholder approval the spin-off of Wytec., a Nevada Corporation, and subsidiary of the Company. The Company currently owns 255,949 shares of the outstanding common stock of Wytec and 1,731,104 Wytec common stock purchase warrants.

**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. ("CCI," "we," "us," "our," or the "Company") through its management may make oral forward-looking statements. The words "believe," "expect," "anticipate," "optimistic," "intend," "plan," "aim," "will," "may," "could," "would," "likely" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from such statements. The most important facts that could prevent us from achieving our stated goals include, but are not limited to, the following:

(a) volatility or decline of our stock price;
(b) potential fluctuation in quarterly results;
(c) our failure of to earn revenues or profits;
(d) inadequate capital to continue or expand its business;
(e) insufficient revenues to cover operating costs;
(f) inability to raise additional capital or financing to implement its business plans;
(g) dilution experienced by our shareholders in their ownership of the Company because of the issuance of additional securities by us, or the exercise of outstanding convertible securities;
(h) inability to complete research and development of our technology with little or no current revenue;
(i) failure to further commercialize our technology or to make sales;
(j) loss of customers and reduction in demand for our products and services;
(k) rapid and significant changes in markets;
(l) technological innovations causing our technology to become obsolete;
(m) increased competition from existing competitors and new entrants in the market;
(n) litigation with or legal claims and allegations by outside parties, reducing revenue and increasing costs;
(o) inability to start or acquire new businesses, or lack of success of new businesses started or acquired by us, if any;
(p) insufficient revenues to cover operating costs;
(qj) failure of our Registered Links Program to produce revenues or profits;
(r) inability to obtain patent or other protection for our proprietary intellectual property;
(m) uncollectible accounts and the need to incur expenses to collect amounts owed to us; and
(n) we do not have an Audit Committee nor sufficient independent directors.

There is no assurance that we will be profitable, we may not be able to successfully develop, manage or market our products and services, we may not be able to attract or retain qualified executives and technology personnel, we may not be able to obtain customers for our products or services or successfully compete, our products and services may become obsolete, government regulation may hinder our business, additional dilution in outstanding stock ownership may be incurred due to the issuance of more shares, warrants, and stock options, the exercise of outstanding warrants and stock options, or other risks inherent in our businesses. 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. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Form 10-Q, or to reflect the occurrence of unanticipated events.

**Business**

**Competitive Companies, Inc.** (the "Company") was originally incorporated in the state of Nevada in October 2001 and acts as a holding company for its operating subsidiaries, Wytec International, Inc. ("Wytec"), Wylink, Inc., Wireless Wisconsin LLC, Capaciti Networks, Inc., Innovation Capital Management, Inc., and Innovation Capital Management LLC (collectively, the "Subsidiaries"). The Company and its Subsidiaries (also collectively referred to as "CCI") are involved in providing next generation fixed and mobile wireless broadband Internet services nationally and internationally to wholesale, retail and enterprise customers.

Due to developments in our intellectual property and the continued development of our municipal and governmental relationships along with the addition of key personnel and consultants, management intended to enter into 30 markets by year-end 2015. This strategy was redesigned to reduce market entry costs and enhance marketing capabilities along with the development of a commissioned based agent sales channel and telemarketing. Included in our market entry schedule are new products and services for small and medium businesses and our continued optimization strategies for assisting municipalities in leveraging current assets such as utility poles for maximum utilization related to the provisioning of telecommunications and machine to machine ("M2M") services.

Our current business strategy incorporates the use of millimeter wave technology utilizing wireless frequencies from 5GHz to 80GHz spectrum. Wytec, CCI's subsidiary, has constructed the use of these spectrums in three (3) markets including San Antonio, Texas., Columbus, Ohio and Denver, Colorado and has commercialized a broadband Internet service directed to the small medium business (known as "SMB") in two of three markets. The initial focus of service is directed to highly concentrated areas such as the Central Business District (CBD) of each market and to expand the service to high density business zones outside of the CBD. The Company plans to utilize its patent pending LPN-16 Micro Cell technology to provide coverage to these zones.

We believe the use of millimeter wave spectrum is a key component to the development of a 5G network and further support to what has now become popularized as the "Smart City". Smart Cities are designed to advance multiple mobile communications services, including but not limited to, public safety, first responder, machine to machine, and carrier offload services.

Currently our network design is capable of delivering bandwidth services of up to 1.5 gigabits per second to a wide range of customers including small, midsize and large corporate operations located in Tier One, Tier Two, and Tier Three (the term "Tier" defines the population size of the link location) cities throughout the United States. Our millimeter wave technology serves as the backbone for our platform networks capable of supporting a host of high capacity data throughput objectives.

On December 18, 2015, Wytec performed an outside speed test on the first LPN-16 working prototype and produced record performance speeds in excess of 500 Mbps to a smart phone and 600 Mbps to a laptop computer. Earlier speed tests and network demonstrations enabled us, through Wytec, to consummate our first services agreement with the City of Columbus on July 7, 2014, Wytec has now substantially completed its footprint coverage of the Central Business District ("CBD") of Columbus, Ohio and San Antonio, Texas in preparation for the Company's new marketing and sales strategy.

**Overview of Current Operations**

We continue to shift our focus away from our past revenue sources, such as, web hosting, dial-up, wireless, DSL, and wired internet services, and move toward the design, development, and implementation of 4G/5G networks with an accelerated concentration towards the development and support of our "Smart City" concept. We believe recent national and international relationships have enhanced the progression of our "Smart City" development in conjunction with the growing relationships with city and state governments.

On November 8, 2011, we acquired Wytec, a non-operational company that owns five U.S. patents related to LMDS. LMDS deals primarily in the transmission of point-to-point and point-to-multipoint data distribution utilizing millimeter wave spectrum. Though the patents are currently unusable in our current 4G/5G backhaul configuration, we intend to advance a derivative of the technology for usage in future 5G millimeter backhaul deployments. Millimeter wave technology continues to grow as the predominate choice in gigabyte data transmission for the future 5G network.

On September 7, 2012, Wytec entered into a definitive agreement with General Patent Corporation ("GPC") to form Wytec LLC, a Delaware limited liability company, for the purpose of transferring ownership of our five patents originally owned by Wytec International, Inc. into Wytec LLC. GPC acts as the general member of the LLC and will assist in the monetization of the five patents. On September 20, 2016, GPC, the Managing Partner of Wytec, LLC, assigned its partial ownership in the patents to Wytec, terminating the definitive agreement.

Wytec's current product development involves the continued design of the LPN-16 designed to meet the stringent bandwidth needs of both government "first responder" services as well as "carrier offload" services. Management believes the LPN-16 solution is unique in Small Cell technology with its multiple frequency "noninterference" characteristics. Small Cells as a Service ("SCaaS") market has been forecasted by SNS Research to reach $15 billion globally by 2020. In addition to the SCaaS market, management believes the LPN-16 will support the needs of the massive growth of the machine to machine ("M2M") market forecasted by SNS Research to account for nearly $196 billion in global revenues by the end of 2020.

Wytec's LPN-16 is proprietary intellectual property of Wytec International, Inc for which management has applied for U.S. patent protection rights in the second quarter of 2014 and is a significant part of Wytec's Intelligent Community Wi-Fi Network ("IWiN"). We intend to file international patent applications for the technology in the near future. Design and engineering of the LPN-16 have been completed with development of the first units being tested in an outdoor environment in San Antonio, Texas.

On June 9, 2012, our wholly owned subsidiary, Wytec, formed a wholly owned subsidiary, Wylink, Inc., a Texas corporation, to market and sell millimeter wave spectrum in the licensed 60 & 90 Gigahertz frequency channels. The Federal Communications Commission ("FCC") has developed a unique application program giving the ability for qualified applicants to own millimeter spectrum under a program known as the Registered Link Program. We sell point-to-point registered links ("Registered Links") as part of our backhaul solution in support of our 4G/5G Wi-Fi network. The cash received from the sale of our Registered Links is recorded as "deferred revenue" and will be recorded as revenue once the telecommunication equipment is installed for the link owners. Management closed the Wylink application program in January 2016.

Management now focuses its primary business on the development of Smart City broadband networks utilizing 4G/5G technologies capable of delivering speeds that are many times faster than current cellular networks and which can be utilized for a range of services for carriers, governmental and business applications.

Most recently, CCI management has developed a strategic business plan to spin-off its subsidiary, Wytec into the public market. On July 31, 2016, Wytec completed its two (2) year audit as a requirement to begin the process of filing a Registration Statement on Form S-1 with the Securities and Exchange Commission. We anticipate that each CCI shareholder will receive one share of Wytec common stock for every 388 shares of Wytec common stock owned ("Spin-Off Shares") and two Wytec common stock purchase warrants ("Spin-Off Warrants") for each share of Wytec common stock received. The Spin-Off Warrants will be exercisable until December 31, 2018 at an exercise price of $3.00 per share. The distribution of the Spin-Off Shares and Spin-Off Warrants is expected to occur on the date Wytec's Registration Statement on Form S-1 becomes effective.

**Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operations, including the discussion on liquidity and capital resources, are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments, particularly those related to the determination of the estimated recoverable amounts of trade accounts receivable, impairment of long-lived assets, revenue recognition and deferred tax assets. We believe the following critical accounting policies require more significant judgment and estimates used in the preparation of the financial statements.

We maintain an allowance for doubtful accounts for estimated losses that may arise if any of our customers are unable to make required payments. Management specifically analyzes the age of customer balances, historical bad debt experience, customer credit-worthiness, and changes in customer payment terms when making estimates of the uncollectability of our trade accounts receivable balances. If we determine that the financial conditions of any of our customers deteriorated, whether due to customer specific or general economic issues, increases in the allowance may be made. Accounts receivable are written off when all collection attempts have failed.

We follow the provisions of Staff Accounting Bulletin ("SAB") 101, "Revenue Recognition in Financial Statements" for revenue recognition and SAB 104. Under Staff Accounting Bulletin 101, four conditions must be met before revenue can be recognized: (i) there is persuasive evidence that an arrangement exists, (ii) delivery has occurred or service has been rendered, (iii) the price is fixed or determinable and (iv) collection is reasonably assured.

Income taxes are accounted for under the asset and liability method. Under this method, to the extent that we believe that the deferred tax asset is not likely to be recovered, a valuation allowance is provided. In making this determination, we consider estimated future taxable income and taxable timing differences expected in the future. Actual results may differ from those estimates.

**Result of Operations for the Nine Months Ended September 30, 2016 and 2015**

Revenue for the nine months ended September 30, 2016 was $115,226, as compared to revenue of $62,239 for the nine months ended September 30, 2015. This increase in revenue of $52,987 or 85% was primarily due to increases in sales from Capaciti Networks, Inc, and Wireless Wisconsin, LLC and a registered link going live with Wytec International, Inc.

Cost of sales for the nine months ended September 30, 2016 was $36,579, a decrease of $3,337, or 8%, from $39,916 for the nine months ended September 30, 2015. Our cost of sales decreased primarily due to managing costs related to our sales operations.

General and administrative expenses were $1,775,081 for the nine months ended September 30, 2016, as compared to $1,283,670 for the nine months ended September 30, 2015. This resulted in an increase of $491,411 or 38% compared to the same period in 2015. The increase in our general and administrative expenses was largely a result of increased activity related to our link program costs during the nine months ended September 30, 2016.

Research and development costs were $5,942 for the nine months ended September 30, 2016 compared to $6,438 for the nine months ended September 30, 2015. The decrease of $496, or 8% was due to a decrease in expenses related to the development of Wytec's LPN-16.

Salary and wage expenses were $617,849 for the nine months ended September 30, 2016, as compared to $607,806 for the nine months ended September 30, 2015, which resulted in an increase of $10,043, or 2% compared to the same period in 2015. The increase in salary and wages was due to an increase to the compensation of the Company's chief executive officer during the nine months ended September 30, 2016.

Interest expense for the nine months ended September 30, 2016 was $12,169, as compared to $133,946 for the nine months ended September 30, 2015. This resulted in a decrease of $121,777 or 91% compared to the same period in 2015. The decrease was primarily due to the retirement of convertible and nonconvertible debentures.

**Liquidity and Capital Resources**

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, 2016, we had a working capital deficit of $144,035. As of September 30, 2016, $2,210,000 of our current liabilities is deferred revenue on Link sales that have been funded by the customer, for which obligations to the customer have not yet been completed.

As of September 30, 2016, all our outstanding convertible debentures mature within the next twelve months and are classified as current liabilities in the accompanying consolidated balance sheet.

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, 2016, our cash balance was $2,920,024. Our plan for satisfying our cash requirements for the next twelve months is through sales-generated income, private placements of Wytec’s capital 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 our growth and expansion through additional equity or debt financing or credit facilities. There is no assurance that we would be able to meet our working capital requirements through the private placement of equity or debt or from any other source.

**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**

The Company has reviewed the updates issued by the Financial Accounting Standards Board (“FASB”) during the nine month period ended September 30, 2016, and determined that the updates are either not applicable to the Company or will not have a material impact on the Company.

**Item 3. Quantitative and Qualitative Disclosure About Market Risk.**

Not Applicable.

**Item 4. Controls and Procedures.**

***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Our chief executive officer and principal financial 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 this evaluation, our chief executive officer and principal financial officer has concluded that our disclosure controls and procedures were not effective as of September 30, 2016. Specifically, our disclosure controls and procedures were not effective in timely alerting our management 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 Exchange 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:

- We do 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 have begun to rectify these weaknesses by hiring additional accounting personnel and will create an independent board of directors once we have additional resources to do so.

***Internal Control Over Financial Reporting***

Our chief executive officer and principal financial officer is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

***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.

The Company may be involved in legal actions and claims arising in the ordinary course of business from time to time. As of the date of the report, there are no legal matters of which management is aware.

### Item 1A. Risk Factors

There have been no material changes from risk factors previously disclosed in our annual Form 10-K for the fiscal year ended December 31, 2015, as filed with the Securities and Exchange Commission on March 30, 2016.

### Item 2. Unregistered Sales of Equity Securities.

**Issuer Purchases of Equity Securities**

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Warrants Purchased | Average Price Paid per Warrant |
|---|---|---|---|---|
| July 1, 2016 to July l 31, 2016 | 637,105 | $0.1962 | 714,286 | $0.021 |
| August 1, 2016 to August 31, 2016 | -0- | $-0- | -0- | $-0- |
| September 1, 2016 to September 30, 2016 | -0- | $-0- | 571,429 | $0.021 |
| Total | 637,105 | $0.1962 | 1,285,715 | $0.021 |

**Item3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

None.

**Item 5. Other Information.**

On August 9, 2013, the Company's Board of Directors authorized the issuance of 100,000 shares of Series D Preferred Stock to the Company's Chief Executive Officer and Chairman, William H. Gray on the later of (i) August 19, 2013 or (ii) upon recording of the Certificate of Designation for the Series D Preferred Stock.

On August 15, 2013, the Company filed a Certificate of Designation for its Series D Preferred Stock with the Secretary of State of Nevada designating 100,000 shares of its authorized preferred stock as Series D Preferred Stock. The shares of Series D Preferred Stock have a par value of $0.001 per share. The Series D Preferred Stock does not have a dividend rate or liquidation preference and is not convertible into shares of common stock.

For so long as any shares of the Series D Preferred Stock remain issued and outstanding, the holders thereof, voting separately as a class, shall have the right, on or after August 15, 2013, to vote in an amount equal to 51% of the total vote (representing a super majority voting power) with respect to all matters submitted to a vote of the shareholders of the Company. Such vote shall be determined by the holder(s) of a majority of the then issued and outstanding shares of Series D Preferred Stock. For example, if there are 10,000 shares of the Company's common stock issued and outstanding at the time of such shareholder vote, the holders of the Series D Preferred Stock, voting separately as a class, will have the right to vote an aggregate of 10,408 shares, out of a total number of 20,408 shares voting.

The shares of the Series D Preferred Stock shall be automatically redeemed by the Company at their par value on the first to occur of the following: (i) on the date that Mr. Gray ceases, for any reason, to serve as officer, director or consultant of the Company, or (ii) on the date that the Company's shares of common stock first trade on any national securities exchange provided that the listing rules of any such exchange prohibit preferential voting rights of a class of securities of the Company, or listing on any such national securities exchange is conditioned upon the elimination of the preferential voting rights of the Series D Preferred Stock set forth in this Certificate of Designation.

Additionally, the Company is prohibited from adopting any amendments to the Company's Bylaws or Articles of Incorporation, as amended, making any changes to the Certificate of Designation establishing the Series D Preferred Stock, or effecting any reclassification of the Series D Preferred Stock, without the affirmative vote of at least 66-2/3% of the outstanding shares of Series D Preferred Stock. The Company may, however, by any means authorized by law and without any vote of the holders of shares of Series D Preferred Stock, make technical, corrective, administrative or similar changes to such Certificate of Designation that do not, individually or in the aggregate, adversely affect the rights or preferences of the holders of shares of Series D Preferred Stock.

This brief description of the Certificate of Designation is only a summary of the material terms and is qualified in its entirety by reference to the full text of the form of the Certificate of Designation as attached to this Report on Form10-Q as Exhibit 3.4

**Item 6. Exhibits.**

| Exhibit | Exhibit Description | Filed herewith | Form | Filing date |
|---|---|---|---|---|
| 2.1 | Plan and agreement of reorganization between Huntington Telecommunications Partners, LP and Competitive Companies Holdings, Inc. and Competitive Companies, Inc. | | SB-2 | 01/11/02 |
| 2.2 | Plan and agreement of reorganization between Huntington Telecommunications Partners, LP and Competitive Companies Holdings, Inc. and Competitive Companies, Inc. | | SB-2/A | 08/02/02 |
| 2.3 | Plan and agreement of reorganization between Huntington Telecommunications Partners, LP and Competitive Companies Holdings, Inc. and Competitive Companies, Inc. | | SB-2/A | 04/24/03 |
| 2.4 | Plan and agreement of reorganization between Competitive Companies, Inc. and CCI Acquisition Corp | | 8-K | 05/09/05 |
| 3.1 | Articles of Competitive Companies, as amended | | SB-2 | 01/11/02 |
| 3.2 | Certificate of Correction | X | | |
| 3.3 | Bylaws of Competitive Companies | | SB-2 | 01/11/02 |
| 3.4 | Series D Preferred Stock Certificate of Designation of Competitive Companies, Inc. | X | | |
| 3.5 | Series C Preferred Stock Certificate of Designation of Wytec International, Inc. | | 8-K | 07/25/16 |
| 4.1 | Form of Warrant to be issued by Competitive Companies, Inc. to MediaG3, Inc. | | 8-K | 11/15/11 |
| 4.2 | Form of Warrant to be issued by Competitive Companies, Inc. | | 8-K | 04/25/14 |
| 4.3 | Stock Option Agreement issued by Competitive Companies, Inc. | | 8-K | 04/25/14 |
| 10.1 | Stock Purchase Agreement by and among Competitive Companies, Inc., a Nevada corporation, Wytec International, Inc., a Nevada corporation, MediaG3, Inc., a Delaware corporation, and its wholly owned subsidiary, Wytec, Incorporated, a California corporation | | 8-K | 11/15/11 |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act * | X | | |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act * | X | | |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act * | X | | |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act * | X | | |
| 101.INS | XBRL Instance Document * | X | | |
| 101.SCH | XBRL Schema Document * | X | | |
| 101.CAL | XBRL Calculation Linkbase Document * | X | | |
| 101.DEF | XBRL Definition Linkbase Document * | X | | |
| 101.LAB | XBRL Label Linkbase Document * | X | | |
| 101.PRE | XBRL Presentation Linkbase Document * | X | | |

* Filed herewith. Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and otherwise are not subject to liability under those sections.

**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, Chairman, Chief Executive Officer,

President, and Chief Financial Officer (Principal

Executive Officer/Principal Accounting Officer)

Date: November 9, 2016

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