COMPETITIVE COMPANIES INC
Form 10QSB
September 19, 2006
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 333-76630

COMPETITIVE COMPANIES, INC.

(Exact name of small business issuer as specified in its charter)

Nevada	**61-1146821**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3751 Merced Drive, Suite A

Riverside, California 92503

(Address of principal executive offices)

(951) 687-6100

(Issuer s telephone number)

Copies of Communications to:

Stoecklein Law Group

402 West Broadway, Suite 400

San Diego, CA 92101

(619) 595-4882

Fax (619) 595-4883

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

The number of shares of Common Stock, $0.001 par value, outstanding on July 28, 2006, 2006 was 52,270,050 shares.

Transitional Small Business Disclosure Format (check one): Yes o No x

PART 1 FINANCIAL INFORMATION

Item 1. Financial Statements

Competitive Companies, Inc

Consolidated Balance Sheet

	March 31, 2006
Assets	
Current assets:	
Cash	$63,023
Account receivable, net of allowance for doubtful accounts of $75,918	90,791
Prepaid expenses & other current assets	4,894
Total current assets	158,708
Fixed assets, net	154,982
Other assets:	
Deposits	18,721
	$332,411
Liabilities and Stockholders' (Deficit)	
Current liabilities:	
Accounts payable	$220,146
Accrued expenses & other liabilities	125,598
Customer deposits	33,446
Capital leases	4,588
Notes payable	264,023
Notes payable - related party	32,754
Total current liabilities	680,555
Stockholders' (deficit):	
Preferred stock, $0.001 par value 10,000,000 shares authorized:	
Class B convertible, 4,000,000 shares issued and outstanding at March 31, 2006	-
Class B convertible, 1,495,436 shares issued and outstanding at March 31, 2006	1,495
Class C convertible, 1,000,000 shares issued and outstanding at March 31, 2006	1,000
Common stock, $0.001 par value, 100,000,000 shares authorized, 52,294,460 shares issued and outstanding at March 31, 2006	52,294
Subscription receivable	(13,300)
Additional paid-in capital	2,084,495
Accumulated (deficit)	(2,474,129)
	(348,145)
	$332,410

The accompanying notes are an integral part of these financials statements.

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Competitive Companies, Inc

Consolidated Statements of Operations

	For three months ended March 31, 2006	2005
Revenue	$ 285,613	$ 281,174
Cost of sales	237,373	210,933
Gross profit	48,240	70,241
Expenses:		
General and administrative expenses	125,379	25,129
Salaries and wages	188,798	24,200
Depreciation	9,933	9,498
Bad debt	6,343	4,481
Total operating expenses	330,453	63,308
Net operating (loss)	(282,213)	6,933
Other income (expenses):		
Other income	3,561	-
Interest expense	(13,320)	(4,861)
Total other income (expenses)	(9,759)	(4,861)
Net (loss)	$ (291,972)	$ 2,072
Weighted average number of common shares outstanding - basic and fully diluted	50,439,924	5,912,000
Net (loss) per share - basic and fully diluted	$ (0.01)	$ 0.00

The accompanying notes are an integral part of these financials statements.

Competitive Companies, Inc

Consolidated Statements of Cash Flow

	For the three months ended March 31, 2006	2005
Cash flows from operating activities		
Net (loss)	$ (291,972)	$ 2,071
Depreciation	9,933	9,498
Share-based compensation	15,350	-
Provision for bad debt	6,343	4,481
Adjustments to reconcile net (loss) to		
net cash provided (used) by operating activities:		
Accounts receivable	19,587	1,909
Prepaid and other assets	355	(184)
Accounts payable	3,610	(10,706)
Accrued expenses	(19,359)	-
Customer deposits	5,196	-
Net cash (used) by operating activities	(250,957)	7,069
Cash flows from investing activities		
Purchased of fixed assets	(7,615)	(1,110)
Net cash (used) by investing activities	(7,615)	(1,110)
Cash flows from financing activities		
Payments on notes payable	(8,234)	(6,604)
Proceeds from the sale of common stock	324,550	-
Net cash provided by financing activities	316,316	(6,604)
Net increase (decrease) in cash	57,744	(645)
Cash - beginning	5,279	5,680
Cash - ending	$ 63,023	$ 5,035
Supplemental disclosures:		
Interest paid	$ 13,320	$ 4,861
Income taxes paid	$ -	$ -

The accompanying notes are an integral part of these financials statements

COMPETITIVE COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The condensed 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 condensed interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2005 and notes thereto included in the Company's Form 10-KSB annual report. The Company follows the same accounting policies in the preparation of interim reports.

Results of operation for the interim period are not indicative of annual results

Reclassifications

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

Note 2 Going Concern

Our 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 losses from operations and are experiencing difficulty in generating sufficient cash flow to pay certain indebtedness. Accordingly, we are in default of payment of approximately $300,000 in debt obligations, the majority of our indebtedness. 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.

We anticipate our merger discussed in Note 1 will provide us with better access to debt or equity capital and/or will help to improve our results of operations through our ability to offer additional services to our customers and through the negotiation of better line usage charges and sharing of operating overhead. 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

COMPETITIVE COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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.

Note 3 Property and Equipment

Property and equipment consist of the following:

	March 31,	
	2006	**2005**
Telecommunication equipment and computers	$448,751	$411,621
Furniture & Fixtures	21,290	21,290
Vehicles	-	26,069
	470,041	458,980
Less accumulated depreciation	(315,059)	(301,680)
	$154,982	$157,300

Depreciation expense totaled $9,933 and $9,498 for the three months ended March 31, 2006 and 2005, respectively.

Note 4 Long Term Debt

Long-term debt consists of the following at March 31, 2006:

Note payable to Frontier Communications Services, Inc., in original amount of $124,025 bearing interest at 10% and requiring monthly principal and interest payments of $3,000. Frontier is currently in bankruptcy and the new creditor has not yet been assigned. We are in default on the payment of this note. This note matured on March 15, 2003, however, no monthly payments have been made since December 31, 2002. The note is secured by the telecommunications equipment purchased with the proceeds from the note. The balance at March 31, 2006 was $56,573.

Note payable to GST, in original amount of $207,450 initially bearing interest at 10% with monthly interest payments of $1,729 through its maturity date of April 28, 2004. We are in default on the payment of this note. No monthly principal payments have been made. Pursuant to the terms of the note payable, effective on the maturity date of April 28, 2004, the interest rate was increased to a default rate of 15% per annum. The note has not been extended and we remain in default. In addition, we will be responsible for any costs that our creditor incurs to

COMPETITIVE COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

collect payment on the note. The note is secured by the telecommunications equipment purchased with the proceeds from the note. The balance at March 31, 2006 was $207,450 plus accrued interest of $65,536.

Unsecured note payable to a stockholder, in original amount of $56,276 bearing interest at 8%, and monthly principal and interest payments of $683 through February 23, 2011. The balance of at March 31, 2006 was $32,754.

Note 5 Commitments

We lease our operating facility in Riverside California under a non-cancelable 4-year operating lease expiring November 15, 2006 at $2,923 per month. Additionally we lease our operating property in Elizabethtown Kentucky under a 3-year non-cancelable operating lease expiring May 31, 2008 at $2,800 per month.

Future minimum lease payments required are as follow:

Year	Amount
2006	$ 65,600
2007	33,600
2008	14,000

Note 6 Stockholders equity

Common stock

During the three months ended March 31, 2006, the Company issued 3,245,500 shares of its $0.001 par value common stock for cash totaling $324,550.

Note 7 Subsequent Events

On June 30, 2006, the Company entered into an Asset Purchase Agreement with Voice, Video, and Data Services, Inc. (VVDS), a Wyoming corporation, wherein the Company agreed to sell approximately $38,000 of its assets and VVDS agreed to assume approximately $173,000 in liabilities in the division doing business as The Telephone Company , an unincorporated entity operated as a division of the Company in the State of Kentucky. As consideration for the sale, the president of VVDS surrendered 1,400,000 shares of the Company s common stock for cancellation and agreed to pledge an additional 1,400,000 shares of the Company s unregistered common stock to act as collateral for the payment of all outstanding liabilities assumed under the agreement. It was agreed these additional shares may be cancelled if VVDS does not pay off all outstanding liabilities on or before December 31, 2006.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words may, could, estimate, intend, continue, believe, expect or anticipate or other sin
These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

- Our current deficiency in working capital;
- Our ability to comply with SEC reporting requirements;
- Increased competitive pressures from existing competitors and new entrants;
- Our ability to market our services to new subscribers;
- Adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- Consumer acceptance of price plans and bundled offering of our services;
- Loss of customers or sales weakness;
- Technological innovations;
- Inability to achieve future sales levels or other operating results;
- Key management or other unanticipated personnel changes; and
- The unavailability of funds for capital expenditures.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see Factors That May Affect Our Results of Operation in this document and Risk Factors in our Annual Report on Form 10-KSB for the year ended December 31, 2005.

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

OVERVIEW AND OUTLOOK

Competitive Companies, Inc. (CCI) was formed in October 2001 to restructure a company formerly known as Western Telephone and Television , which had been in business since 1985 providing telephone systems and services to apartment complexes. CCI became the parent company of Competitive Communications, Inc., which provides local and long distance telephone service to retail users, and CCI Residential Services, Inc., which provides local and long distance telephone service, Internet service and cable television service to apartment complexes in California, Alabama and Mississippi. The Company s main offices are located in Riverside, California and Kentucky.

On May 5, 2005, CCI merged with CA Networks, Inc. (CAN), which provides retail local and long distance telephone service and DSL Internet service in Kentucky. The company operates as The Telephone Company in Kentucky and has been providing retail service since November 2004. According to the terms of the Merger Agreement and Plan of Reorganization we agreed to issue to the shareholders of CAN 39,885,659 shares of common stock of CCI in exchange for 39,885,659 shares of common stock of CAN. Subsequent to year-end, we sold The Telephone Company to a company owned by Mr. Russ Preston, an affiliate of the Company.

CCI is a Nevada corporation that acts as a holding company for its operating subsidiaries, Competitive Communications, Inc. (Competitive Communications) and The Telephone Company, which are approved and regulated local and long distance telephone companies in California, Mississippi and Kentucky, and CCI Residential Services Inc. (CCI Residential), which is a non-regulated telephone company providing local and long distance telephone service, high-speed Internet and cable television service to large apartment complexes in California, Alabama, and Mississippi.

CURRENT OPERATIONS

CCI provides telecommunications services, which include telephone, cable television, long distance/inter exchange, and dial up and high-speed Internet connections and email services, primarily to residents of apartment complexes, retail businesses and residential users, in primary and secondary metropolitan areas of California, Alabama, Mississippi, and more rural areas of Kentucky. It operates in both a regulated and non-regulated environment. Competitive Communications and The Telephone Company subsidiaries are regulated; CCI Residential is unregulated. The telecommunications products and services provided by the company and its subsidiaries include local telephone services, domestic and international long distance services, and enhanced voice, data and Internet services.

Recent developments in our industry, such as court decisions concerning access fees, increase use of cell phones by apartment dwellers and the like, have caused us to reevaluate our business plan. We have decided to focus on improving our VoIP (Voice over Internet Protocol) services by moving up our testing to the end of the first quarter of 2006. CCI began its launch of the VoIP to existing customers on May 1, 2006, at a complex in San Ramon, California. Based on continued positive results, the Company plans to convert all existing customers and new customers to VoIP by December 1, 2006. Additionally, as CCI bundles its services, DSL and cable television margins will increase due to fixed cost expenses associated with those services.

Subsequent Event

On June 30, 2006, we entered into an Asset Purchase Agreement with Voice, Video, and Data Services, Inc. (VVDS), a Wyoming corporation, wherein we agreed to sell the assets of The Telephone Company to VVDS.

We sold to VVDS all the assets of The Telephone Company, which include but are not limited to: all existing inventory; contracts to sell telephone services in Kentucky; its rights under licenses and agreements; its vendor agreements; its office lease and physical property located in Kentucky; its copyrights, trademarks and tradenames; all regulatory rights and filings, all advertising and promotional material, and any names and addresses of The Telephone Company s customers. Additionally, VVDS agreed to assume any and all outstanding liabilities of The Telephone Company.

As consideration for the sale, VVDS agreed to deliver 1,400,000 shares of our unregistered common stock, currently held by Mr. Russ Preston, who is the President of VVDS as well as one of our Directors. We agreed to cancel the shares upon closing of the agreement. Furthermore, Mr. Preston agreed to deliver to us an additional 1,400,000 shares of our unregistered common stock, currently held in his name, to act as collateral for the payment of all outstanding liabilities assumed under the agreement. It was agreed these additional shares may be cancelled if VVDS does not pay off all outstanding liabilities on or before December 31, 2006.

Results of Operations for the Three Months Ended March 31, 2006 and 2005.

The following table summarizes selected items from the statement of operations at March 31, 2006 compared to March 31, 2005.

INCOME:

	The Three Months Ended March 31,		**Increase / (Decrease)**	
	2006	**2005**	**$**	**%**
Revenues	$ 285,613	$ 281,174	$ 4,439	2%
Cost of Sales	237,373	210,933	26,440	13%
Gross Profit	48,240	70,241	(22,001)	(31%)
Gross Profit Percentage of Revenue	17%	25%	--	(8%)

Revenues

Revenues for the three months ended March 31, 2006 were $285,613 compared to revenues of $281,174 in the three months ended March 31, 2005. This resulted in an increase in revenues of $4,439, or 2%, from the same period one year ago.

Cost of sales / Gross profit percentage of revenue

Cost of sales for the three months ended March 31, 2006 was $237,373, an increase of $26,440, or 13%, from $210,933 for the three months ended March 31, 2006.

Gross profit as a percentage of revenue decreased from 25% for the three months ended March 31, 2005 to 17% for the three months ended March 31, 2006.

EXPENSES:

	The Three Months Ended March 31,		**Increase / (Decrease)**	
	2006	**2005**	**$**	**%**
General and Administrative expenses	$ 125,379	$ 25,129	$ 100,250	399%
Salaries and Wages	188,798	24,200	164,598	680%
Depreciation	9,933	9,498	435	5%
Bad Debt	6,343	4,481	1,862	42%
Net Operating Income (Loss)	$ (282,213)	$ 6,933	$ 289,146	4,171%

General and Administrative expenses

General and administrative expenses were $125,379 for the three months ended March 31, 2006 versus $25,129 for the three months ended March 31, 2005.

Salaries and Wages

Salary and wage expenses were $188,798 for the three months ended March 31, 2006 versus $24,200 for the three months ended March 31, 2005. This resulted in an increase of $164,598, or 680%, over the same period in 2005.

Depreciation

Depreciation expenses were $9,933 for the three months ended March 31, 2006 versus $9,498 for the three months ended March 31, 2005. This resulted in an increase of $435, or 5%, over the same period in 2005.

Bad Debt

Bad debt expenses for the three months ended March 31, 2006 were $6,343 as compared to $4,481 for the same period in 2005.

Net Operating Income (Loss)

The net operating loss for the three months ended March 31, 2006 was $282,213, versus a net operating income of $6,933 for the three months ended March 31, 2005, a change in net loss of $289,146.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes total assets, accumulated deficit, stockholders equity and working capital at March 31, 2006 compared to December 31, 2005.

			Increase / (Decrease)	
	March 31, 2006	December 31, 2005	**$**	**%**
Current Assets	$ 158,708	$ 120,906	$ 37,802	31%
Current Liabilities	$ 680,555	$ 663,654	$ 16,901	3%
Working Capital (Deficit)	$ (521,847)	$ (542,748)	$ (20,901)	(4%)

While we have raised capital to meet our working capital and financing needs in the past, additional financing is required in order to meet our current and projected cash flow deficits from operations and development. As of March 31, 2006, we had current assets of $158,708 and current liabilities of $680,555, which resulted in a working capital deficit of $521,847.

We have incurred losses since inception, considered on a pro forma basis after our recent reorganization, and may incur future losses. We are in default on a major debt obligation. Our poor financial condition raises substantial doubt about our ability to continue as a going concern.

In addition, we are in default on a $207,450 note payable to GST due April 28, 2004. The note is secured by the telecommunications equipment purchased with the proceeds from the note. GST has filed for bankruptcy and is winding up its business affairs and a new creditor has not been assigned.

We are also in default on a note payable to Frontier Communications Services, Inc., bearing interest at 10% and requiring monthly principal and interest payments of $3,000. Frontier is currently in bankruptcy and the new creditor has not yet been assigned. This note was originally due on March 15, 2003, however due to the aforementioned, the required monthly payments have not been made since December 31, 2002. The note is secured by the telecommunications equipment purchased with the proceeds from the note. We also have debt of $34,130 to a related party.

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Going Concern

The financial statements included in this filing have been prepared in conformity with generally accepted accounting principles that contemplate our continuance as a going concern. Our ability to continue as a going concern is dependent on our ability to raise funds to finance ongoing operations and repay debt; however we may not be able to raise sufficient funds to do so. Our independent auditors have raised substantial doubt about our ability to continue as a going concern over the next twelve months. Our poor financial condition has led us to revise our business plan.

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 or operations, liquidity, capital expenditures or capital resources that is material to investors.

Application of Critical Accounting Policies and Pronouncements

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Future events, however, may differ markedly from our current expectations and assumptions. While there are a number of significant accounting policies affecting our consolidated financial statements; we believe the following critical accounting policies involve the most complex, difficult and subjective estimates and judgments:

Recent Issued Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections (SFAS No. 154) which supersedes APB Opinion No. 20, Accounting Changes and SFAS No. 3 Reporting Accounting Changes in Interim Financial Statements . SFAS No. 154 changes the requirements for accounting for and reporting of changes in accounting principle. The statement requires the retroactive application to prior periods financial statements of changes in accounting principles, unless it is impracticable to determine either the period specific effects or the cumulative effect of the change. SFAS No. 154 does not change the guidance for reporting the correction of an error in previously issued financial statements or the change in an accounting estimate. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not believe SFAS No. 154 will have an immediate significant impact on its financial position or results of operations.

FACTORS THAT MAY AFFECT OUR RESULTS OF OPERATION

RISKS RELATING WITH OUR BUSINESS AND MARKETPLACE

We have incurred losses since inception and may incur future losses. In addition, we are in default on major debt obligations and our poor financial condition raises substantial doubt about our ability to continue as a going concern.

Our net operating losses for the three months ended March 31, 2006 totaled $282,213. As of March 31, 2006, we had a stockholders' deficit of $348,145 and only had $63,023 in cash available to finance our operations and a working capital deficit of $521,847.

In addition we are in default on a $207,450 note payable to GST due April 28, 2004. The note is secured by the telecommunications equipment purchased with the proceeds from the note. We are also in default on a note payable to Frontier Communications Services, Inc., bearing interest at 10% and requiring monthly principal and interest payments of $3,000. Frontier is currently in bankruptcy and the new creditor has not yet been assigned. This note was originally due on March 15, 2003, however due to the aforementioned, the required monthly payments have not been made since December 31, 2002. The note is secured by the telecommunications equipment purchased with the proceeds from the note.

Our ability to continue as a going concern is dependent on our ability to raise funds to finance ongoing operations and repay debt; 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.

We have incurred substantial losses and expect to continue to incur losses for the foreseeable future.

For the last two fiscal years ended December 31, 2005 and 2004, we sustained net losses of $1,966,556 and $34,981, respectively. 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 to satisfy working capital requirements. We will continue to be dependent upon the proceeds of future offerings 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.

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. We anticipate that we will require up to approximately $750,000 to fund our continued operations for 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.

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.

Because our principal competitors are also our suppliers, our revenues may be reduced.

In each of the markets we target, we will compete principally with the traditional local phone companies serving that area, such as SBC, BellSouth or Southwestern Bell. We must purchase the telecommunications services we offer from these or similar carriers. Our suppliers could charge less than we do which could reduce our revenues.

RISKS FACTORS 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, NASD 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. Currently, this quarterly report will be considered late and our securities have been removed from the OTC Bulletin Board as we were unable to meet the filing grace period as defined under Rule 12b-25. Therefore, we must not have two more late filings or have our securities removed from the OTC Bulletin Board one more time within the next two years or we will be in jeopardy of being dequoted from the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Our common stock could be deemed a low-priced Penny stock which could make it cumbersome for brokers and dealers to trade in our common stock, making the market for our common stock less liquid and negatively affecting the price of our stock.

In the event we are accepted for trading in the over-the-counter market, trading of our common stock may be subject to certain provisions of the Securities Exchange Act of 1934, commonly referred to as the Penny Stock Rules as defined in Rule 3a51-1. A penny stock is generally defined to be any equity security that has a market price less than $5.00 per share, subject to certain exceptions. If our stock is deemed to be a penny stock, trading will be subject to additional sales practice requirements on broker-dealers. These require a broker-dealer 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.

Consequently, penny stock rules may restrict the ability or willingness of broker-dealers to trade and/or maintain a market in our common stock. Also, prospective investors may not want to get involved with the additional administrative requirements, which may have a material adverse effect on the trading of our shares.

NASD 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, the National Association of Securities Dealers (NASD) 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, the NASD believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The NASD 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 3. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. We conducted an evaluation, with the participation of Henri Hornby, our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of March 31, 2006, to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities Exchange Commission s rules and forms, including to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal accounting officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon his evaluation, Mr. Hornby concluded that as of March 31, 2006, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses described below.

In light of the material weaknesses described below, we performed additional analysis and other post-closing procedures to ensure our consolidated financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, we believe that the consolidated financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

A material weakness is a control deficiency (within the meaning of the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 2) or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified the following two material weaknesses which have caused management to conclude that, as of March 31, 2006, our disclosure controls and procedures were not effective at the reasonable assurance level:

1. We were unable to meet our requirements to timely file our Form 10-KSB for the year ended December 31, 2005 and this quarterly report on Form 10-QSB for the period ended March 31, 2006. Management evaluated the impact of our inability to timely file periodic reports with the Securities and Exchange Commission on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted in the inability to timely make these filings represented a material weakness.

2. We did not maintain a sufficient complement of finance and accounting personnel with adequate depth and skill in the application of generally accepted accounting principles as demonstrated by significant adjustments to our financial statements identified by our independent registered accounting firm in the preparation of our annual report for fiscal 2006 and this quarterly report. In addition, we did not maintain a sufficient complement of finance and accounting personnel to handle the matters necessary to timely file our Form 10-KSB for the year ended December 31, 2005 and our Form 10-QSB for the three months ended March 31, 2006. Management evaluated the impact of our lack of sufficient finance and accounting personnel on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted in our lack of sufficient personnel represented a material weakness.

To address these material weaknesses, management performed additional analyses and other procedures to ensure that the financial statements included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented.

Remediation of Material Weaknesses

To remediate the material weaknesses in our disclosure controls and procedures identified above, in addition to working with our independent auditors, we have engaged Opus Pointe, a consulting firm that provides expertise in accounting matters and performs accounting services on an outsourced basis, to supplement our internal accounting and bookkeeping capabilities. We have also implemented a new accounting software system.

Changes in Internal Control over Financial Reporting

Except as noted above, there were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recently completed 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

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are not presently a party to any material litigation, nor to the knowledge of management is any litigation threatened against us, which may materially affect us.

Item 2. Changes in Securities

During the first quarter of 2006, we issued and sold a total of 3,245,500 shares of common stock to 63 individual investors for a total purchase price of $324,550, all of which was paid in cash. We believe that the issuance and sale of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The shares were issued directly by us and did not involve a public offering or general solicitation. The recipients of the shares were afforded an opportunity for effective access to files and records of our company that contained the relevant information needed to make their investment decision, including our financial statements and 34 Act reports. We reasonably believed that the recipients, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that they were capable of evaluating the merits and risks of their investment. The recipients had the opportunity to speak with our management on several occasions prior to their investment decision. There were no commissions paid on the issuance and sale of the shares.

During the first quarter of 2006, we issued 100,000 shares of our common stock to Island Capital Management for services valued at $15,350. We believe that the issuance and sale of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The shares were issued directly by us and did not involve a public offering or general solicitation. The recipient of the shares was afforded an opportunity for effective access to files and records of our company that contained the relevant information needed to make its investment decision, including our financial statements and 34 Act reports. We reasonably believed that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our management on several occasions prior to its investment decision. There were no commissions paid on the issuance and sale of the shares.

In the first quarter of 2006, we cancelled 1,312,500 shares previously issued to our directors for services.

Item 3. Defaults by the Company upon its Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on 8-K.

Exhibit Number	Description
2.1	Plan and agreement of reorganization between Huntington Telecommunications Partners, LP, Competitive Companies Holdings, Inc., and Competitive Companies, Inc. dated December 19, 2001 *(Incorporated by reference to Exhibit 2 to Form SB-2 filed on January 11, 2002)*
2.2	Plan and agreement of reorganization between Huntington Telecommunications Partners, LP, Competitive Companies Holdings, Inc., and Competitive Companies, Inc. dated July 25, 2002 *(Incorporated by reference to Exhibit 2.2 to Form SB-2A filed on August 2, 2002)*
2.3	Plan and agreement of reorganization between Huntington Telecommunications Partners, LP, and Competitive Companies, Inc. dated December 31, 2002 *(Incorporated by reference to Exhibit 2.2 to Form SB-2A filed on April 24, 2003)*
2.4	Plan and agreement of reorganization between Competitive Companies Inc. and CCI Acquisition Corp. dated May 4, 2005 *(Incorporated by reference to Exhibit 10.1 to Form 8-K filed on May 9, 2005)*
3(i)	Articles of Competitive Companies, as amended on December 27, 2001 *(Incorporated by reference to Exhibit 3(I) to Form SB-2 filed on January 11, 2002)*
3(ii)	By-laws of Competitive Companies *(Incorporated by reference to Exhibit 3(II) to Form SB-2 filed on January 11, 2002)*
4	Rights and preferences of Preferred Stock *(Incorporated by reference to Exhibit 4 to Form SB-2 filed on January 11, 2002)*
10.1	Partnership Agreement between Morris-Crocker Associates and WT&T Telecommunications Partners, LP dated November 20, 1993 *(Incorporated by reference to Exhibit 10.1 to Form SB-2 filed on January 11, 2002)*
10.2	Partnership Agreement between Morris-Revocable Trust and WT&T Telecommunications Partners, LP dated November 20, 1993 *(Incorporated by reference to Exhibit 10.2 to Form SB-2 filed on January 11, 2002)*
10.3	Partnership Agreement between Stephen P. Diamond and Suzanne Diamond and Huntington Telecommunication Partners LP dated November 7, 1994 *(Incorporated by reference to the Exhibit 10.3 to Form SB-2 filed on January 11, 2002)*
10.4	Purchase Agreement between Personal Communications Spectrum V and Western Telephone and Television dated December 31, 1995 *(Incorporated by reference to Exhibit 10.5a to Form SB-2 filed on January 11, 2002)*
10.5	Supply, Services and Management Agreement between Personal Communications Spectrum V and Competitive Communications Inc. dated 1996 *(Incorporated by reference to Exhibit 10.5b to Form SB-2 filed on January 11, 2002)*
10.6	Asset Purchase Agreement between GST Universal Inc. and Competitive Communications, Inc. dated April 28, 1999 *(Incorporated by reference to Exhibit 10.6a to Form SB-2 filed on January 11, 2002)*
10.7	Telephone and Television Lease and Access Agreement between Crow Canyon Developers Ltd. and GRI Telecommunications Inc. (Promontory Point Apartments) dated November 1, 1996 *(Incorporated by reference the Exhibit 10.6b to Form SB-2 filed on January 11, 2002)*
10.8	Telephone and Television Lease and Access Agreement between Crow Canyon Developers Ltd. and GRI Telecommunications Inc. (Promontory View Apartments) dated November 1, 1996 *(Incorporated by reference to the Exhibit 10.6c to Form SB-2 filed on January 11, 2002)*
10.9	Employment Agreement between Competitive Communications Inc. and Larry Halstead dated August 31, 1997 *(Incorporated by reference to Exhibit 10.7 to Form SB-2 filed on January 11, 2002)*

10.10	Employment Agreement between Competitive Communications Inc. and David Kline dated April 8, 1996 *(Incorporated by reference to Exhibit 10.19 to Form SB-2 filed on January 11, 2002)*
10.11	Agreement with LCI Quest *(Incorporated by reference to Exhibit 10.10 to Form SB-2 filed on January 11, 2002)*
10.12	Carrier Services Agreement with Inet dated June 25, 1999 *(Incorporated by reference to Exhibit 10.11 to Form SB-2 filed on January 11, 2002)*
10.13	Sample Employee Option Agreement 1998 Stock Plan *(Incorporated by reference to Exhibit 10.12 to Form SB-2 filed on January 11, 2002)*
10.14	Sample Consultant Option Agreement 1999 Stock Plan *(Incorporated by reference to Exhibit 10.13 to Form SB-2 filed on January 11, 2002)*
10.15	Lease Agreement between Competitive Communications and Riverside Business Center dated July 21, 1999 *(Incorporated by reference to Exhibit 10.15 to Form SB-2 filed on January 11, 2002)*
10.16	Mississippi License Approval Letter dated November 8, 1999 *(Incorporated by reference to Exhibit 10.16 to Form SB-2 filed on January 11, 2002)*
10.17	California License Approval Letter dated December 16, 1999 *(Incorporated by reference to Exhibit 10.17 to Form SB-2 filed on January 11, 2002)*
31*	Certification of Henri Hornby pursuant to Section 302 of the Sarbanes-Oxley Act
32*	Certification of Henri Hornby pursuant to Section 906 of the Sarbanes-Oxley Act

* 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.

(Registrant)

By:/s/ Henri Hornby
Henri Hornby, Chief Executive Officer
(Principal Financial Officer and

Principal Accounting Officer)

Date: September 13, 2006