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TELCOBLUE INC
Form 10QSB
February 23, 2004

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

FORM 10-QSB

(Mark One)

- ☒ [X] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 31, 2003.
- ☐ [] Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 (No fee required) for the transition period from _____ to _____.

Commission file number: 011-16099

telcoBlue, Inc.

(Name of Small Business Issuer in its Charter)

Delaware

(State of Incorporation)

43-1798970

(I. R. S. Employer
Identification No.)

3166 Custer Drive, Suite 101
Lexington, KY 40517

(Address of principal executive offices) (Zip Code)

(859) 245-5252

(Issuer's telephone number)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ☐ []

The number of shares outstanding of Registrant's common stock (\$0.001 par value) as of the quarter ended December 31, 2003 is 5,481,445.

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telcoBlue, Inc.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEET
December 31, 2003

ASSETS	\$ -
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities	
Accounts payable	\$ 15,500
Accounts payable to related parties	34,937
Accrued expenses	789
Notes payable	4,076
Notes payable to related parties	11,784

Total Current Liabilities	67,086

Commitments and Contingencies	

STOCKHOLDERS' DEFICIT

Common stock, \$.001 par value, 75,000,000 shares	
authorized, 5,481,445 issued and outstanding	5,481
Additional paid in capital	4,548,947

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Accumulated other comprehensive income	8,149
Deficit accumulated during the development stage	(4,629,663)

Total Stockholders' Deficit	(67,086)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ -
	=====

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telcoBlue, Inc.			
(A Development Stage Company)			
CONSOLIDATED STATEMENTS OF EXPENSES AND COMPREHENSIVE LOSS			
Three Months Ended December 31, 2003 and 2002 and the Period			
from August 2, 2002(Inception)through December 31, 2003			
	Three		Inception
	Months Ended		Through
	December 31,		Dec. 31,
	2003	2002	2003
	-----	-----	-----
General and administrative	\$ 44,429	\$ 213,220	\$4,594,559
Interest expense	3,161	421	35,104
	-----	-----	-----
Net loss	(47,590)	(213,641)	(4,629,663)
Other Comprehensive Income			
Gain on foreign currency translation	(1,143)	(7,457)	8,149
	-----	-----	-----
Total Comprehensive Loss	\$ (48,733)	\$ (221,098)	\$ (4,621,514)
	=====	=====	=====
Basic and diluted net loss per share	\$ (0.01)	\$ (.12)	
Weighted average shares outstanding	3,847,470	1,773,145	

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telcoBlue, Inc.			
(A Development Stage Company)			
CONSOLIDATED STATEMENTS OF CASH FLOWS			
Three Months Ended December 31, 2003 and 2002 and the Period			
from August 2, 2002(Inception)Through December 31, 2003			
	Three		Inception
	Months Ended		Through
	December 31,		Dec. 31,
	2003	2002	2003
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (47,590)	\$ (213,641)	\$ (4,629,663)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock issued for services	25,000	106,428	4,035,533

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Stock option and warrant expense	-	10,543	75,556
Imputed interest	3,161	-	21,867
Intrinsic value of beneficial conversion feature of convertible notes payable	-	-	13,176
Changes in:			
Accounts payable	305	21,492	(5,799)
Accounts payable to related parties	114	21,114	109,937
Accrued expenses	34	197	789
	-----	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(18,976)	(53,867)	(378,604)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Sale of stock	-	61,500	61,574
Proceeds from notes payable	-	-	3,343
Proceeds from notes payable to related parties	19,941	-	304,804
	-----	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	19,941	61,500	369,721
	-----	-----	-----
Effect of exchange rate changes on cash	(965)	(7,442)	8,883
	-----	-----	-----
NET CHANGE IN CASH	-	191	-
Cash balance, beginning	-	74	-
	-----	-----	-----
Cash balance, ending	\$ -	\$ 265	\$ -
	=====	=====	=====
Non-Cash Disclosures:			
Stock issued for notes payable to related parties	\$ 294,521	\$ -	\$ 444,521
Stock issued for accounts payable to related parties	-	-	75,000

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Stock issued to related party for distribution agreement	-	-	926
Accounts payable of WavePower assumed in merger	-	-	22,225
Note payable of WavePower assumed in merger	-	-	151,500

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telcoBlue, Inc. (A Development Stage Company) CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of telcoBlue, Inc. ("telcoBlue") have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the audited financial statements and notes thereto contained in telcoBlue's latest annual

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report filed with the SEC on Form 10KSB. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for fiscal year 2003, as reported in the 10KSB, have been omitted.

NOTE 2. RELATED PARTIES

In the quarter ended December 31, 2003, telcoBlue issued 1,521,475 shares of common stock for repayment of \$294,521 of notes payable to related parties. During the same time period, telcoBlue also issued 255,000 shares of common stock for the president's salary of \$25,000.

NOTE 3. SUBSEQUENT EVENT

Effective January 15, 2004, telcoBlue completed a reverse merger with Promotional Containers Manufacturing ("PCM") whereby telcoBlue issued 28,700,000 shares to PCM for all of the outstanding shares of PCM. In connection with the merger, telcoBlue agreed to issue an additional 12,150,000 shares to various individuals for work on the merger.

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Item 2. Management's Discussion and Analysis or Plan of Operation.

The following discussion and analysis should be read in conjunction with telcoBlue's financial statements and notes thereto included elsewhere in this Form 10-QSB.

Except for the historical information contained herein, the discussion in this Form 10-QSB as amended contains certain forward looking statements that involve risks and uncertainties, such as statements of telcoBlue's plans, objectives, expectations and intentions. The cautionary statements made in this Form 10-QSB should be read as being applicable to all related forward statements wherever they appear in this Form 10-QSB. telcoBlue's actual results could differ materially from those discussed here.

Nature of Business. telcoBlue, Inc. formerly Better Call Home, Inc., a development stage company, was formed in Nevada on August 2, 2002 to operate an Internet-based long distance telephony network using state-of-the-art Voice over Internet Protocol.

On August 29, 2002, BCH entered into a reorganization with Wave Power.net, Inc., an inactive public company, whereby Wave Power acquired all of the issued and outstanding shares of BCH's common stock by issuing to BCH's shareholders, pro-rata, 16,000,000 shares of Wave Power common stock. At that time, Wave Power had 14,000,000 shares outstanding. The combined entity changed its name to telcoBlue, Inc. on August 29, 2002.

Since August 29, 2002, telcoBlue's only activities have been

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organizational ones, directed at developing its business plan and seeking a merger candidate. We have not generated any revenues. telcoBlue has not commenced any commercial operations.

telcoBlue has no employees and owns no real estate. As of September 30, 2003, telcoBlue could be defined as a "shell" company whose sole purpose is to locate and consummate a merger or acquisition with a private entity.

On September 10, 2003, telcoBlue declared a 1:20 reverse stock split whereby each shareholder would receive one share for every twenty shares held.

In December 2003, telcoBlue issued 255,000 shares to the president for services valued at \$25,000 and 1,521,475 to payoff notes payable to shareholders of \$275,092.

Capital Resources and Liquidity

For the three months ended December 31, 2003 and 2003, telcoBlue did not pursue any investing activities.

For the year ended September 30, 2003 and the period from inception to September 30, 2002, telcoBlue did not pursue any investing activities.

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For the three months ended December 31, 2003, telcoBlue received proceeds from notes payable to related parties of \$19,941. As a result, telcoBlue had net cash of \$19,941 provided by financing activities for the three months ended December 31, 2003.

For the three months ended December 31, 2002, telcoBlue received proceeds of \$61,500 from the sale of stock resulting in net cash provided by financing activities of \$61,500.

For the year ended September 30, 2003, telcoBlue received \$61,500 from the sale of stock and received the proceeds from notes payable to related parties of \$275,201 resulting in net cash provided by financing activities of \$336,701.

For the period from inception through September 30, 2002, telcoBlue received \$74 from the sale of stock, received proceeds from notes payable of \$3,343 and proceeds from notes payable to related parties of \$9,662. As a result, telcoBlue had net cash provided by financing activities of \$13,079 for the period from inception to September 30, 2002.

Results of Operations

For the three months ended December 31, 2003, telcoBlue had no revenues. Net loss for the three months ended December 31, 2003 was \$47,590. telcoBlue had interest expense of \$3,161 and general and administrative expenses of \$44,429. These general and administrative expenses consisted primarily from stock issued for services valued at \$25,000.

For the three months ended December 31, 2002, telcoBlue had no revenues. Net loss for the three months ended December 31, 2003 was \$213,220. telcoBlue had interest expense of \$421 and general and

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administrative expenses of \$213,220. These general and administrative expenses consisted primarily from stock issued for services valued at \$106,428 and stock option and warrant expense of \$10,543.

For the year ended September 30, 2003, telcoBlue had no revenues. Net loss for the year ended September 30, 2003 was \$2,392,504. telcoBlue had interest expense of \$18,706, impairment of \$926 and had general and administrative expenses of \$2,172,872. These general and administrative expenses consisted primarily from stock issued for services valued at \$1,876,530 and stock option and warrant expense of \$75,556.

For the period from inception to September 30, 2002, telcoBlue had not received any revenues. Net loss for the period from inception to September 30, 2002 was \$2,189,569. telcoBlue had interest expense of \$13,237 and had general and administrative expenses of \$2,134,003. These general and administrative expenses consisted primarily of stock issues for services of \$2,134,003.

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telcoBlue believes that our existing capital will not be sufficient to meet our cash needs, including the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934, as amended. Even with the subsequent acquisition of PCM, we anticipate that our existing capital will not be sufficient to allow us to expand the PCM operations. Any required cash flows will be supplied by officers.

We do not expect to purchase or sell any significant equipment, engage in product research or development and do not expect any significant changes in the number of employees.

Events Subsequent to December 31, 2003

Effective January 15, 2004, telcoBlue completed a reverse merger with Promotional Containers Manufacturing whereby telcoBlue issued 28,700,000 shares to PCM for all of the outstanding shares of PCM. In connection with the merger, telcoBlue agreed to issue an additional 12,150,000 shares to various individuals for work on the merger. For further information on the acquisition, see the Form 8-K filed February 9, 2004.

Item 3. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our chief executive officer and chief financial officer, conducted an evaluation of our "disclosure controls and procedures" (as defined in Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-14(c)) within 90 days of the filing date of this quarterly report on Form 10QSB (the "Evaluation Date"). Due to the lack of cooperation by old management, certain transactions and agreements may exist that current management is not aware of. These transactions and agreements could have potential liability for telcoBlue. New management is seeking a court injunction to seize and recover all records of telcoBlue. Based on their evaluation, our chief executive officer and chief financial officer have concluded that, other than described above, as of the Evaluation Date, our current disclosure controls and procedures are

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effective to ensure that all material information required to be filed in this quarterly report on Form 10-QSB has been made known to them in a timely fashion.

Changes in Internal Controls

Due to the lack of cooperation by old management, certain transactions and agreements may exist that current management is not aware of. These transactions and agreements could have potential liability for telcoBlue. New management is seeking a court injunction to seize and recover all records of telcoBlue. There have been no other significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the Evaluation Date set forth above.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON 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 FORM 8-K

None

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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.

telcoBlue, Inc.

Dated: February 20, 2004

/s/James Turek

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James Turek, CEO

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CERTIFICATIONS

I, James Turek, certify that:

1. I have reviewed this quarterly report on Form 10QSB of telcoBlue, Inc.

2. Based on my knowledge, the quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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(6) The other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 23, 2004

/s/James Turek

James Turek, CEO

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CERTIFICATIONS

I, Edward J. Garstka, certify that:

1. I have reviewed this quarterly report on Form 10QSB of telcoBlue, Inc.

2. Based on my knowledge, the quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit

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committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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(6) The other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/Edward J. Garstka

Edward J. Garstka, CFO