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TELCO BLUE INC  
Form 10QSB  
September 22, 2003

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

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 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  
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telcoBlue, Inc.  
-----

(Name of Small Business Issuer in its Charter)

Delaware  
-----

(State of Incorporation)

43-1798970  
-----

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

1004 Depot Hill Rd. #1E  
Broomfield, Colorado 80020  
-----

(Address of principal executive offices) (Zip Code)

303-404-9904  
-----

(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  No

The number of shares outstanding of Registrant's common stock (\$0.001 par value) as of the quarter ended June 30, 2003 is 49,099,400.

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telcoBlue, Inc.  
(A Development Stage Company)  
CONSOLIDATED BALANCE SHEET  
As of June 30, 2003

#### ASSETS

|                        |  |    |       |
|------------------------|--|----|-------|
| Current asset          |  | \$ | -     |
| Distribution Agreement |  |    | 926   |
|                        |  |    | ----- |
| TOTAL ASSETS           |  | \$ | 926   |
|                        |  |    | ===== |

#### LIABILITIES AND STOCKHOLDERS' DEFICIT

|                                     |  |    |        |
|-------------------------------------|--|----|--------|
| Current Liabilities                 |  |    |        |
| Accounts payable                    |  | \$ | 15,229 |
| Accounts payable to related parties |  |    | 34,835 |
| Accrued expenses                    |  |    | 758    |
| Notes payable                       |  |    | 3,918  |
| Notes payable to related parties    |  |    | 65,404 |
|                                     |  |    | -----  |

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|  |             |
|--|-------------|
| Total Current Liabilities  | 120,144     |
|  | -----       |
| STOCKHOLDERS' DEFICIT  |             |
| Common stock, \$.001 par value, 75,000,000 shares<br>authorized, 49,099,400 issued and outstanding | 49,099      |
| Additional paid in capital   | 2,973,928   |
| Deferred compensation  | ( 225,000)  |
| Accumulated other comprehensive income   | 9,133       |
| Deficit accumulated during the development stage   | (2,926,378) |
|  | -----       |
| Total Stockholders' Deficit  | ( 119,218)  |
|  | -----       |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT  | \$ 926      |
|  | =====       |

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telcoBlue, Inc.  
(A Development Stage Company)  
CONSOLIDATED STATEMENTS OF EXPENSES AND COMPREHENSIVE LOSS  
For the Three Months and Nine Months ended June 30, 2003 and  
the Period from August 2, 2002 (Inception)  
Through June 30, 2003

|  | 3 Months<br>Ended<br>June 30,<br>2003 | 9 Months<br>Ended<br>June 30,<br>2003 | Inception<br>Through<br>June 30,<br>2003 |
|--|---------------------------------------|---------------------------------------|--|
|  | -----                                 | -----                                 | -----                                    |
| General and administrative                       | \$ 442,612                            | \$ 736,192                            | \$ 2,912,524                             |
| Interest expense                                 | -                                     | 617                                   | 13,854                                   |
|  | -----                                 | -----                                 | -----                                    |
| Net loss   | (442,612)                             | (736,809)                             | (2,926,378)                              |
| Other Comprehensive Income (Expense)             |                                       |                                       |  |
| Income (loss) on foreign currency<br>Translation | ( 23,026)                             | 8,916                                 | 9,133                                    |
|  | -----                                 | -----                                 | -----                                    |
| Total Comprehensive Loss                         | \$ (465,638)                          | \$ (727,893)                          | \$ (2,917,245)                           |
|  | =====                                 | =====                                 | =====                                    |
| Basic and diluted net loss per<br>common share   | \$ (.01)                              | \$ (.02)                              |  |
| Weighted average common shares<br>Outstanding    | 47,574,400                            | 40,757,567                            |  |

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telcoBlue, Inc.  
 (A Development Stage Company)  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the Nine Months ended June 30, 2003 and  
 the period from August 2, 2002 (Inception)  
 Through June 30, 2003

|  | 9 Months<br>Ended<br>June 30,<br>2003<br>----- | Inception<br>Through<br>June 30,<br>2003<br>----- |
|--|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES   |  |   |
| Net loss   | \$ (736,809)                                   | \$ (2,926,378)                                    |
| Adjustments to reconcile net loss to<br>net cash used in operating activities:   |  |   |
| Stock issued for services  | 451,530  | 2,585,533   |
| Stock option and warrant expense   | 10,543   | 10,543  |
| Deferred compensation  | 75,000   | 75,000  |
| Intrinsic value of beneficial conversion<br>feature of convertible notes payable |  | 13,176  |
| Changes in:  |  |   |
| Accounts payable   | ( 18,887)                                      | 68,004  |
| Accounts payable to related parties  | 92,618   | 34,835  |
| Accrued expenses   | 697  | 758   |
|  | -----  | -----   |
| NET CASH USED IN OPERATING ACTIVITIES  | (125,308)                                      | ( 138,529)  |
|  | -----  | -----   |
| CASH FLOWS FROM FINANCING ACTIVITIES   |  |   |
| Sale of stock  | 61,501   | 61,574  |
| Proceeds from notes payable  |  | 3,346   |
| Proceeds from notes payable to related parties                                   | 54,242   | 63,904  |
|  | -----  | -----   |
| NET CASH PROVIDED BY FINANCING ACTIVITIES  | 115,743  | 128,824   |
|  | -----  | -----   |

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|   |       |       |
|---|-------|-------|
| Effect of exchange rate changes on cash | 9,491 | 9,705 |
|   | ----- | ----- |
| NET CHANGE IN CASH                      | ( 74) | -     |
| Cash balance, beginning                 | 74    |       |
|   | ----- | ----- |
| Cash balance, ending                    | \$ -  | \$ -  |
|   | ===== | ===== |

### NONCASH ACTIVITIES:

|                                    |            |
|------------------------------------|------------|
| Shares issued for notes payable    | \$ 150,000 |
| Shares issued for accounts payable | 75,000     |

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telcoBlue, Inc.  
(A Development Stage Company)  
NOTES TO CONSOLIDATED 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 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 2002, as reported in the 10KSB, have been omitted.

#### NOTE 2 - COMMON STOCK

In the quarter ended December 31, 2002, telcoBlue issued 734,000 shares of common stock valued at \$106,428 for services.

In the quarter ended December 31, 2002, telcoBlue issued 5,600,000 shares of common stock for \$300,000 of deferred compensation. As of June 30, 2003, \$75,000 of compensation has been recognized.

In the quarter ended December 31, 2002, telcoBlue sold 615,000 shares of common stock for \$61,501.

In the quarter ended December 31, 2002, telcoBlue issued three-year options to purchase 150,000 shares of telcoBlue common stock. \$10,543 in expense has been recorded for the quarter ended December 31, 2002. The exercise prices are as follows:

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| Exercise<br>Options<br>----- | Price<br>----- |
|------------------------------|----------------|
| 50,000                       | \$ .50         |
| 50,000                       | 1.00           |
| 50,000                       | 1.50           |
| -----                        |                |
| 150,000                      |                |
| =====                        |                |

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In the quarter ended March 31, 2003, telcoBlue issued 3,000,000 shares of common stock to pay off a \$150,000 note payable.

For a 12 month consulting agreement signed in April 2003, telcoBlue agreed to issue four million shares of common stock, one million per quarter with the first million due upon signing. As part of the agreement, telcoBlue also agreed to issue two million 120 day warrants to purchase telcoBlue common stock at \$.05 per share. If the two million warrants are exercised, the consultant will be granted four million additional 120 day warrants to purchase telcoBlue common stock at \$.10 per share. If the four million warrants are exercised, the consultant will be granted four million additional 120 day warrants to purchase telcoBlue common stock at \$.15 per share. The first one million shares were issued and valued at \$55,000. The first group of warrants expired causing the subsequent warrants to not be granted.

In April 2003, telcoBlue issued 3,900,000 shares valued at \$195,000 to four consultants.

In June 2003, telcoBlue's board approved the issuance of 4,250,000 shares of telcoBlue to Vocalscape Networks, Inc. ("Vocalscape") for payment of \$75,000 owed under the management agreement, \$30,868 of out of pocket expenses paid on behalf of telcoBlue and \$64,233 of lost stock proceeds because of telcoBlue's failure to file an SB-2 within two months of the reorganization as required by the plan of reorganization.

### NOTE 3 - NOTES PAYABLE TO RELATED PARTIES

Shareholders loaned telcoBlue \$54,242 during the nine months ending June 30, 2003. These loans are payable on demand, bear no interest and have no collateral.

### NOTE 4 - CONTINGENCIES

In August 2003, the board of directors terminated the CEO. The outgoing CEO has been uncooperative in turning over all records of telcoBlue to the new management. 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.

### NOTE 5 - SUBSEQUENT EVENTS

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On September 12, 2003 telcoBlue merged with Intercontinental Communications, Inc. ("ICI") by acquiring all of the outstanding shares of ICI for 60,000,000 shares of telcoBlue common stock in the form of 25,000,000 restricted shares and a note payable of \$500,000 convertible into 35,000,000 shares of telcoBlue common stock. In connection with the merger, telcoBlue approved a 1:20 reverse stock split.

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### Part II

#### OVERVIEW

Nature of Business. telcoBlue, Inc. ("telcoBlue") formerly Better Call Home, Inc. ("BCH"), 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 (VoIP). Its long distance services will be marketed mainly by third parties to end users in the form of pre-paid phone cards or other media, including direct personal computer (PC) access and Internet-based long distance telephony network using state-of-the-art Voice over Internet Protocol. The name was changed to telcoBlue, Inc. on August 29, 2002.

The Company is in its development stage and to date its activities have been limited to capital formation and the development of its Voice over Internet Protocol (VoIP) long distance business.

telcoBlue products and services will enable customers to make low-cost, high quality phone calls over the Internet using their personal computers or traditional telephones. telcoBlue's PC to Phone pre-paid long distance service is targeted at specific markets throughout North America and offers amongst the lowest long distance rates available today.

The following discussion should be read in conjunction with the condensed consolidated financial statements and segment data and in conjunction with the Company's 10KSB/A filed March 21, 2003. Results for interim periods may not be indicative of the results for the full year.

#### RESULTS OF OPERATIONS

telcoBlue had a total comprehensive loss of \$727,893 for the nine months ended June 30, 2003. General and Administrative expenses for the nine months ended June 30, 2003 were \$736,192. General and Administrative expenses for the nine months consist of stock for services of \$451,530, deferred compensation of \$75,000, stock warrant expense of \$10,543 and approximately \$200,000 of management and general office expenses.

Interest expenses for the nine months ended June 30, 2003 were \$617.

Basic Net Loss per Share amounted to \$.02 for the nine months ended June 30, 2003.

#### LIQUIDITY AND CAPITAL RESOURCES

In April 2003, telcoBlue issued 3,900,000 shares valued at \$195,000 to four consultants.

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In June 2003, telcoBlue's board approved the issuance of 4,250,000 shares of telcoBlue to Vocalscape Networks, Inc. for payment of \$75,000 owed under the management agreement, \$30,868 of out of pocket expenses paid on behalf of telcoBlue and \$64,233 of lost stock proceeds because of telcoBlue's failure to file an SB-2 within two months of the reorganization as required by the plan of reorganization.

For the nine months ended June 30, 2003, telcoBlue did not pursue any investing activities.

For the nine months ended June 30, 2003, telcoBlue sold stock of \$61,501 and received proceeds from notes payable to related parties of \$54,242. As a result, net cash provided by financing activities for the nine months ended June 30, 2003 was \$115,743.

In August 2003, the board of directors terminated Robert McIntyre, its then Chief Executive Officer. The outgoing CEO has been uncooperative in turning over all records of telcoBlue to the new management. 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.

telcoBlue anticipates that its current cash and cash equivalents and cash generated from operations, if any, will not be sufficient to satisfy its liquidity requirements for at least the next 12 months. telcoBlue will require additional funds prior to such time and will seek to sell additional equity or debt securities or seek alternative sources of financing. If telcoBlue is unable to obtain this additional financing, it may be required to reduce the scope of its planned sales and marketing and product development efforts, which could harm its business, financial condition and operating results. In addition, telcoBlue may require additional funds in order to fund more rapid expansion, to develop new or enhanced services or products or to invest in complementary businesses, technologies, services or products. Additional funding may not be available on favorable terms, if at all.

### 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

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Evaluation Date, our current disclosure controls and procedures are 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.

## 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.

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### 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.

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telcoBlue, Inc.

Dated: September 21, 2003

/s/Daymon Bodard

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Daymon Bodard, CEO

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### CERTIFICATIONS

I, Daymon Bodard, 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 officers 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 officers 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

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other employees who have a significant role in the registrant's internal controls; and

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(6) The other certifying officers 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 our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 21, 2003

/s/Daymon Bodard

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Daymon Bodard, CEO

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### CERTIFICATIONS

I, Dominic Martinez, 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 officers 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

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evaluation as of the Evaluation Date;

5. The other certifying officers 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 officers 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 our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 21, 2003

/s/Dominic Martinez

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Dominic Martinez, Chief Financial Officer