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TELCOBLUE INC
Form 10QSB
June 10, 2005

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 March 31, 2005.

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 No

The number of shares outstanding of Registrant's common stock (\$0.001 par value) as of the quarter ended March 31, 2005 is 37,661,075.

TABLE OF CONTENTS

PART I

Edgar Filing: TELCOBLUE INC - Form 10QSB

| | |
|---|-----|
| ITEM 1. FINANCIAL STATEMENTS..... | 3-7 |
| ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION..... | 8-9 |

PART II

| | |
|---|----|
| ITEM 1. LEGAL PROCEEDINGS..... | 10 |
| ITEM 2. CHANGES IN SECURITIES..... | 10 |
| ITEM 3. DEFAULTS UPON SENIOR SECURITIES..... | 10 |
| ITEM 4. SUBMISSION TO A VOTE OF SECURITY HOLDERS..... | 10 |
| ITEM 5. OTHER..... | 10 |
| ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K..... | 10 |
| SIGNATURES..... | 11 |

2

TELCO BLUE, INC.
BALANCE SHEET
MARCH 31, 2005
(UNAUDITED)

ASSETS

| | |
|----------------------|------------|
| Current assets | |
| Cash | \$ -- |
| | ----- |
| Total current assets | -- |
| Fixed assets, net | 256,090 |
| | ----- |
| Total assets | \$ 256,090 |
| | ===== |

LIABILITIES AND STOCKHOLDERS' DEFICIT

| | |
|--|-----------|
| Current liabilities | |
| Bank overdraft | \$ 23,279 |
| Accounts payable and accrued liabilities | 894,013 |
| Loans payable - current portion | 1,225 |
| Due to related parties | 289,737 |
| Other liabilities | 472,500 |
| | ----- |
| Total current liabilities | 1,680,754 |
| Long-term liabilities | |
| Loans payable - long-term portion | 427,060 |
| | ----- |

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| | |
|---|-------------|
| Total liabilities | 2,107,814 |
| Stockholders' deficit | |
| Common stock; \$0.001 par value; 75,000,000 shares authorized 37,661,075 shares issued and outstanding | 37,661 |
| Additional paid-in capital | 622,079 |
| Accumulated deficit | (2,511,464) |
| | ----- |
| Total stockholders' deficit | (1,851,724) |
| | ----- |
| Total liabilities and stockholders deficit | \$ 256,090 |
| | ===== |

See Accompanying Notes to Condensed Financial Statements

3

TELCO BLUE, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

| | For the three months ended March 31, 2005 | For the three months ended March 31, 2004 |
|---|---|---|
| | ----- | ----- |
| Revenues | \$ -- | \$ 158,455 |
| Cost of revenues | -- | 48,177 |
| | ----- | ----- |
| Gross profit | -- | 110,278 |
| Operating expenses | | |
| Selling, general and administrative | 56,830 | 405,163 |
| | ----- | ----- |
| Total operating expenses | 56,830 | 405,163 |
| | ----- | ----- |
| Loss from operations | (56,830) | (294,885) |
| Other expenses | | |
| Interest expense | -- | (10,348) |
| Other expense | -- | (542) |
| | ----- | ----- |
| Total other expenses | -- | (10,890) |
| | ----- | ----- |
| Net loss | \$ (56,830) | \$ (305,775) |
| | ===== | ===== |
| Basic and diluted loss per common share | \$ (0.00) | \$ (0.01) |
| | ===== | ===== |

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| | | |
|---|---------------------|---------------------|
| Basic and diluted weighted average common shares outstanding | 37,661,075 ===== | 27,420,785 ===== |
|---|---------------------|---------------------|

See Accompanying Notes to Condensed Financial Statements

4

TELCO BLUE, INC.
STATEMENT OF STOCKHOLDERS' DEFICIT
(UNAUDITED)

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit |
|----------------------------|---------------------|--------------------|-------------------------------|-------------------------|
| | Shares | Amount | | |
| Balance, December 31, 2004 | 37,661,075 | \$ 37,661 | \$ 622,079 | \$ (2,454,634) |
| Net loss | -- | -- | (56,830) | (56,830) |
| Balance, March 31, 2005 | 37,661,075 ===== | \$ 37,661 ===== | \$ 622,079 ===== | \$ (2,511,464) ===== |

See Accompanying Notes to Condensed Financial Statements

5

TELCO BLUE, INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | For the three months ended March 31, 2005 | For the three months ended March 31, 2004 |
|--|---|---|
| Cash flows from operating activities: | | |
| Net loss | \$ (56,830) | \$ (305,700) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation | 11,813 | 16,700 |
| Changes in operating assets and liabilities: | | |
| Change in accounts receivable, net | 3,995 | 49,400 |
| Change in inventory | -- | 41,000 |
| Change in bank overdraft | 13,945 | 6,600 |
| Change in accounts payable and accrued liabilities | 27,077 | 4,800 |
| Change in other liabilities | -- | 130,800 |

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| | | | |
|---|-------|-------|-------|
| Net cash used by operating activities | -- | | (56,1 |
| Cash flows from investing activities: | | | |
| Change in due from related parties | -- | | 56,1 |
| | ----- | ----- | |
| Net cash used by investing activities | -- | | 56,1 |
| Net change in cash | -- | | |
| Cash, beginning of period | -- | | |
| | ----- | ----- | |
| Cash, end of period | \$ -- | \$ | |
| | ===== | ===== | |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest | \$ -- | \$ | |
| | ===== | ===== | |

See Accompanying Notes to Condensed Financial Statements

6

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with Securities and Exchange Commission requirements for interim financial statements. Therefore, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

The interim financial statements present the condensed balance sheet, statements of operations, member' deficit and cash flows of TelcoBlue, Inc. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

The interim financial information is unaudited. In the opinion of management, all adjustments necessary to present fairly the financial position as of March 31, 2005 and the results of operations presented herein have been included in the financial statements. Interim results are not necessarily indicative of results of operations for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates - The preparation of unaudited financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited financial

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statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred cumulative net losses of approximately \$2,511,464 since its inception and requires capital for its contemplated operational and marketing activities to take place. The company's ability to raise additional capital through the future issuances of the common stock is unknown. The obtainment of additional financing, the successful development of the Company's contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raise substantial doubt the Company's ability to continue as a going concern. The financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

7

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. ("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.

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.

On January 22, 2004, telcoblue, Inc. acquired all the issued and outstanding stock of Promotional Containers Manufacturing, Inc. ("PCM"), a private Nevada company in exchange for 28,700,000 shares of telcoBlue, Inc. ("TELCO") common stock through a tax-free stock exchange, the terms and conditions set forth in an Agreement and Plan of Reorganization ("Agreement and Reorganization"). The company presently trades on the Over the Counter Bulletin Board stock exchange under the symbol, "TBLU".

The 28,700,000 shares were issued to James N. Turek, II, the son of James N. Turek, Sr., the President of telcoBlue, Inc.

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GMB since its beginning in 1906 has expanded its product offerings from photomounts and other related paper packaging items to padded folios, wedding albums, baby albums, and today offers more than 2,000 products to its current clients.

The company's founder, Mr. Oliver Gross, was born in Takay, Hungary, in 1875 and came to the United States in 1889. In 1898 he was joined by two brothers in a company called, "The Western Photo and View Company". Touring the West and South, they would arrive into town, pitch a tent, and begin to photograph (with flash powder) the people, stores, and plants of the community. One of their stops was Toledo, Ohio, where they decided to stay. There, they formed the basis of Gross Manufacturing Corporation. The original business was photographic supply items. One item, which they purchased, from an eastern firm, was card mounts, which were used to serve as a support for photographers' pictures. Because the supply became irregular, Mr. Gross bought some presses and started to make his own card mounts. This card mount business developed into more elaborate presentations now used by professional photographers worldwide.

8

In 1930, his son, Mr. Robert Gross, joined the company and through the years, ran the Photomount Manufacturing, as well as a large retail and supply business from 1948 to 1970.

In 1973 the "Nova" frame was introduced, which put the company into the plastic frame business.

The Company moved from Toledo, Ohio in 1980 to the City of El Paso, Texas, located at 6001 Threadgill Ave. This allowed the Company to remain cost competitive through reduced labor costs. In the late 1980's, Gross purchased Medick-Barrow's, one of its competitors.

In the spring of 2003, PCM acquired GMB's assets and began to update its systems and manufacturing. These changes allows us to provide digital as well as standard products while maintaining our quality.

BIOGRAPHIES

James N. (Jim) Turek, Sr., age 59, is President and CEO. Jim is also President and CEO of Plasticon International, Inc, a Wyoming corporation, which presently trades on the Pink Sheet Stock Exchange under the symbol, "PLNI". Jim was previously President of International Plastics Group. Before International Plastics Group, he served as President of three major convention and travel destinations. Jim began his career as a Corporate Financial Advisor working directly for the controller of McDonnell Douglas, Corporation. Upon the successful completion of his responsibilities, he was made Director of Convention, Print, Media, Travel, and Cinema Photography for McDonnell Douglas Corp. with responsibilities for all US and International Component companies. The scope of responsibility included commercial and military aircraft, weapon systems, space (NASA), MAC electronics, holography, voice synthesizing, MAC DAC (the largest computer facility in the US for McDonnell Douglas Corp.) scheduling, grading, interactive graphics, and school systems product, positioning, marketing, and representation.

James B. (Jim) Bonn, corporate counsel, age 72, has practiced law and accounting for nearly 40 years. As a lawyer and CPA, Mr. Bonn was responsible for the contracts division of the United States Navy. He spent several years in accounting and as an auditor for Peat, Marwick, Mitchell & Co. During the past ten years, Mr. Bonn has been in private practice specializing in corporate tax and related legal matters.

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Capital Resources and Liquidity

During the quarter ended March 31, 2005 there were no issuances of the Company's common stock.

Results of Operations

For the three month period ended March 31, 2005, the Company sustained a loss of (\$56,830) or (\$0.00) per share (basic and diluted) on no revenues. The loss in the first quarter of 2005 can be contributed to the fact the Company had no revenues yet still had administrative expenses. The total liabilities and stockholder's deficit for the quarter ended March 31, 2005 was \$256,090.

9

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 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On February 11th, 2004, Creative Containers filed suit against Telco Blue, Inc., in Cause No. 2004-631, in the 120th Judicial District Court in and for El Paso County, Texas on sworn pleadings for unpaid invoices for goods delivered. Telco Blue did not appear and wholly defaulted. Creative Containers was awarded a judgment against Telco Blue on April 30th, 2004, in the amount of \$8,158.45, plus attorneys fees in the amount of \$1,500.00. The judgment accrues interest at the rate of 10% per annum. Creative Containers is currently seeking post-judgment enforcement, to include a hearing for turnover relief. The next hearing on the post-judgment enforcement is set for July 1st, 2004 before the same 120th Judicial District Court. On December 23rd, 2003, Philip Moseman filed suit against Mid-America, GMB, Ltd., and Mid-America Photographics of Kansas, Inc., in the 327th Judicial District Court, in and for El Paso County, Texas, seeking damages from alleged breaches of employment agreements. Moseman later amended his suit to include Telco Blue, Inc. as a party defendant. Telco Blue has filed a special appearance challenging the jurisdiction of the court. A hearing on the special appearance is set for July 7th, 2004. Should the special appearance be denied then Telco Blue anticipates aggressively defending the suit. Moseman had originally been hired by the two predecessor Mid-America employers and claims that his employment agreement with Mid-America had carried over with his new employer, Promotional Containers Manufacturing, Inc. (PCM). He claims that Telco

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Blue, Inc., by merger, has stepped into the shoes of PCM and is thus liable. The case is still pending,

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 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit

| Number | Description |
|--------|---|
| ----- | ----- |
| 31.1 | Certification by Chief Executive Officer and Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, promulgated pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification by Chief Executive Officer and Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, promulgated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

10

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 this 10th day of June, 2005.

telcoBlue, Inc.

/s/James N. Turek, Sr., President,
CEO & CFO

11