TELCOBLUE INC
Form 10-Q
May 16, 2006
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 March 31, 2006.

o 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	43-1798970
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(State of Incorporation)	(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 small business issuer 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 small business issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o No x

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of March 31, 2006, the number of the Company's shares of par value $.001 common stock outstanding was 37,661,075.

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

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1. CONDENSED FINANCIAL STATEMENTS

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Item 1. CONDENSED FINANCIAL STATEMENTS

TELCOBLUE, INC.

Balance Sheet

March 31, 2006 and December 31, 2005

(Unaudited)

	2006	2005
Assets		
Current assets:		
Accounts receivable, net	$ -	$ -
Total current assets	-	-
Fixed assets, net	208,839	220,652
Total assets	$208,839	$220,652
Liabilities and Stockholders' Deficit		
Current liabilities:		
Bank overdraft	$17,311	$314
Accounts payable and accrued liabilities	100,528	81,889
Other liabilities	472,500	472,500
Total current liabilities	590,339	554,703
Stockholders' deficit:		
Common stock; $0.001 par value; 75,000,000 shares authorized, 37,661,075 shares issued and outstanding	37,661	37,661
Additional paid-in capital	622,079	622,079
Accumulated deficit	-1,041,240	-993,791
Total stockholders' deficit	-381,500	-334,051
Total liabilities and stockholders' deficit	$208,839	$220,652

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TELCOBLUE, INC.

Statement of Operations

Periods ended March 31, 2006 and 2005

	2006	2005
	(Unaudited)	
Revenues	$ -	$ -
Cost of revenues	-	-
Gross profit	-	-
Operating expenses:		
Selling, general and administrative expenses	138,930	56,830
Total operating expenses	138,930	56,830
Loss from operations	-138,930	-56,830
Other income (expenses):		
Other income	91,481	-
Interest expense	-	-
Other income	91,481	-
Net loss before income tax provision	-47,449	-56,830
Provision for income taxes	-	-
Net loss	($47,449)	($56,830.00)
Basic and diluted loss per common share	$0.00	$0.00
Basic and diluted weighted average share common shares outstanding	37,661,075	37,661,075

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TELCOBLUE, INC.

Statement of Stockholders' Deficit

Period ended March 31, 2006

(Unaudited)

	Common Stock		Additional	Accumulated	Total Stockholders'
	Shares	Amount	Paid-in-Capital	Deficit	Deficit
Balance, December 31, 2005	37,661,075	37,661	622,079	-993,791	-334,051
Net loss	-	-	-	-47,449	-47,449
Balance, March 31, 2006	37,661,075	$37,661	$622,079	($1,041,240)	($381,500)

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TELCOBLUE, INC.

Statement of Cash Flows

Periods ended March 31, 2006 and 2005

	2006	2005
	(Unaudited)	
Cash flows from operating activities:		
Net loss	($47,449)	($56,830)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	11,813	11,813
Forgiveness of debt and accounts payable	-91,481	-
Increase (decrease) in cash due to changes in:		
Accounts receivable, net	-	3,995
Accounts payable and accrued liabilities	110,120	27,077
Net cash used in operating activities	-16,997	-13,945
Cash flows from financing activities:		
Change in bank overdraft	16,997	13,945
Net cash provided by financing activities	16,997	13,945
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

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TELCOBLUE, INC.

Notes to the Financial Statements

(Unaudited)

1. Description of Organization

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 statements should be read in conjunction with the 2005 annual Company financial statements.

The interim financial statements present the condensed balance sheet, statements of operations, stockholders' deficit and cash flows of TelcoBlue, Inc. (the "Company"). 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, 2006 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. 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 $1,041,000 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. In addition, the Company historically has relied on closely-held related parties for capital. 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.

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3. Related Party Transactions

As of March 31, 2006, related party advances totaling $80,000 were made to the Company and represent advances from a business entity in which the Company s Chief Executive Officer has an ownership interest. These advances were forgiven as of March 31, 2006. This forgiveness of debt has been included as other income in the statement of operations.

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Item 2. MANAGEMENT S DISCUSSION FOR ANALAYSIS 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.

Other than what has been disclosed herein and in the year end report for year 2005, filed on June 9, 2005, the Company is not aware of any immediate circumstances or trends which would have a negative impact upon future sales or earnings. There have been no material fluctuations in the standard seasonal variations of the Company business. The accompanying financial statements include all adjustments, which in the opinion of management are necessary in order to make the financial statements not misleading.

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.

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 Mr. Gross 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. They eventually formed the basis of Gross Manufacturing Corporation. The original business was photographic supply items. One item, which they purchased, from an eastern film, 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.

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., 60, 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, in-house counsel, age 73, has practiced law and accounting for over 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.

I. CAPITAL RESOURCES AND LIQUIDITY

During the quarter ended March 31, 2006, there were no issuances of the Company's common stock.

II. RESULTS OF OPERATIONS

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. However, the Company has incurred a net loss of $47,449 for the three

month period ended March 31, 2006, or, ($0.00) per share (basic and diluted) on no revenues compared to a loss of ($56,830) for the first quarter ended March 31, 2005. The loss in the first quarter of 2006 can be contributed to the fact the Company had no revenues yet still had administrative expenses. During the period ended March 31, 2006, the Company has used cash in the amount of $138,930 in its operating activities as opposed to $56,830. The total liabilities and stockholder's deficit for the quarter ended March 31, 2006 was ($208,839) as opposed to ($220,652). These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company has devoted no efforts in the further development and marketing of products since the first of this year. The Company's ability to continue as a going concern is dependent upon (i) raising additional capital to fund operations (ii) the further development of its products and, (iii) ultimately the achievement of profitable operations. Management is currently contemplating several additional financing sources to fund operations until profitability can be achieved. However, there can be no assurance that additional financing can be obtained on conditions considered by management to be reasonable and appropriate, if at all. The financial statements do not include any adjustments that might arise as a result of this uncertainty.

The Company is uncertain whether current financing commitments will provide enough working capital to fund operations until profitability is achieved, and may have to pursue additional financing sources during the current year. The financial statements do not include any adjustments that might arise as a result of this uncertainty.

During the first quarter ended March 31, 2006, the Company s common stock was thinly traded and often under $.01. One may construe this as a cautionary indication of the Company s ability to continue as a going concern. During the first quarter ended March 31, 2006, and since, the Company has sought viable merger and/or acquisition candidates.

The Company has been in on-going discussions regarding the acquisition of ATG Sports Industries, Inc. but no formal letter of intent has been executed to date, and the discussions are on-going.

III. RELATED PARTY TRANSACTIONS

During the period ended March 31, 2006, the Company has used cash in the amount of $138,930 in its operating activities. An advance of $80,000 was made to the company by LexReal, LLC, a Kentucky formed LLC, of which James N. Turek, the President of telcoBlue, Inc., is the Operating Manager. On March 31, 2006, Mr. Turek forgave the aforementioned $80,000 advance to telcoBlue, Inc.

ITEM 3. CONTROLS AND PROCEDURES.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer who is James N. Turek, and Chief Financial Officer, who is also, James N. Turek, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-14(c). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

An evaluation was carried out under the supervision and with the participation of our management, including 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 Rule 13a-14(c) under the Securities Exchange Act of 1934) as of March 31, 2006. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. No significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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." (sic) as a party defendant. Moseman had originally been hired by the two predecessor Mid-America employers and claims that his employment agreement with Mid-America had carried over to his new employer, Promotional Containers Manufacturing, Inc. (PCM). He claims that Telco Blue, Inc., by merger, has stepped into the shoes of PCM and is thus liable. The matter 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 5. OTHER

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the small business issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized this 15th day of May, 2006

telcoBlue, Inc.

/s/ James N. Turek, Sr., President,

CEO & CFO

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