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TELCO BLUE INC
Form 10QSB
June 13, 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 March 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

WAVE POWER.NET, 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 March 31, 2003 is _____

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PART I

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

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.....	10

2

telcoBlue, Inc.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEET
As of March 31, 2003

ASSETS

Current asset	
Cash	\$ 2,161
Distribution Agreement	926

TOTAL ASSETS	\$ 3,087
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities	
Accounts payable	\$ 57,963
Accounts payable to related parties	104,171
Accrued expenses	485
Notes payable	3,585
Notes payable to related parties	31,615

Total Current Liabilities	197,819

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STOCKHOLDERS' DEFICIT

Common stock, \$.001 par value, 75,000,000 shares authorized, 39,949,400 issued and outstanding	39,949
Additional paid in capital	2,562,978
Deferred compensation	(300,000)
Accumulated other comprehensive income	(13,893)
Deficit accumulated during the development stage	(2,483,766)

Total Stockholders' Deficit	(194,732)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 3,087
	=====

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

3

telcoBlue, Inc.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF EXPENSES AND COMPREHENSIVE LOSS
For the Three Months and Six Months ended March
31, 2003 and the Period from August 2, 2002
(Inception)
Through March 31, 2003

	3 Months Ended Mar. 31 2003	6 Months Ended Mar. 31 2002	Inception Through Dec. 31 2003
	-----	-----	-----
General and administrative	\$ 80,360	\$ 293,580	\$ 2,469,912
Interest expense	196	617	13,854
	-----	-----	-----
Net loss	(80,556)	(294,197)	(2,483,766)
Other Comprehensive Expense			
Loss on foreign currency translation	(6,653)	(14,110)	(13,893)
	-----	-----	-----
Total Comprehensive Loss	\$ (87,209)	\$ (308,307)	\$ (2,497,659)
	=====	=====	=====

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Basic and diluted net loss per common share	\$	(.00)	\$	(.01)
Weighted average common shares Outstanding		39,199,400		37,331,150

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

4

telcoBlue, Inc.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months ended March 31, 2003 and
the period from August 2, 2002 (Inception)
Through March 31, 2003

	6 Months Ended Mar. 31, 2003	Inception Through Mar. 31, 2003
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (294,197)	\$ (2,483,765)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock issued for services	106,428	2,240,431
Stock option and warrant expense	10,543	10,543
Intrinsic value of beneficial conversion feature of convertible notes payable	13,176	
Changes in:		
Accounts payable	23,849	35,738
Accounts payable to related parties	86,954	104,171
Accrued expenses	424	485
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	65,999)	(79,221)
	-----	-----
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	19,750	29,412
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	81,251	94,332
	-----	-----
Effect of exchange rate changes on cash	(13,165)	(12,950)
	-----	-----
NET CHANGE IN CASH	2,087	2,161
Cash balance, beginning	74	--
	-----	-----
Cash balance, ending	\$ 2,161	\$ 2,161
	=====	=====

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NONCASH ACTIVITIES:

Shares issued for notes payable	\$ 150,000
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The accompanying notes are an integral part of these financial statements.

5

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

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim 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.

In the quarter ended December 31, 2002, telcoBlue sold 615,000 shares of common stock for \$61,500.

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:

Options	Exercise Price
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50,000	\$.50
50,000	1.00
50,000	1.50

150,000	
=====	

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

NOTE 3 - NOTES PAYABLE TO RELATED PARTIES

Three shareholders loaned telcoBlue \$19,750 during the quarter ending March 31, 2003. These loans are payable on demand, bear no interest and have no collateral.

6

NOTE 4 - SUBSEQUENT EVENTS

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.

In April 2003, telcoBlue issued 3,900,000 shares of telcoBlue 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.

7

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

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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 19, 2003 and the Company's 10QSB filed March 21, 2003. Results for interim periods may not be indicative of the results for the full year.

8

RESULTS OF OPERATIONS

General and Administrative expenses for the three months consist primarily of Management Fees of \$75,125. General and Administrative expenses for the three months ended March 31, 2003 were \$80,360. General and Administrative expenses for the six months ended March 31, 2003 were \$293,580.

Interest for the three months ended March 31, 2003 was \$196 consisting of accrued interest on the Company's convertible notes. Interest expenses for the six months ended March 31, 2003 were \$617.

Total Operating Expenses for the three months ended March 31, 2003 were \$80,556 resulting in a total Comprehensive Loss of \$87,209. Total Operating Expenses for the six months ended March 31, 2003 were \$294,197 resulting in a total Comprehensive Loss of \$308,307. Basic Net Loss per Share amounted to \$.01 for the six months ended March 31, 2003.

LIQUIDITY AND CAPITAL RESOURCES

In three months ended March 31, 2003, the Company has financed operations principally through notes payable to related parties totaling \$19,750. For the six months ended March 31, 2003 cash generated by the sale of stock and notes payable to related parties totaled \$81,251.

Net cash used in operating activities was \$12,132 for the three months ended March 31, 2003 and consisted primarily of accounts payable and fees due to related third parties. Net cash used in operating activities was \$65,999 for

The Company 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. The Company 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 the Company 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, the Company 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.

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

(a) Exhibit 1. Financial Statements for the period ending March 31, 2002

(b) None

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: June 12, 2003

/s/ Ronald McIntyre

Ronald McIntyre, CEO

