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TELCO BLUE INC
Form 10QSB
March 21, 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 December 31, 2002.

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 December 31, 2002 is 35,462,900.

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PART I

ITEM 1. FINANCIAL STATEMENTS

The accompanying consolidated unaudited condensed financial statements have been prepared by management in accordance with the instructions in Form 10-QSB and, therefore, do not include all information and footnotes required by generally accepted accounting principals and should, therefore, be read in conjunction with Company's Annual Report to Shareholders on Form 10-KSB for the fiscal year ended December 31, 2001.

telcoBlue, Inc.
(formerly Better Call Home, Inc.)
(A Development Stage Company)
CONSOLIDATED BALANCE SHEET
As of December 31, 2002

ASSETS

Current asset	
Cash	\$ 265
Distribution Agreement	926

TOTAL ASSETS	\$ 1,191
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

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Current Liabilities	
Accounts payable	\$ 55,605
Accounts payable to related parties	38,331
Accrued expenses	258
Notes payable	3,346
Notes payable to related parties	161,175

Total Current Liabilities	258,715

STOCKHOLDERS' DEFICIT	
Common stock, \$.001 par value, 75,000,000 shares authorized, 36,949,400 issued and outstanding	36,949
Additional paid in capital	2,415,977
Deferred compensation	(300,000)
Accumulated other comprehensive income	(7,240)
Deficit accumulated during the development stage	(2,403,210)

Total Stockholders' Deficit	(257,524)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 1,191
	=====

See notes to financial statements.

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telcoBlue, Inc.
(formerly Better Call Home, Inc.)
(A Development Stage Company)
CONSOLIDATED STATEMENT OF EXPENSES AND COMPREHENSIVE LOSS
For the Three Months ended December 31, 2002 and
the Period from August 2, 2002 (Inception)
Through December 31, 2002

	3 Months Ended Dec. 31 2002	Inception Through Dec. 31 2002
	-----	-----
General and administrative	\$ 213,220	\$ 2,389,552
Interest expense	421	13,658
	-----	-----
Net loss	(213,641)	(2,403,210)
Other Comprehensive Income (Expense)		
Loss on foreign currency translation	(7,457)	(7,240)
	-----	-----
Total Comprehensive Loss	\$ (221,098)	\$ (2,410,450)
	=====	=====

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Basic and diluted net loss per common share	\$ (.01)
Weighted average common shares Outstanding	35,462,900

See notes to financial statements.

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telcoBlue, Inc.
(formerly Better Call Home, Inc.)
(A Development Stage Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Months ended December 31, 2002 and
the period from August 2, 2002 (Inception)
Through December 31, 2002

	3 Months Ended Dec. 31 2002	Inception Through Dec. 31 2002
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (213,641)	\$ (2,403,210)
Adjustments to reconcile net loss to net cash used by 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	21,492	33,381
Accounts payable to related parties	21,114	38,331
Accrued expenses	197	258
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(53,867)	(67,090)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Sale of stock	61,500	61,574
Proceeds from notes payable	3,346	
Proceeds from notes payable to related parties	9,675	
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	61,500	74,595
	-----	-----
Effect of exchange rate changes on cash	(7,442)	(7,240)
	-----	-----
NET CHANGE IN CASH	191	265
Cash balance, beginning	74	
	-----	-----
Cash balance, ending	\$ 265	\$ 265
	=====	=====

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See notes to financial statements.

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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 150,000 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
50,000	\$.50
50,000	1.00
50,000	1.50

150,000	
=====	

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Part II

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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

General and Administrative expenses consist primarily of the value of stock issued for services totaling \$106,428, a stock warrant expense of \$10,543, management fees of \$75,000 and technical consulting of \$12,000. General and Administrative expenses for the three months ended December 31, 2002 were \$231,220

Interest for the three months ended December 31, 2002 was \$421 consisting of accrued interest on the Company's convertible notes.

Total Operating Expenses for the three months ended December 31, 2002 were \$221,098, resulting in a total Comprehensive Loss of \$221,098. Basic Net Loss per Share amounted to \$.01 for the three months ended December 31, 2002.

LIQUIDITY AND CAPITAL RESOURCES

In three months ended December 31, 2002, the Company has financed operations principally through cash generated by the sale of stock. For the period ended December 31, 2002, the Company raised a total of \$61,500.

Net cash used in operating activities was \$53,867 for the three months ended December 31, 2002 and consisted primarily of accounts payable and fees due to related third parties.

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

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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.

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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

The Company filed the following reports on Form 8-K during the three months ended December 31, 2002.

(1) Filed on September 25, 2002 ACQUISITION OR DISPOSITION OF ASSETS On August 7, 2002, Wave Power.net, Inc. ("the Company"), entered into a conditional Agreement and Plan of Reorganization ("Agreement") with Better Call Home, Inc. ("BCH"), a Nevada corporation.

As set forth in the Agreement, which is attached hereto as Exhibit "10.1", the Company and BCH desire to effect a Type B reorganization under Section 368(a)(1)(B) of the Internal Revenue Code of 1986, as amended, on the terms and conditions set forth below, whereby the Company will acquire all of the issued and outstanding shares of BCH's common stock by issuing solely in exchange therefore to BCH's shareholders, pro-rata, the Sixteen Million Restricted Common Shares (16,000,000) (the "Shares") after a 1:5 reverse split of the shares.

Prior to reorganization, the Company's authorized capitalization presently consists of 75,000,000 shares of capital stock, .001 par value, of which as of June 30, 2002, 20,065,000 pre-reverse split shares were issued and outstanding and 9,987,400 post-reverse split common shares have been reserved for future issuance based upon consummation of the Agreement, expenses advanced and certain specified contingencies. Upon payment of all reserved shares, management shares (minimum) and shares issued pursuant to this Agreement there will be 30,000,000

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common stock shares issued and outstanding. All issued and outstanding shares have been duly authorized, validly issued and fully paid and non-assessable and the Company's Common Shares to be issued and delivered on the Closing Date to the BCH Shareholders pursuant to the Agreement will be, when so delivered, duly authorized and validly issued and subject to no preemptive rights of any Shareholder.

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On August 29, 2002, the Company effectuated its 1:5 reverse split and changed its name from Wave Power.net, Inc. to Telco Blue, Inc.

(2) Filed October 7, 2002 Item 7. FINANCIAL STATEMENTS

(a) Financial Statements of Wave Power.net, Inc.

(b) Audited Financial Statements for Better Call Home, Inc.

(e) Pro Forma Financial Information.

The pro forma financial information required to be filed as part of this Current Report on Form 8-K will be filed no later than 75 days from the date of the merger as an amendment to this Report.

(3) Filed on November 15, 2002 ITEM 8. CHANGE IN FISCAL YEAR

Pursuant to the acquisition of Better Call Home Inc. and Plan of Reorganization, the Company today determined to change its fiscal year from that used in its most recent filing with the Commission on Form 10KSB, filed April 10, 2002, to September 30. The Company's September 30 2002 fiscal year will be reported on Form 10KSB by December 31, 2002.

(4) Filed on November 25, 2002 Item 7. FINANCIAL STATEMENTS

(b) Pro Forma Financial Information.

Pursuant to the Company's 8-K filed September 24, 2002 with the Securities and Exchange Commission, wherein the Company announced it entered into an Agreement and Plan of Reorganization with Better Call Home, Inc. a Nevada corporation, the following pro forma financial is provided.

Pro Forma Consolidated Condensed Balance Sheet

The following pro forma balance sheet has been derived from the balance sheet of Telco Blue, Inc. ("Telco Blue") at December 31, 2001 and adjusts such information to give effect to the acquisition of Better Call Home, Inc. ("Better Call"), as if the acquisition had occurred at August 31, 2002. The pro forma balance sheet is presented for informational purposes only and does not purport to be indicative of the financial condition that would have resulted if the

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acquisition had been consummated at August 31, 2002. The pro forma balance sheet should be read in conjunction with the notes thereto and the Company's financial statements and related notes thereto contained elsewhere in this filing. A pro-forma consolidated balance sheet is presented below.

	Telco Blue 12/31/01 -----	Better Call 8/31/02 -----	Adjustments -----	
Cash	\$ --	\$ 75	--	\$
	-----	-----	-----	
	\$ --	\$ 75	--	\$
	=====	=====	=====	
Accounts payable	\$ 20,225	\$ 5,689	--	\$
Shareholder notes payable	148,005	--	--	
	-----	-----	-----	
	168,230	5,689	--	
 Stockholders' Equity (Deficit)				
Common stock, \$.001 par value, 75,000,000 shares authorized, 30,000,000 shares issued and outstanding	17,780	1,000	11,220	
Additional paid in capital	95,220	--	(95,220)	
Accumulated deficit	(281,230)	(6,614)	84,000	
	-----	-----	-----	
	\$ --	\$ 75		\$
	=====	=====		=

Notes to Pro Forma Consolidated Condensed Balance Sheet

(1) Issuance of 16,000,000 shares of common stock of Telco Blue for all of the outstanding stock of Better Call.

(2) Prior to the reorganization, Telco Blue issued 2,285,000 common shares of pre 1 for 5 reverse stock split for compensation and 9,987,000 common shares of post 1 for 5 reverse stock split.

(3) In August 2002, Telco Blue authorized a 1 for 5 reverse split of Telco Blue's common stock.

After the reorganization and stock purchase there will be 30,000,000 shares of common stock outstanding of the combined entity.

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.

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Dated: March 19, 2003

/s/ Ronald McIntyre

Ronald McIntyre
Chief Executive Officer