TELCOBLUE INC
Form 10QSB
November 22, 2004

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 September 30, 2004.

[ ] 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	43-1798970
(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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

The number of shares outstanding of Registrant's common stock ($0.001 par value) as of the quarter ended September 30, 2004 is 37,661,075.

TABLE OF CONTENTS

PART I

Page

ITEM 1. FINANCIAL STATEMENTS...

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OR PLAN OF OPERATION..

PART II

ITEM 1. LEGAL PROCEEDINGS..

ITEM 2. CHANGES IN SECURITIES..

ITEM 3. DEFAULTS UPON SENIOR SECURITIES................................

ITEM 4. SUBMISSION TO A VOTE OF SECURITY HOLDERS.......................

ITEM 5. OTHER..

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K..............................

SIGNATURES...

TELCO BLUE, INC.
BALANCE SHEET
SEPTEMBER 30, 2004
(UNAUDITED)

ASSETS

Current assets	
Cash	$ --
Accounts receivable, net	7,180
Inventory	34,208
Total current assets	41,388
Fixed assets, net	296,231
Total assets	$ 337,619

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities	
Bank overdraft	$ 3,853
Accounts payable and accrued liabilities	595,838
Due to related parties	84,988
Loans payable - current portion	3,500
Other liabilities	612,619
Total current liabilities	1,300,798
Long-term liabilities	
Loans payable - long-term portion	1,220,171
Total liabilities	2,520,969
Commitments and contingencies	--
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	(2,843,090)
Total stockholders' deficit	(2,183,350)
Total liabilities and stockholders deficit	$ 337,619

See Accompanying Notes to Condensed Financial Statements

1

TELCO BLUE, INC.
STATEMENT OF OPERATIONS
(UNAUDITED)

	For the three months ended September 30, 2004	For the three months ended September 30, 2003	For the Septemb
Revenues	$ 548	$ --	$
Cost of revenues	--	--	
Gross profit	548	--	
Operating expenses			
Selling, general and administrative	135,112	--	
Total operating expenses	135,112	--	
Loss from operations	(134,564)	--	
Other expenses			
Interest expense	(9,414)	--	
Other expense	--	--	
Total other expenses	(9,414)	--	
Net loss	$ (143,978)	$ --	$
Basic and diluted loss per common share	$ (0.00)	$ 0.00	$
Basic and diluted weighted average common shares outstanding	35,558,383	28,700,000	3

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See Accompanying Notes to Condensed Financial Statements

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

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital
Balance, December 31, 2003	28,700,000	$ 28,700	$ 422,300
Issuance of common stock for acquisition of Telco Blue, Inc.	5,482,075	5,482	(5,482)
Issuance of common stock in satisfaction of other liabilities	3,479,000	3,479	205,261
Net loss	--	--	--
Balance, September 30, 2004	37,661,075	$ 37,661	$ 622,079

See Accompanying Notes to Condensed Financial Statements

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

	For the nine months ended September 30, 2004	Period January 2 (Date of i thro September
Cash flows from operating activities:		
Net loss	$ (619,196)	$
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	37,419	
Changes in operating assets and liabilities:		

Change in accounts receivable, net	100,338	
Change in inventory	53,574	
Change in bank overdraft	(14,867)	
Change in accounts payable and accrued liabilities	78,898	
Change in other liabilities	64,542	
Net cash used by operating activities	(299,292)	
Cash flows from investing activities:		
Purchase of fixed assets	(207)	
Change in due from related parties	--	(39
Net cash used by investing activities	(207)	(39
Cash flows from financing activities:		
Change in due to related parties	90,759	
Proceeds from issuance of common stock	36,661	
Change in additional paid in capital	172,079	
Proceeds from borrowings on notes payable	--	39
Net cash provided by financing activities	299,499	39
Net change in cash	--	
Cash, beginning of period	--	
Cash, end of period	$ --	$
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 20,405	$

See Accompanying Notes to Condensed Financial Statements

4

TELCO BLUE, INC.
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business - Promotional Containers Manufacturing, Inc. (hereinafter referred to as the "PCMI") is a professional photo packaging operation, specializing in wedding albums, baby albums and photo mounts from its factory in Lexington, Kentucky.

History - Promotional Containers Manufacturing, Inc. was incorporated under the laws of Nevada on January 24, 2003 with authorized common stock of 75,000,000 with a par value of $0.001.

On December 10, 2003, the Company purchased the assets of Show Me Ink, LLC, an entity owned by the Company's Chief Executive Officer and majority stockholder in exchange for $450,000, which was contributed by the Chief Executive Officer to the Company. In addition, the Company forgave debt owed by Show Me Ink, LLC totaling $1,588,521.

On December 30, 2003, Telco Blue, Inc. ("TBLU") consummated an agreement to acquire all of the outstanding capital stock of Promotional Containers Manufacturing, Inc., in exchange for 28,700,000 shares of the Company's common stock ("TBLU Transaction"). Prior to the TBLU Transaction, TBLU was a non-operating public shell company with no operations, nominal assets and 5,482,075 shares of common stock issued and outstanding; and Promotional Containers Manufacturing, Inc was a professional photo packaging operation, specializing in wedding albums, baby albums and photo mounts from its factory in Lexington, Kentucky. The TBLU Transaction is considered to be a capital transaction in substance, rather than a business combination. Inasmuch, the TBLU Transaction is equivalent to the issuance of stock by Promotional Containers Manufacturing, Inc. for the net monetary assets of a non-operational public shell company (TBLU), accompanied by a recapitalization. TBLU issued 28,700,000 shares of its common stock for all of the issued and outstanding common stock of Promotional Containers Manufacturing, Inc. The accounting for the TBLU Transaction is identical to that resulting from a reverse acquisition, except goodwill or other intangible assets will not be recorded. Accordingly, these financial statements are the historical financial statements of Promotional Containers Manufacturing, Inc. Promotional Containers Manufacturing, Inc was incorporated on January 24, 2003. Therefore, these financial statements reflect activities from January 24, 2003 (Date of Inception for Promotional Containers Manufacturing, Inc) and forward.

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 is in the development stage, has no operating revenue and incurred a net loss of approximately $619,000 for the nine months ended September 30, 2004. The Company has an accumulated loss during the development stage of approximately $2,843,000 and current liabilities exceed current assets by approximately $1,259,000.

These conditions give rise to substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include adjustments relating to the recoverability and classification of reported asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to obtain additional financing or sale of its common stock as may be required and ultimately to attain profitability.

Definition of fiscal year - The Company's fiscal year end is December 31.

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT POLICIES (continued)

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Inventory - Inventory is stated at the lower of cost or market. Cost is principally determined by using the average cost method. Inventory consists of raw materials as well as finished goods held for sale. The Company's management monitors the inventory for excess and obsolete items and makes necessary valuation adjustments when required.

Fixed assets - Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which is primarily 3 to 5 years. The cost of repairs and maintenance is charged to expense as incurred. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in other income (expense).

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful lives of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

Revenue and expense recognition - Revenues are recognized upon shipment of products to customers. Costs and expenses are recognized during the period in which they are incurred

Shipping and handling costs - The Company accounts for certain shipping and handling costs related to the acquisition of goods from its vendors as cost of revenue. Additionally, shipping and handling costs related to the shipment of goods to its customers is classified as cost of revenue.

Advertising and marketing costs - The Company recognizes advertising expenses in accordance with Statement of Position 93-7 "Reporting on Advertising Costs." Accordingly, the Company expenses the costs of producing advertisements at the time production occurs, and expenses the costs of communicating advertisements in the period in which the advertising space or airtime is used. There were no advertising expenses incurred for the nine months ended September 30, 2004.

Income taxes - The Company accounts for its income taxes in accordance with Statement of Financial Accounting Standards No. 109, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

As of September 30, 2004, the Company has available net operating loss carry forwards that will expire in various periods through 2024. Such losses may not be fully deductible due to the significant amounts of non-cash service costs and the change in ownership rules under Section 382 of the Internal Revenue Code. The Company has established a valuation allowance for the full tax benefit of the operating loss carryovers due to the uncertainty regarding realization.

Comprehensive income (loss) - The Company has no components of other comprehensive income. Accordingly, net loss equals comprehensive loss for all periods.

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT POLICIES (continued)

Stock-based compensation - The Company applies Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and Related Interpretations, in accounting for stock options issued to employees. Under APB No. 25, employee compensation cost is recognized when estimated fair value of the underlying stock on date of the grant exceeds exercise price of the stock option. For stock options and warrants issued to non-employees, the Company applies Statements of Financial Accounting Standards ("SFAS") No. 123 Accounting for Stock-Based Compensation, which requires the recognition of compensation cost based upon the fair value of stock options at the grant date using the Black-Scholes option pricing model.

The Company issued no stock, neither granted warrants nor options, to employees for compensation for the nine months ended September 30, 2004.

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. SFAS No. 148 amends the transition and disclosure provisions of SFAS No. 123. The Company is currently evaluating SFAS No. 148 to determine if it will adopt SFAS No. 123 to account for employee stock options using the fair value method and, if so, when to begin transition to that method.

Fair value of financial instruments - The carrying amounts and estimated fair values of the Company's financial instruments approximate their fair value due to the short-term nature.

Earnings (loss) per common share - Basic earnings (loss) per share excludes any dilutive effects of options, warrants and convertible securities. Basic earnings (loss) per share are computed using the weighted-average number of outstanding common shares during the applicable period. Diluted earnings (loss) per share are computed using the weighted average number of common and common stock equivalent shares outstanding during the period. Common stock equivalent shares are excluded from the computation if their effect is antidilutive.

The Company computes net loss per share in accordance with SFAS No. 128, "Earnings per Share" (SFAS 128) and SEC Staff Accounting Bulletin No. 98 (SAB 98). Under the provisions of SFAS 128 and SAB 98, basic net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share gives effect to common stock equivalents, however, potential common shares are excluded if their effect is antidilutive. For the years ended December 31, 2003 and 2002, options and warrants to purchase 3,168,100 and 2,752,400 shares of common stock, respectively, were excluded from the computation of diluted earnings per share because their effect would be antidilutive.

New accounting pronouncements - Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements, addresses consolidation by business enterprises of variable interest entities. It is effective immediately for variable interest entities created after January 31, 2003. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities acquired before February 1, 2003. The impact of adoption of this statement is not expected to be significant.

SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, amends and clarifies accounting for derivative instruments under SFAS No. 133. It is effective for contracts entered into after June 30, 2003. The impact of adoption of this statement is not expected to be significant.

SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liability and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The impact of adoption of this statement is not expected to be significant.

2. INVENTORY

Inventory consists of the following as of September 30, 2004:

Raw materials	$ 11,685
Work in process	18,969
Finished goods	16,087
	$ 34,208

3. FIXED ASSETS

Fixed assets consist of the following as of March 31, 2004:

Furniture and fixtures	$ 1,808
Equipments	335,899

	337,707
Less: accumulated depreciation	41,476

	$ 296,231
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4. RELATED PARTY TRANSACTIONS

Due to related parties - Due to related parties consist of a loan of $84,988 from entities owned by the Company's Chief Executive Officer. The balance is unsecured, bears no interest, and is due on demand.

5. OTHER LIABILITIES

Other liabilities totaling $612,619 as of September 30, 2004 consist of 10,229,000 shares of common stocks at a weighted average share price of $0.07 to be issued for compensation for various consulting and legal services.

6. LOANS PAYABLE

Loans payable consist of the following as of September 30, 2004:

Promissory note payable to an individual, unsecured, bearing interest at 8%, due in semi-annual interest payments of $25,791, which matures March 2009	$ 644,775
Promissory note payable to an individual, unsecured, bearing interest at 9.6%, due in semi-annual interest payments of $9,414, which matures March 2008	196,132
Promissory note payable to an individual, unsecured, bearing interest at 6%, due in quarterly interest payments of $2,702, which matures January 2009	180,164
Promissory note payable to an individual, unsecured, bearing Interest at 6%, due in quarterly interest payments of $210, which matures September 2004	3,500

6. LOANS PAYABLE (continued)

Promissory note payable to an individual, unsecured, bearing Interest at 10%, due in semi-annual interest payments of $9,955, which matures January 2011	199,100

	1,223,671
Less amounts due within one year:	3,500
Long-term portion of loan payable:	$ 1,220,171

As of September 30, 2004, principal payments on the notes payable are as follows:

April 1, 2004 through December 31, 2004	$ 3,500
2005	--
2006	--
2007	--
2008	196,132
2009	824,939
2010	--
2011	199,100
	$ 1,223,671

7. COMMITMENTS AND CONTINGENCIES

Rent expense - The Company leases its manufacturing and office space from an unrelated third party. The lease calls for an annual base rent of approximately $132,000 the lease expires on July 31, 2005 with an option to extend the term of the lease for a 3-year period. Future minimum rental payments required under the lease as of September 30, 2004 are as follows:

April 1 through December 31, 2004	$ 99,000
2005	77,000
	$ 176,000

Legal proceedings - The Company is involved in various legal proceedings, which have arisen in the ordinary course of business. While the results of these matters cannot be predicted with certainty, the Company's management believes that losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated results of operations, cash flows or financial position. However, unfavorable resolution could affect the consolidated results of operations or cash flows for the years in which they are resolved.

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.

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 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., 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.

Edward J. (Ed) Garstka, CFO, age 53, has more than 20 years of experience in accounting, finance, and operations within several different industries including automotive, electronics and specialty chemicals. Prior to joining telcoBlue, Inc., Ed was CFO of a venture funded medical device/technology company. Mr. Garstka also played a key role as an outside consultant in several turnarounds. Ed began his career as a computer auditor/consultant with KPMG. He held senior financial/operations positions with Lear Corporation and Johnston Controls-two of the largest tier one automotive suppliers in the world-were he had divisional responsibility for accounting/finance, vendor sourcing/ purchasing, customer service/distribution, and facility maintenance. Mr. Garstka also held senior audit/analyst positions with Northwest Industries, Morton Thiokol, and Gould Corporation and is a Certified Public Accountant.

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.

Capital Resources and Liquidity

During the quarter ended September 30, 2004, there were no issuances of the Company's common stock.

Results of Operations

For the three month period ended September 30, 2004, the Company sustained a loss of ($143,978) or ($0.00) per share (basic and diluted) on revenue of $548. The loss in the third quarter of 2004 can be contributed to the fact the Company had insignificant revenues yet still had administrative expenses. The total liabilities and stockholder's deficit for the quarter ended September 30, 2004 was $337,619.

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 Contains 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 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 5. OTHER

On September 21,2004, LL Bradford & Company, 3441 S. Eastern Ave., Las Vegas, NV 89101, resigned as the Company's auditor. On November 10, the Company retained De Joya & Company, 8275 S. Eastern Ave., Ste. 200, Las Vegas, NV 89123, as its auditor.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Form 8-K

On July 2, 2004, the Registrant filed a Form 8-K regarding changing its year end from September 30th to December 31st.

On July 14, 2004, the Registrant filed amended financial statements with respect to their February 10, 2004 Form 8-K regarding their January 2004 merger with Promotional Containers Manufacturing, Inc.

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 22nd day of November, 2004.

telcoBlue, Inc.

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

Edward Gartska, CFO