

NB Telecom, Inc.  
Form 10-Q  
May 15, 2008

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U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended March 31, 2008

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from

Commission File No. 333-134073

NB TELECOM, INC.  
(Exact name of small business issuer as specified in its charter)

Nevada  
(State or other  
jurisdiction of  
incorporation or  
formation)

04-3836208  
(I.R.S. employer  
identification number)

106 May Drive  
Saxonburg, Pennsylvania 16056  
(Address of principal executive offices)

Issuer's telephone number: (724) 352-7606  
Issuer's facsimile number: (315) 453-7311

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No change  
(Former name, former address and former  
fiscal year, if changed since last report)

Copies to:  
Richard W. Jones  
Jones, Haley & Mottern, P.C.  
115 Perimeter Center Place, Suite 170  
Atlanta, Georgia 30346

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(770) 804-0500  
www.corplaw.net

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 49,632,222 shares of \$.0001 par value common stock outstanding as of March 31, 2008.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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NB TELECOM, INC.  
BALANCE SHEETS

	(Unaudited)	
	March 31, 2008	December 31, 2007
<b>CURRENT ASSETS</b>		
Cash	\$ -	\$ -
Commissions and Sales Receivable, Net	8,434	6,820
Inventory	324	324
Prepaid Expenses and Other Current Assets	-	30
<b>TOTAL CURRENT ASSETS</b>	<b>8,758</b>	<b>7,174</b>
<b>FIXED ASSETS</b>		
Telephone and Office Equipment	202,652	202,652
Vehicle	11,634	11,634
Less: Accumulated Depreciation	(214,286)	(214,286)
Net Fixed Assets	-	-
<b>TOTAL ASSETS</b>	<b>\$ 8,758</b>	<b>\$ 7,174</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 168,113	\$ 183,763
Accrued Expenses	-	1,186
Bank Overdraft	2,861	1,433
Notes Payable Related Party	101,258	74,080
<b>TOTAL CURRENT LIABILITIES</b>	<b>272,232</b>	<b>260,462</b>
<b>TOTAL LIABILITIES</b>	<b>272,232</b>	<b>260,462</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, .0001 par value 100,000,000 shares authorized, 49,632,222 shares issued and outstanding at March 31, 2008 and December 31, 2007	4,963	4,963
Additional Paid in Capital	501,474	501,474
Retained Earnings	(769,911)	(759,725)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>(263,474)</b>	<b>(253,288)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 8,758</b>	<b>\$ 7,174</b>

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



NB TELECOM, INC.  
STATEMENT OF OPERATIONS

	(Unaudited) For the Three Months Ended March 31,	
	2008	2007
<b>SALES</b>		
Commissions	\$ -	\$ 5,803
Coin Collections	640	2,029
Dial Around	4,100	-
Equipment Sales	-	199
Service and Repair Sales	9,860	9,055
Total Sales	14,600	17,086
<b>COST OF SALES</b>		
Telecommunications Costs	11,550	15,566
Depreciation	-	6,820
Travel	184	-
Total Cost of Sales	11,734	22,386
Gross Profit	2,866	(5,300)
<b>OPERATING EXPENSES</b>		
Payroll Wages and Taxes	\$ 1,764	\$ 7,997
Vehicle Expenses	-	1,018
Rent	30	90
Professional Fees	3,935	17,200
Office Expense	452	1,261
Total Operating Expenses	6,181	27,566
Total Operating Income (Loss)	(3,315)	(32,866)
<b>OTHER INCOME (EXPENSE)</b>		
Other Expense	-	(199)
Interest Expense	(6,871)	(8,040)
Total Other Income (Expense)	(6,871)	(8,239)
<b>NET LOSS</b>	<b>\$ (10,186)</b>	<b>\$ (41,105)</b>
Net Loss per Common Share	\$ (0.00)	\$ (0.00)
Weighted Common Shares Outstanding	49,632,222	49,632,222

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





NB TELECOM, INC.  
STATEMENT OF CASH FLOWS

	(Unaudited) For the Three Months Ended March 31,	
	2008	2007
Cash Flows From Operating Activities:		
Net Loss	\$ (10,186)	\$ (41,105)
Adjustments to reconcile net (loss) to net cash provided (used) by operating activities:		
Depreciation Expense	-	6,820
(Increase) Decrease in Commission Receivables	(1,614)	280
(Increase) Decrease in Prepaid and Other Current Assets	30	68
Increase (Decrease) in Accounts Payable	(15,650)	14,312
Increase (Decrease) in Accrued Expenses	(1,186)	1,336
Increase (Decrease) in Related Party Payable	-	12,000
Net cash used in operating activities	(28,606)	(6,289)
Cash Flows From Investing Activities:	-	-
Cash Flows From Financing Activities:		
Proceeds from Bank Overdraft	1,428	388
Proceeds from Related Party Notes	30,078	5,901
Payments on Notes Payable	(2,900)	-
Net cash provided by financing activities	28,606	6,289
Net Increase (Decrease) in cash	-	-
Cash - Beginning of Period	-	-
Cash - End of Period	\$ -	\$ -
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During Period The Period For:		
Interest	\$ (5,970)	\$ (8,040)

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

NB TELECOM, INC.  
NOTES TO THE FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies

Organization

NB Telecom, Inc. (the "Company") was originally incorporated as NB Payphones Ltd. under the laws of the state of Pennsylvania on November 16, 1999. On December 27, 2005 we migrated our state of organization to the state of Nevada and effective March 23, 2006, our name changed to NB Telecom, Inc.

Nature of Business

NB Telecom, Inc. is currently a provider of both privately owned and company owned payphones (COCOT's) and stations in Pennsylvania. The Company receives revenues from the collection of the payphone coinage, a portion of usage of service from each payphone and a percentage of long distance calls placed from each payphone from the telecommunications service providers. In addition, the Company also receives revenues from the service and repair of privately owned payphones, sales of payphone units and the sales of prepaid phone cards.

Nature of Operations and Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which contemplates the Company as a going concern. However, the Company has a retained deficit of approximately \$770,000. The company has a current ratio of .032 for the period ended March 31, 2008, and has a deficit in stockholders' equity. The Company's ability to continue as a going concern is dependent upon obtaining the additional capital as well as additional revenue to be successful in its planned activity. The Company is actively pursuing alternative financing and has had discussions with various third parties, although no firm commitments have been obtained. In the interim, shareholders of the Company have committed to meeting its minimal operating expenses. Management believes that actions presently being taken to revise the Company's operating and financial requirements provide them with the opportunity to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the Company were unable to continue as a "going concern". While management believes that the actions already taken or planned, will mitigate the adverse conditions and events which raise doubt about the validity of the "going concern" assumption used in preparing these financial statements, there can be no assurance that these actions will be successful.

If the Company were unable to continue as a "going concern", then substantial adjustments would be necessary to the carrying values of assets, the reported amounts of its liabilities, the reported revenues and expenses, and the balance sheet classifications used.

Interim Reporting

The unaudited financial statements as of March 31, 2008 and 2007 and for the three months then ended, reflect in the opinion of management, all adjustments (which include only nominal recurring adjustments) necessary to fairly state the financial position and results of operations for the three months ended. Operating results for interim periods are not necessarily indicative of the results which can be expected for full years.

Summary of Significant Accounting Policies

This summary of accounting policies for NB Telecom, Inc. is presented to assist in understanding the Company's financial statements. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

NB TELECOM, INC.  
NOTES TO THE FINANCIAL STATEMENTS

#### Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

#### Concentrations of Credit Risk

The Company's payphones are located primarily in Pennsylvania and usage of those phones may be affected by economic conditions in those areas. The company has experienced about a 30% drop in revenue's, due to increased competition from other payphone providers and increase usage of wireless communications.

The Company maintains cash balances with a financial institution insured by the Federal Deposit Insurance Corporation up to \$100,000. There are no uninsured balances at March 31, 2008 and December 31, 2007.

#### Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents for purposes of classification in the balance sheets and statement of cash flows. Cash and Cash equivalents consists of cash in bank (checking) accounts.

#### Allowance for Doubtful Accounts

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when the determination is made.

#### Fixed Assets and Depreciation

Fixed assets are stated at cost. Depreciation is calculated on a straight-line basis over the useful lives of the related assets, which range from five to seven years.

#### Financial Instruments

The Company's financial assets and liabilities consist of cash, accounts receivable, inventory, and accounts payable. Except as otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to the short-term maturities of these instruments.

#### Income Taxes

Income taxes are accounted for in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Under SFAS No. 109, deferred income taxes are recognized using the asset and liability method by applying tax rates to cumulative temporary differences based on when and how they are expected to affect the tax return. Deferred tax assets and liabilities are adjusted for income tax rate changes.

#### Reclassification

Certain reclassifications have been made in the 2007 financials statements to conform to the March 31, 2008 presentation.

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NB TELECOM, INC.  
NOTES TO THE FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Net (Loss) per Common Share

Net loss per common share has been calculated by taking the net loss for the current period and dividing by the weighted average shares outstanding at the end of the period. There were no common equivalent shares outstanding at March 31, 2008 and 2007.

Revenue Recognition

The Company derives its primary revenue from the sources described below, which includes dial around revenues, coin collections, and telephone equipment repairs and sales. Other revenues generated by the company include, phone card sales, and commissions.

Dial around revenues are generated from calls to gain access to a different long distance carrier than is already programmed into the phone. Revenues from dial around calls are recorded based upon estimates until the coin collection revenues are generated when callers deposit coins into the phones to make calls. Coin revenues are recorded in an amount equal to the coins collected. Revenues on commissions, phone card sales, and telephone equipment repairs and sales are realized when the services are provided.

Stock-Based Compensation

Effective January 1, 2006, the company adopted the provisions of SFAS No. 123 (R) requiring employee equity awards to be accounted for under the fair value method. Accordingly, share-based compensation is measured at grant date, based on the fair value of the award. Prior to June 1, 2006, the company accounted for awards granted to employees under its equity incentive plans under the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations, and provided the required pro forma disclosures prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), as amended. No stock options were granted to employees during the years ended December 31, 2006, and 2005 and accordingly, no compensation expense was recognized under APB No. 25 for the years ended December 31, 2007, and 2006. In addition, no compensation expense is recognized under provisions of SFAS No. 123 (R) with respect to employees as no stock options were granted to employees.

Under the modified prospective method of adoption for SFAS No. 123 (R), the compensation cost recognized by the company beginning on June 1, 2006 includes (a) compensation cost for all equity incentive awards granted prior to, but not vested as of June 1, 2006, based on the grant-dated fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all equity incentive awards granted subsequent to June 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123 (R). The company uses the straight-line attribution method to recognize share-based compensation costs over the service period of the award. Upon exercise, cancellation, forfeiture, or expiration of stock options, or upon vesting or forfeiture of restricted stock units, deferred tax assets for options and restricted stock units with multiple vesting dates are eliminated for each vesting period on a first-in, first-out basis as if each vesting period was a separate award. To calculate the excess tax benefits available for use in offsetting future tax shortfalls as of the date of implementation, the company followed the alternative transition method discussed in FASB Staff Position No. 123 (R)-3. During the periods ended March 31, 2008 and 2007, no stock options were granted to non-employees. Accordingly, no stock-based compensation expense was recognized for new stock option grants in the Statement of Operations and

Comprehensive Loss at March 31, 2008 and 2007.

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NB TELECOM, INC.  
NOTES TO THE FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Recent Accounting Standards

In February 2007, the FASB issued SFAS no, 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. Generally accepted accounting principles have required different measurement attributes for different assets and liabilities that can create artificial volatility in earnings. The FASB has indicated it believes that SFAS 159 helps to mitigate this type of accounting-induced volatility by enabling companies to report related assets and liabilities at fair value, which would likely reduce the need for companies to comply with detailed rules for hedge accounting. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in SFAS 157 and SFA No. 107, "Disclosures about Fair Value of Financial Instruments." SFAS 159 is effective for the Company as of the beginning of fiscal year 2008. The adoption of this pronouncement is not expected to have an impact on the Company's financial position, results of operations or cash flows.

In December 2007, the FASB issued No. 160, "Noncontrolling Interests in Financial Statements, an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This Statement is effective for fiscal years beginning on or after December 15, 2008. Early adoption is not permitted. Management is currently evaluating the effects of this statement, but it is not expected to have any impact on the Company's financial statements.

In December 2007, the FASB issued No. 141(R), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) provides companies with principles and requirements on how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree as well as the recognition and measurement of goodwill acquired in a business combination. SFAS 141(R) also requires certain disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Acquisition costs associated with the business combination will generally be expensed as incurred. SFAS 141(R) is effective for business combinations occurring in fiscal years beginning after December 15, 2008, which will require the Company to adopt these provisions for business combinations occurring in fiscal 2009 and thereafter. Early adoption of SFAS 141(R) is not permitted. Management is currently evaluating the effects of this statement, but it is not expected to have any impact on the Company's financial statements.

In March 2008, the FASB issued No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133. ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. Management is currently evaluating the effects of this statement, but it is not expected to have any impact on the Company's financial statements.





NB TELECOM, INC.  
NOTES TO THE FINANCIAL STATEMENTS

## Note 2. Inventory

Inventory is valued at the lower of cost, determined on the first-in, first-out basis (FIFO), or market value. Inventory consists of the following:

	March 31, 2008	December 31, 2007
Parts and Accessories	\$ 324	\$ 324

## Note 3. Uncertain Tax Provisions

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The adoption of the provisions of FIN 48 did not have a material impact on the company's financial position and results of operations. At January 1, 2007, the company had no liability for unrecognized tax benefits and no accrual for the payment of related interest.

Interest costs related to unrecognized tax benefits are classified as "Interest expense, net" in the accompanying statements of operations. Penalties, if any, would be recognized as a component of "Selling, general and administrative expenses". The Company recognized \$0 of interest expense related to unrecognized tax benefits during 2007. In many cases the company's uncertain tax positions are related to tax years that remain subject to examination by relevant tax authorities.

With few exceptions, the company is generally no longer subject to U.S. federal, state, local or non-U.S. income tax examinations by tax authorities for years before 2004. The following describes the open tax years, by major tax jurisdiction, as of January 1, 2007:

United States (a)                      2004– Present

(a) Includes federal as well as state or similar local jurisdictions, as applicable.

## Note 4. - Commissions and Sales Receivable

Commissions and Sales Receivable consists of the following:

	March 31, 2008	December 31, 2007
Commissions Receivable	\$ 6,026	\$ 5,607
Sales Receivable	2,408	1,213
	\$ 8,434	\$ 6,820



NB TELECOM, INC.  
NOTES TO THE FINANCIAL STATEMENTS

Note 5. Related Party Note

The Company has a note payable to Craig Burton, Secretary of the Company. This note is payable on demand and carries an interest of 10%. The outstanding principal on the note was \$5,000 as of March 31, 2008 and December 31, 2007. The accrued interest was \$1,308 and \$1,153 as of March 31, 2008 and December 31, 2007, respectively.

The Company has a note payable with Joseph Passalacqua. This note is payable on demand and carries an interest of 10%. The outstanding principal on the note was \$5,000 as of March 31, 2008 and December 31, 2007. The accrued interest was \$1,308 and \$1,153 as of March 31, 2008 and December 31, 2007, respectively.

The Company has note payables with Joseph Passalacqua. These notes carry a principal balance of \$81,565 and \$57,200 as of March 31, 2008 and December 31, 2007 and are due on demand carrying interest ranging from 10% to 15%. The accrued interest was \$7,077 and \$4,574 as of March 31, 2008 and December 31, 2007, respectively.

Note 6. Commitments

As of March 31, 2008 and December 31, 2007, all activities of the Company have been conducted by corporate officers from either Companies Parents business offices. Currently, there are no outstanding debts owed by the company for the use of these facilities and there are no commitments for future use of the facilities.

Note 7. Major Dial Around Compensation Providers (Commissions)

During 2007, the Company received approximately 95% of total dial around and zero-plus compensation (commissions) from two providers. The loss of these providers would adversely impact the business of the Company.

Note 8. Income Taxes

As of December 31, 2007, the Company had a net operating loss carry forward for income tax reporting purposes of approximately \$397,997 that may be offset against future taxable income through 2025. Current tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited. No tax benefit has been reported in the financial statements, because the Company believes there is a 50% or greater chance the carry-forwards will expire unused. Accordingly, the potential tax benefits of the loss carry-forwards are offset by a valuation allowance of the same amount.

	2007	2006
Net Operating Loss	135,319	183,124
Valuation Allowance	(135,319)	(183,124)
	-	-

The provision for income taxes differs from the amount computed using the federal US statutory income tax rate as follows:

	2007	2006
Provision (Benefit) at US Statutory Rate	(37,509)	(62,262)
Other Differences	(10,296)	(246)
Increase (Decrease) in Valuation Allowance	47,805	62,508
	-	-

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and causes a change in management's judgment about the recoverability of deferred tax assets, the impact of the change on the valuation is reflected in current income.

NB TELECOM, INC.  
NOTES TO THE FINANCIAL STATEMENTS

Note 9. Merger and Spinoff

On December 27, 2005 the Company signed an Agreement and Plan of Merger ("Agreement") with NB Telecom, Inc., ("Telecom") a newly formed Nevada corporation. Under the terms of the proposed Merger the Company shall be merged into Telecom, with Telecom continuing as the surviving corporation. The Merger became effective as of March 23, 2006. The SEC granted effectiveness for NB Telecom August 24, 2007.

The financial statements present only the accounts of NB Telecom, Inc. which was a wholly owned subsidiary of USIP.COM, Inc. until the spin off effective date of August 24. The spin-off is accounted for as a recapitalization of the Company, accordingly the financial statements are restated to reflect the 49,632,222 shares outstanding after the spin-off in all periods presented

Note 10. Common Stock Transactions

The spin off from USIP was effective August 24, 2007 which resulted in 49,632,222 shares being issued at \$.0001 per share. This change has been accounted for retro actively.

## Item 2. Management Discussion and Analysis of Financial Conditions and Results of Operations

### Forward Looking Statements

Some of the information in this section contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. You should read statements that contain these words carefully because they:

- discuss our future expectations;
- contain projections of our future results of operations or of our financial condition; and
- state other "forward-looking" information.

We believe it is important to communicate our expectations. However, there may be events in the future that we are not able to accurately predict or over which we have no control. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements.

### Organization and Basis of Presentation

NB Telecom, Inc. is currently a provider of both privately owned and company owned payphones (COCOT's) and stations in Pennsylvania. The Company receives revenues from the collection of the payphone coinage, a portion of usage of service from each payphone and a percentage of long distance calls placed from each payphone from the telecommunications service providers. In addition, the Company also receives revenues from the service and repair of privately owned payphones, sales of payphone units and the sales of prepaid phone cards.

### Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. However, future events are subject to change, and the best estimates and judgments routinely require adjustment. The amounts of assets and liabilities reported in our consolidated balance sheet, and the amounts of revenues and expenses reported for each of our fiscal periods, are affected by estimates and assumptions which are used for, but not limited to, the accounting for allowance for doubtful accounts, goodwill and intangible asset impairments, restructurings, inventory and income taxes. Actual results could differ from these estimates.

### Revenue Recognition Policies

The Company derives its primary revenue from the sources described above, which includes dial around revenues, coin collections, and telephone equipment repairs and sales. Other revenues generated by the company include, phone card sales, and commissions.

Dial around revenues are generated from calls to gain access to a different long distance carrier than is already programmed into the phone. Revenues from dial around calls are recorded based upon estimates until the coin collection revenues are generated when callers deposit coins into the phones to make calls. Coin revenues are recorded in an amount equal to the coins collected. Revenues on commissions, phone card sales, and telephone equipment repairs and sales are realized when the services are provided.





Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

Revenues

Our total revenue decreased by \$2,486 or approximately 14.50%, from \$17,086 in the three months ended March 31, 2007 to \$14,600 in the three months ended March 31, 2008. This decrease was primarily attributable to removal of unprofitable phone locations and lower call volumes on our payphones resulting from the growth in wireless communications. We reduced our network of payphones by approximately 25% during the period.

Our commissions decreased by \$5,803 or approximately 100%, from \$5,803 in the three months ended March 31, 2007 to \$0 in the three months ended March 31, 2008. This decrease was primarily due to having less payphones produced less commission revenue.

Our coin call revenues decreased by \$1,389 or approximately 68.5%, from \$2,029 in the three months ended March 31, 2007 to \$640 in the three months ended March 31, 2008. The decrease in coin call revenue was primarily attributable to the reduced number of payphones we operated coupled with the increased competition from wireless communication services.

Our non-coin call revenue, which is comprised primarily of dial-around revenue, increased \$4,100 or approximately 100% from \$0 in the three months ended March 31, 2007 to \$4,100 in the three months ended March 31, 2008. This increase was primarily attributable to an increase in toll free calling during the quarter.

Service & Repair Sales increased by \$805, when compared to the same period in 2007. Equipment Sales decreased \$199, when compared to the same period in 2007.

Cost of Sales

Our overall cost of sales decreased for the three months ending March 31, 2008 by \$10,652 or approximately 47.6% when compared to the three months ended March 31, 2007.

Our telecommunication costs decreased by \$4,016 when compared to the same period in 2007. This decrease is primarily attributable to our reduction in payphones and the line charges associated with those phones.

Depreciation expense decreased by \$6,820 when compared to the same period in 2007. This decrease is due to certain assets being fully depreciated and our on going strategy of identifying unprofitable payphones, and selling them to the site owners. Once a payphone is sold to the site owner it is removed from our assets and depreciation schedules. We own telephone equipment and motor vehicles, which provide a service for a number of years. The term of service is commonly referred to as the "useful life" of the asset. Because an asset such as telephone equipment or motor vehicle is expected to provide service for many years, it is recorded as an asset, rather than an expense, in the year acquired. A portion of the cost of the long-lived asset is reported as an expense over the assets life in a rational and systematic manner.

Our cost for travel increased \$184 when compared to the same period in 2007.

Operation and Administrative Expenses

Operating expenses decreased by \$21,385 or approximately 77.58% over the same period in 2007. Approximately 62.03% of this decrease is related to fees we pay to accountants and attorneys throughout the period for performing

various tasks. Salaries and related payroll taxes decreased by \$6,233 when compared to the same period for 2007. Rent decreased by \$60 when compared to 2007. Professional fees decreased by \$13,265 over 2007. These are fees we pay to accountants and attorneys throughout the period for performing various tasks. Our telephone, utilities, office, and vehicle expenses, together account for a decrease of \$1,827 when compared to the same period ending March 31, 2007.

#### Interest Expense

Interest expense decreased for the period ended March 31, 2008 to \$6,871 from \$8,040 for the period ended March 31, 2007. This decrease was due to a reduction in our outstanding debt.

#### Net Loss from Operations

We had net loss of \$10,186 for the period ended March 31, 2008 as compared to a net loss after taxes of \$41,105 for the period ended March 31, 2007. This decrease was due to a decrease in operating expenses for the period ended March 31, 2008.

#### Liquidity and Capital Resources

Our primary liquidity and capital resource needs are to finance the costs of our operations.

As of March 31, 2008, we had \$0 cash on hand, compared to \$0 as of March 31, 2007.

We believe that we will continue to need investing and financing activities to fund operations.

Net cash used in operating activities was \$28,606 during the three-month period ended March 31, 2008, mainly representative of the net loss incurred during 2008 and payments made towards accounts payable. This compares to net cash used in operating activities of \$6,289 for the three-month period ended March 31, 2007.

Net cash provided by financing activities was \$28,606 during three-month period ended March 31, 2008, mainly representing the proceeds from related party notes. This compares to net cash provided by financing activities of \$6,289 for the three-month period ended March 31, 2007 due to proceeds from related party notes of \$5,901.

Our expenses to date are largely due to professional fees and the cost of sales for telephone communication costs.

We believe that our results of operations will provide us with the necessary funds to satisfy our liquidity needs for the next 9 months. To the extent they are not, however, our principal stockholders have agreed to fund our operations for the next twelve-month period and beyond.

#### Working Capital

As of March 31, 2008, we had current assets of \$8,758 and current liabilities of \$272,232, which results in working deficit of \$(263,474) as compared to current assets of \$7,174 and current liabilities of \$260,462 resulting in a working deficit of \$(253,288) as of December 31, 2007.

#### Item 3. Quantitative and Qualitative Disclosure About Market Risks.

Not Applicable.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934, as amended the ("Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules, regulations and related forms, and that such information is accumulated and communicated to our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We have carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective.

(b) Changes in internal controls.

There have been no significant changes in our internal controls or other factors that could significantly affect such controls and procedures subsequent to the date we completed our evaluation. Therefore, no corrective actions were taken.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

To the best knowledge of the Company's officers and directors, the Company is currently not a party to any pending legal proceedings.

### Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed under item 1 of the Company's Registration Statement on Form SB-2 as initially filed with the United States Securities and Exchange Commission on May 12, 2006.

### Item 2. Unregistered sales of Equity 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.

#### (a) Exhibits:

- \*3.1 Certificate of Incorporation.
- \*3.2 By-Laws.
- 31.1 Certification pursuant to Section 302 of Sarbanes Oxley Act of 2002.
- 31.2 Certification pursuant to Section 302 of Sarbanes Oxley Act of 2002.
- 32.1 Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002.
- 32.2 Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002.

\* Filed as an exhibit to the Company's Registration Statement on Form SB-2, as initially filed with the Securities and Exchange Commission on May 12, 2006, and incorporated herein by this reference.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

Dated: May 15, NB TELECOM, INC.  
2008

By: /s/ Paul Kelly  
Paul Kelly  
P r e s i d e n t ,  
P r i n c i p a l  
E x e c u t i v e  
Officer