

Edgar Filing: TELCO BLUE INC - Form 10KSB/A

TELCO BLUE INC
Form 10KSB/A
October 07, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB/2nd Amendment

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

Commission file number: 00116099

TELCO BLUE, INC.

(Formerly known as Wave Power.net, Inc.)

(Name of Small Business Issuer in its Charter)

Delaware 43-1798970

(State of Incorporation) (I.R.S. Employer Identification No.)

388 Market Street, Ste. 500, San Francisco, CA 94111

(Address of principal executive offices) (Zip Code)

303-404-9904

(Issuer's telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE SECURITIES
EXCHANGE ACT OF 1934:

Title of Each Class	Name of Each Stock Exchange on Which Registered
Common Stock, Par Value \$0.001 Per Share	Not Applicable

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. []

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 [X] NO []

The number of shares of Registrant's Common Stock outstanding on December 31, 2001, was 17,780,000.

The Registrant's total revenues for the year ended December 31, 2001, were \$0.00.

EXPLANATORY NOTE: This is Amendment No. 2 to our Annual Report on Form 10-KSB

Edgar Filing: TELCO BLUE INC - Form 10KSB/A

for the fiscal year ended December 31, 2001, which was filed with the Securities and Exchange Commission on April 10, 2002. This amendment is being filed at the

insistence of the company's old auditors, Samuel Klein and Company, to update the subsequent event disclosures for our financial statements as described therein in Note 8. The auditors have also updated the date of their independent audit report with respect to the information set forth in Note 8. The "Items" amended by this filing are:

Part II:

Item 7.

Financial Statements

2

TABLE OF CONTENTS

PART I -----		PAGE
ITEM 1.	DESCRIPTION OF BUSINESS	4
ITEM 2.	DESCRIPTION OF PROPERTY	4
ITEM 3.	LEGAL PROCEEDINGS	4
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	4
PART II -----		
ITEM 5.	MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	4

Edgar Filing: TELCO BLUE INC - Form 10KSB/A

ITEM 6.	MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS	5
ITEM 7.	FINANCIAL STATEMENTS	See Exhibit 99
ITEM 8.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS	9
PART III ----		
ITEM 9.	DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS	11
ITEM 10.	EXECUTIVE COMPENSATION	11
ITEM 11.	SECURITY OWNERSHIP OF BENEFICIAL OWNERS	11
ITEM 12.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	12
ITEM 13.	EXHIBITS AND REPORTS ON FORM 8-K	12
SIGNATURES		

3

PART I

Item 1. Description of Business.

The Company was incorporated as Novus Environmental, Inc. in the State of Delaware on November 6, 1997, to develop or acquire recycling technologies.

Principal products or services and their markets

The Company's management believes that the Company's principal asset is its ability to convert waste tires into commercially viable and profitable products. The Company continues to explore its original intentions which was to engage in the manufacturing, construction, installation, licensing and permitting of recycling facilities, specifically for car and truck tires. The technical knowledge centers on:

1. The ability to shred waste tires into small pieces (crumbs) by applying relatively uncomplicated, but unique, shredding methodologies.

2. Unique adhesive materials that will bind the shredded tire crumbs and other raw materials into a strong and durable finished product.

3. A proprietary formula of raw material inputs that will produce the desired end product.

Competitive business conditions and the small business issuer's competitive position in the industry and methods of competition.

Our efforts to compete with entities having significantly greater financial and other resources than us made it difficult for us to achieve our objectives. The industry is highly competitive with respect to price, service, quality and marketing. As a result, the potential for failure in this industry is

Edgar Filing: TELCO BLUE INC - Form 10KSB/A

significant. There are numerous, well-established, larger competitors in the industry with comprehensive experience, possessing substantially greater financial, marketing, personnel and other resources than us.

Item 2. Description of Property.

The Company has no physical assets. We have rented offices at 950 N. Federal Highway, Pompano Beach, FL 33062.

Item 3. Legal Proceedings.

None that are pending that the Company is aware of at present.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

a. Market Information. The Company's shares are traded on the Over The Counter Bulletin Board stock exchange ("OTCBB") under the symbol, "WPDN". The following table shows the high and low bid information for each quarter within

4

the last two fiscal years as reported to the Company by the OTC Bulletin Board. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

2001	High Bid	Low Bid
-----	-----	-----
First Quarter	\$.38	\$.20
Second Quarter	.20	.20
Third Quarter	.50	.16
Fourth Quarter	.19	.16

2000	High Bid	Low Bid
-----	-----	-----
First Quarter	\$6.00	\$1.37
Second Quarter	3.75	.51
Third Quarter	1.04	.25
Fourth Quarter	1.00	.15

b. The Company has approximately 150 shareholders of record as of December 31, 2001.

c. The Company has never declared or paid any dividends, and although there are no restrictions limiting its ability to do so, it is unlikely to pay any dividends in the foreseeable future.

Item 6. Management's Discussion and Analysis or Plan of Operation.

Edgar Filing: TELCO BLUE INC - Form 10KSB/A

The following discussion and analysis should be read in conjunction with the Company financial statements and notes thereto included elsewhere in this Form 10-KSB/A. Except for the historical information contained herein, the discussion in this Form 10-KSB/A contains certain forward looking statements that involve risks and uncertainties, such as statements of the Company plans, objectives, expectations and intentions. The cautionary statements made in this Form 10-KSB/A should be read as being applicable to all related forward statements wherever they appear in this Form 10-KSB/A. The Company actual results could differ materially from those discussed here.

On January 3, 2001, the Company entered into a Letter of Intent to purchase 100% of a private Nevada corporation, Emission Controls Corp. ("ECC"). The gist of the Letter of Intent was as follows: The parties would enter into a Reorganization Agreement whereby the Company would obtain all ECC patents, including but not limited to, "the Cracker", which has been represented to the Company as a device that when added to an internal combustion engine, will save fuel and add longevity to the car's engine, in return for 15,000,000 restricted shares of the Company's common stock. The Cracker allegedly reduces the exhaust emission to an negligible amount. The Company would agree to pay Syd Cooke, the President of ECC, and/or his nominees, a 3% royalty of the total net profits up to a maximum of one billion dollars. On January 7, 2001, the parties entered into a Reorganization Agreement affirming the terms and conditions as set forth in their Letter of Intent.

On March 29, 2001, the parties mutually agreed to rescind the Reorganization Agreement entered into on January 12, 2001. The parties felt that it was in the best interests of their respective shareholders to rescind their intent to merge until at which time they are better able to reconcile various and several mutual concerns.

5

The Company is not aware of any circumstances or trends which would have a negative impact upon future sales or earnings. There have been no material fluctuations in the standard seasonal variations of the Company business. The accompanying financial statements include all adjustments, which in the opinion of management are necessary in order to make the financial statements not misleading.

For the year ended December 31, 2001, the Company sustained a net loss of \$68,785 or, \$0.00 per share (basic and diluted) as compared to \$82,231 (restated) in year ended 2000.

The Company was incorporated as Novus Environmental, Inc. in the State of Delaware on November 6, 1997, to develop or acquire recycling technologies. On December 8, 1997, we enacted a Regulation D, Rule 504 offering whereupon we issued 15,000,000 shares of common stock and raised \$15,000.00. From December 8, 1997 up and through December 30, 1997, we sold 5,000,000 shares of our common stock, at \$0.01 per share and raised \$50,000. On April 24, 1998, we enacted another Regulation D, Rule 504 offering whereupon we issued 480,000 shares of common stock and raised \$48,000. All disclosure herein accounts for these offerings unless indicated otherwise.

We have not been a party to any bankruptcy, receivership or similar proceeding. Through the year end, we have not been involved in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business. The Company has been devoting its efforts to activities such as raising capital, establishing sources of information, and developing markets for its planned operations. The Company has not yet generated any revenues and, as such, it is considered a development stage company.

Edgar Filing: TELCO BLUE INC - Form 10KSB/A

Results of Operations

The Company's "Total Liabilities and Stockholder's Equity (Deficit)" for year ended December 31, 2001 was, \$0.00. The Company's "Total Liabilities and Stockholder's Equity (Deficit)" for the year ended December 31, 2000, was \$0.00 (restated).

Capital Resources and Liquidity

At December 31, 2001 we had a working capital deficit of \$168,230, total stockholders' deficit of \$168,230 and a net loss for the year ended December 31, 2001 of \$68,785, arising primarily from expenses incurred to meet our reporting requirements. During the year ended December 31, 2001 the loss was completely funded by stockholder loans. We are dependent upon our ability to raise capital and funding from stockholders to fund expenses of operations. There can be no assurance that we will be successful in raising additional capital in the future, or that the stockholders will continue to lend funds to the Company.

During the year ended 2001, the Company did not issue any unregistered shares.

Events Subsequent to the Fourth Quarter

On February 14, 2002 the Company entered into a conditional Agreement and Plan of Reorganization ("the Agreement") with 3 Strikes (USA), Inc. ("3 Strikes"), a privately held New York corporation. In order for the Company to complete this transaction the Company will file an amendment to its Articles of Incorporation with the Secretary of State of Delaware reflecting a reverse stock split of the Company's common stock on the basis of one share exchanged for every five shares currently outstanding. The Company will also increase its authorized capital

6

stock to 100,000,000 shares and change its name from Wave Power.Net, Inc. to Insta-Win, Ltd. The agreement sets forth the terms and conditions whereby upon its completion the Company will acquire all of the issued and outstanding shares of 3 Strikes in exchange for the Company issuing 20,000,000 post reverse split shares of its common stock to the stockholders of 3 Strikes, or their assigns, and 1,300,000 post reverse split shares of its common stock to the current principal stockholder of the Company.

In connection with this transaction current shareholders of the Company who control approximately 90% of the Company's outstanding common stock have agreed to exchange their shares for cash amounting to \$240,000 of which \$148,005 will be used to retire the current outstanding stockholder loans.

As a result of these transactions, the current stockholders of the Company will own approximately 1,656,000 post reverse split shares of common stock or approximately 7% of the approximately 24,856,000 total outstanding shares of common stock on a post reverse split basis, and the current stockholders or assigns of 3 Strikes will own 23,200,000 of the post reverse split shares, or approximately 93% of the outstanding post reverse split shares of common stock of the Company, after giving effect to the 1 for 5 reverse stock split.

The transactions will result in a change of control with 3 Strikes being deemed the acquiror for accounting and financial reporting purposes in accordance with the view that the acquisition by a public shell of the assets of a private company's business should be accounted for as a reverse merger.

The terms and conditions of the Agreement and Plan of Reorganization are

Edgar Filing: TELCO BLUE INC - Form 10KSB/A

conditional and subject to modification.

On February 20, 2002, the Company filed a Schedule 14C Information Statement Pursuant to Section 14(c) of the Securities Exchange Act of 1934, which outlined the germane terms and conditions of the Company's proposed transaction with 3 Strikes (USA), Inc. On February 28, 2002, the Company was notified by the Division of Corporate Finance of the Securities and Exchange Commission that it intended to review and comment on the Company's 14(c) filing. Upon notification that there would be an indefinite delay in the consummation of the proposed transaction, 3 Strikes has indicated that it may not go forward with the Plan of Reorganization with the Company. On March 25, the Company received, via facsimile, several comments from the Division of Corporate Finance.

Item 7. Financial Statements.

The Financial Statements for year ended 2001 are attached hereto and incorporate herein as an Exhibit. Pleased see ITEM 13, EXHIBITS.

Subsequent Events

On February 14, 2002 the Company entered into an Agreement and Plan of Reorganization ("the Agreement") with 3 Strikes (USA), Inc. ("3 Strikes"), a privately held New York corporation. In order for the Company to complete this transaction the Company will file an amendment to its Articles of Incorporation with the Secretary of State of Delaware reflecting a reverse stock split of the Company's common stock on the basis of one share exchanged for every five shares currently outstanding. The Company will also increase its authorized capital stock to 100,000,000 shares and change its name from Wave Power.Net, Inc. to Insta-Win, Ltd. The agreement sets forth the terms and conditions whereby upon its completion the Company will acquire all of the issued and outstanding shares of 3 Strikes in exchange for the Company issuing 20,000,000 post reverse split shares of its common stock to the stockholders

7

of 3 Strikes, or their assigns, and 1,300,000 post reverse split shares of its common stock to the current principal stockholder of the Company.

In connection with this transaction current shareholders of the Company who control approximately 90% of the Company's outstanding common stock have agreed to exchange their shares for cash amounting to \$240,000 of which \$148,005 will be used to retire the current outstanding stockholder loans.

As a result of these transactions, the current stockholders of the Company will own approximately 1,656,000 post reverse split shares of common stock or approximately 7% of the approximately 24,856,000 total outstanding shares of common stock on a post reverse split basis, and the current stockholders or assigns of 3 Strikes will own 23,200,000 of the post reverse split shares, or approximately 93% of the outstanding post reverse split shares of common stock of the Company, after giving effect to the 1 for 5 reverse stock split.

The transactions will result in a change of control with 3 Strikes being deemed the acquiror for accounting and financial reporting purposes in accordance with the view that the acquisition by a public shell of the assets of a private company's business should be accounted for as a reverse merger.

The terms and conditions of the Agreement and Plan of Reorganization are conditional and subject to modification.

Edgar Filing: TELCO BLUE INC - Form 10KSB/A

On April 13, 2002, 3 Strikes (USA), Inc. withdrew its offer to acquire Wave Power.Net, Inc.

On April 25, 2002 the Company entered into a conditional Agreement and Plan of Reorganization ("the Agreement") with Via-Tek Inc. ("Via-Tek"), a privately held Delaware corporation. In order to complete this transaction the Company will effect a reverse stock split of its common stock on the basis of one share exchanged for every five shares currently outstanding. The Agreement sets forth the terms and conditions whereby upon its completion the Company will acquire all of the issued and outstanding shares of Via-Tek in exchange for the Company issuing 18,000,000 post reverse split shares of its common stock to the stockholders of Via-Tek, or their assigns, and 1,816,000 shares to the current principal stockholder of the Company, on a post reverse split basis for past services rendered. The Company and its principal stockholders have consented to the reverse stock split and the issuance of additional shares of common stock of the Company to the Via-Tek shareholders to allow for the number of post reverse split shares to be issued as indicated. The parties agreed that the surviving entity will have no more than 31,816,000 post reverse split shares issued and outstanding after the closing of the transaction.

This transaction has not yet been consummated.

On May 15, 2002 the Board of Directors of the Company, ("the Board") adopted the 2002 Compensation Plan I ("the Plan") effective April 1, 2002, and will register 2,000,000 shares of the Company's common stock to be used for payment of services rendered and/or the opportunity to purchase common stock of the Company. The Board or its designee will determine and designate, from time to time, those officers, directors, consultants, advisors, and employees of the Company, or consultants, advisors and employees of a parent or subsidiary of the Company, to whom shares are to be issued and/or options are to be granted pursuant to the Plan, and the number of shares to be optioned, from time to time, to any individual or entity.

The share price or option price will be determined as of the time the shares or option to purchase shares is granted and may be increased or decreased by the

8

Board or its designee, from time to time, provided, however, that no shares, nor option to purchase shares may be issued at a price that is less than 50% of the then-current bid price of the common stock. The initial and standard price per share of common stock to be issued directly or by option is \$.18 per share, but may be changed by the Board or its designee from time to time.

Options granted pursuant to the Plan will expire on the first to occur of the following dates, whether or not exercisable on such date:

(a) five years from the date the option is granted, (b) six months from the date the optionee ceases to be employed by the Company due to permanent and total disability, (c) the date of termination of employment by the Company for reason other than retirement, permanent and total disability or death, unless the Board determines in its sole discretion that it would be in the best interests of the Company to extend the options for a period not to exceed three years or (d) three months from the date the employee retires with the permission of the Board.

No right or privilege of any person subject to the Plan is transferable or

Edgar Filing: TELCO BLUE INC - Form 10KSB/A

assignable except to the person's personal representative in the event of the person's death, at which time such personal representative will have up to one year to exercise such options which were exercisable at the time of the person's death. Except for this provision, options granted pursuant to the Plan can be exercised only by the optionee during his lifetime.

If the number of shares of common stock of the Company increases or decreases by change in par value, spilt-up, reclassification, or payment of a stock dividend, the number of shares to be issued, or an option held by an optionee and the option price per share will be proportionately adjusted. If the Company is reorganized, consolidated or merged with another corporation, the person shall be entitled to receive shares or options on shares of such reorganized, consolidated or merged company in the same proportion, at an equivalent price per share and subject to the same conditions as he was originally entitled to receive pursuant to the Plan.

Upon dissolution or liquidation of the Company, the options granted pursuant to the Plan will terminate and become null and void, but an optionee shall have the right immediately prior to such dissolution or liquidation to exercise any options granted that are still exercisable pursuant to the Plan, to the extent not previously exercised.

The Plan will terminate either on the date of issuance of the last share of common stock allocated under the Plan, or ten years from the Plan's effective date, whichever is earlier.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Samuel Klein and Company, One Newark Center, Newark, New Jersey 07102, has audited the statements included herein. On May 9, 2002, Registrant changed its certifying accountants from Samuel Klein and Company, Newark, New Jersey, to Malone & Bailey, PLLC, 5444 Westheimer Rd., #2080, Houston, Texas 77056.

- (i) The Company dismissed Samuel Klein and Company as its independent accountant;
- (ii) The report of Samuel Klein and Company for the past two years has not contained an adverse opinion or disclaimer of opinion and was

9

not qualified as to audit scope or accounting principles during the past two fiscal years, however it was modified to express substantial doubt about the Company's ability to continue as a going concern;

- (iii) The decision to change accountants was approved by the Registrant's Board of Directors; and
- (iv) (A) There were no disagreements related to accounting principles or practices, financial statement disclosure, or auditing scope or procedure during the past two fiscal years and through the date of dismissal.

Edgar Filing: TELCO BLUE INC - Form 10KSB/A

(1) On May 9, 2002, the Registrant engaged Malone & Bailey, PLLC as its independent accountants.

(i) The Registrant did not consult with Malone & Bailey, PLLC its new independent accountants, regarding any matter prior to its engagement; and

(2) The Registrant has provided to Samuel Klein and Company, its former accountants, a copy of the disclosures contained in the filing and the Registrant has requested a letter from Samuel Klein and Company, addressed to the Commission, confirming the statements made by the Registrant in this year ended 2001 report.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

Officers and Directors

The following chart sets forth information on our officers and directors:

Name	Age	Title
Brian Fisher	52	President, Secretary, Treasurer

Our Bylaws require that we have a minimum of one director. Directors are elected at our annual meeting to be held on the 6th of November. Directors shall serve until their successors are duly elected or appointed. A vacancy on the Board of Directors may be filled by a majority vote of the remaining directors.

Biography of Sole Director, Brian Fisher:

Brian Fisher, age 52, is a resident of British Columbia, Canada. After graduating from high school, Mr. Fisher became a plumber contractor and sold his business in 1980. He subsequently became a successful drilling contractor and sold that business in 1991, whereupon he became involved in the recycling industry. In 1997 he became President of Novus Environmental, Inc., now known as Wave Power.Net, Inc. To supplement his practical experiences in business, Mr. Fisher enrolled in several business management courses.

Identify Significant Employees

As of the date of this registration statement, we have no persons, not mentioned above, who are expected to make a significant contribution to our business.

10

Family Relationships

As of the date of this registration statement, there are no family relationships between our promoters, executive officers, control persons, directors or persons nominated for such positions.

Involvement in Certain Legal Proceedings

As of the date of this registration statement, the Company has had no events, to the best of our knowledge, that occurred during the past five years, including bankruptcies, criminal convictions or proceedings, court orders or judgments,

Edgar Filing: TELCO BLUE INC - Form 10KSB/A

that are material to an evaluation of the ability or integrity of any director, executive officer, promoter, control person or any person nominated for such position.

Compliance with Section 16(a) of the Exchange Act

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company under Rule 16a-3(d) during its most recent two fiscal years, and Forms 5 and amendments thereto furnished to the Company with respect to its most recent two fiscal years, and any written representations received by the Company, the Company has not identified any person who, at any time during the two preceding fiscal years, was a director, officer, beneficial owner of more than ten percent of the Company's outstanding common stock that failed to file on a timely basis any reports required by Section 16(a) during the most recent two fiscal years or any prior years.

Item 10. Executive Compensation.

None of the Company's executive officers and directors received any compensation, cash or non-cash, during the fiscal year ended December 31, 2001.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth information as of December 31, 2001, regarding the ownership of the Company's common stock by each shareholder known to the Company to be the beneficial owner of more than five percent of its outstanding shares of common stock, each director and all executive officers and directors as a group. Except as otherwise indicated, each of the shareholders has sole voting and investment power with respect to the shares of common stock beneficially owned.

Title of Class	Name & Address of Beneficial Owner	Amount & Nature of Ownership	Percent of Class
Common	Brian Fisher 17938 67th Ave. Cloverdale, BC, Canada	12,300,000 shares Common stock	69%
TOTAL		12,300,000 shares Common Stock	69%

Item 12. Certain Relationship and Related Transactions.

None.

Changes in Control

Changes in control may occur should the transaction as set forth above under the sub-heading, "Events Subsequent to the Fourth Quarter" come to pass. Brian Fisher, the sole officer and director of the Company, would resign and be replaced by someone from 3 Strikes (USA), Inc. He would no longer be the Company's majority shareholder as well.

Edgar Filing: TELCO BLUE INC - Form 10KSB/A

Item 13. Exhibits and Reports on Form 8-K

EXHIBITS

EXHIBIT 2.1 Agreement and Plan of Reorganization between Wave
 Power.Net, Inc. and 3 Strikes (USA), Inc. dated
 February 14, 2002.

EXHIBIT 23.1 Letter of Consent from auditors Samuel Klein and
 Company regarding the Change of Accountancy set forth
 in Part II, Item 8 above herein.

EXHIBIT 99 Year end 2001 Financial Statements

REPORTS ON FORM 8-K

On May 9, 2002, the Registrant filed a notice of Change of Accountants on Form 8-K dismissing the accounting firm of Samuel Klein and Company and retaining the accounting firm of Malone & Bailey, PLLC.

12

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, hereunto duly authorized this 30th day of September 2002.

Telco Blue, Inc.

/s/ Lorne Reicher

By: Lorne Reicher, President

13