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ACCESSTEL INC /UT/
Form 10KSB
May 21, 2003

United States Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended December 31, 2002

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

For the transition period from _____ to _____

Commission File No. 0-24459

ACCESSTEL, INC.

(Name of small business issuer in its charter)

UTAH

59-2159271

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

9005 Cobble Canyon Lane, Sandy Utah 84093

(Address of principal executive offices, including zip code)

Issuer's telephone number, including area code: (800) 281-1088

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act:
Common Stock, \$0.001 par value

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act 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

Check if disclosure of delinquent filers in response to Item 405 of
Regulation S-B is not contained in this form, and no disclosure will 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.

The Company had no operating revenues for the fiscal year ended December
31, 2002.

The aggregate market value of the Company's common stock held by non-
affiliates of the Company as of May 16, 2003, was \$520,060.

As of May 16, 2003, the Company had 33,354,091 shares of common stock
issued and outstanding; however, see Part I, Item 3, regarding the settlement
of certain litigation that will result in the cancellation to the Company's
treasury of 11,356,782 shares of its common stock, subsequent to the filing of

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this Annual Report.

Transitional Small Business Disclosure Format: Yes No

Documents incorporated by reference: 8-K Current Report dated May 6, 2003, respecting the settlement of the AccessTel litigation outlined in Part I, Item 3.

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:

This Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002, contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, including statements that include the words "believes", "expects", "anticipates", or similar expressions. These forward-looking statements may include, among others, statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002, involve known and unknown risks, uncertainties and other factors that could the cause actual results, performance or achievements of the Company to differ materially from those expressed in or implied by the forward-looking statements contained herein.

PART I.

ITEM 1. DESCRIPTION OF BUSINESS

Overview:

Shopss.com, Inc., a Utah corporation, changed its name to AccessTel, Inc. (the "Company") effective February 16, 2001, in conjunction with the acquisition of AccessTel, Inc., a Delaware corporation ("AccessTel"), in a reverse merger transaction effective December 18, 2000.

Effective December 18, 2000, the Company entered into a Share Exchange Agreement with AccessTel and the shareholders of AccessTel pursuant to which the Company acquired all of the shares of AccessTel in exchange for 22,418,980 shares of common stock, which represented 80% of the issued and outstanding shares of common stock of the Company after giving effect to the transaction. An additional 13,681,560 shares of common stock were reserved for issuance under the Company's stock option plan. At the closing of this transaction, the existing officers and directors of the Company resigned, and new officers and directors were appointed.

Litigation to rescind this transaction was subsequently commenced on May 1, 2001, and a receiver was appointed on May 3, 2001.

The information contained herein is based on the information available to the receiver, but due to the commencement of litigation and the appointment of a receiver, such information may not be complete or accurate. Information provided herein is given to the best knowledge of the receiver, and where it is indicated herein that "management believes" or similar references to management's knowledge, this information is provided to the best knowledge of the receiver, and not management.

The financial statements for the years ended December 31, 2001 and 2002, exclude the operations of AccessTel. The balance sheets as of December 31, 2001 and 2002, include the assets and liabilities of Shopss.com, Inc.'s operations and excludes the assets and liabilities of AccessTel's operations due to the rescission litigation.

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The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses, has no operations and has a deficiency in working capital and shareholders' equity at December 31, 2001 and 2002. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company's independent certified public accountants have included a modification paragraph in their report on the Company's financial statements for the year ended December 31, 2002, with respect to this matter.

The Company is currently insolvent and has no business operations. The Company's current efforts are focused on maintaining the corporate entity and pursuing litigation against former members of management. As a result of the matters described herein, the Company may have to file for protection under the United States Bankruptcy Code. Accordingly, there can be no assurances that the Company will be able to continue in existence.

Developments during 2001 and 2002:

On May 1, 2001, Reed & Wangsgard, L.C. (formerly Droz, Reed & Wangsgard, L.C.) filed suit in the Third Judicial District Court of Salt Lake County, State of Utah (the "Court"), Civil No. 010903821 (the "Action"), to assert claims, on behalf of its clients, prior management of the Company, against AccessTel and the original shareholders of AccessTel. The complaint in the Action demanded rescission of the Share Exchange Agreement, and alleged that the Company was induced to enter into the Share Exchange Agreement through a series of false representations made by AccessTel and its shareholders. The complaint also included alternative causes of actions for fraud, conversion, injunctive relief, and the issuance of a Writ of Replevin.

On May 3, 2001, pursuant to the motion of Reed & Wangsgard, L.C., the Honorable Raymond Uno, Judge of the Court, issued an Order appointing Leonard W. Burningham, Esq., a member of the Utah State Bar, as receiver for the Company. Pursuant to such Order, the receiver was and is authorized to prepare and file reports with the Securities and Exchange Commission.

On May 16, 2001, pursuant to the motion of Reed & Wangsgard, L.C., the Honorable L.A. Dever, Judge of the Court, issued a Temporary Restraining Order prohibiting the transfer of any shares of common stock issued by AccessTel and/or Shopss.com, Inc. which were issued in the name of any defendant (other than the transfer agent) or held for the benefit of any such defendant.

On May 27, 2001, pursuant to the motion of Reed & Wangsgard, L.C., the Honorable L.A. Dever, Judge of the Court, issued a Preliminary Injunction enjoining Atlas Stock Transfer Company from registering the transfer of, or reissuing, any shares of common stock issued by the Company and/or Shopss.com, Inc. which were issued in the name of any defendant (other than Atlas Stock Transfer Company) or are held for the benefit of any defendant to the suit.

On January 17, 2002, Reed & Wangsgard, L.C. received written confirmation from an agent of the Board of Directors of the Company that said Board of Directors have come to a unanimous decision to settle the claim for rescission of the Share Exchange Agreement by rescinding the Share Exchange Agreement. However, the Board of Directors of the Company failed and/or refused to follow through with their agreement to rescind the Share Exchange Agreement. As a result, Reed & Wangsgard, L.C. filed a Motion to Enforce Settlement with respect to the agreement to rescind the Share Exchange Agreement.

During February 2002, pursuant to the motion of counsel for AccessTel and the original shareholders of AccessTel, the Honorable L.A. Dever, Judge of the Court, issued an order limiting the Court's jurisdiction over certain of the

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defendants to the Action. As a result, the Court continued to have jurisdiction over the corporate defendants and through it, plaintiffs may assert claims arising from the allegedly wrongful conduct of former members of management.

Developments Subsequent to December 31, 2002:

On May 1, 2003, a settlement was reached between the remaining parties to the Action. The material terms of the settlement include the requirement that the corporate defendants surrender all right, title and interest in and to those shares of common stock of the Company issued to them pursuant to the Share Exchange Agreement, and that all members of management of the Company that had been designated to serve as directors and executive officers of the Company at the closing of the Share Exchange Agreement resign from their respective management positions. As a result of the settlement, on May 6, 2003, prior management of the Company that had filed the complaint, caused to be filed with the Court a Motion to Dismiss the complaint, which has not yet been granted. Subject to the granting of the Motion to Dismiss the complaint, of the 16,718,763 shares issued to the corporate defendants, 11,356,782 of the surrendered shares have been delivered to counsel for prior management of the Company and will be duly canceled and returned to the authorized but unissued common stock of the Company, and 5,361,981 shares will be transferred to a private third party unrelated to the AccessTel parties pursuant to a confidential settlement of a separate legal action involving a legal debt owed by one of the AccessTel parties to the private third party. The current officers and directors of the Company resigned, and David C. Merrell, a former director and executive officer of the Company, was appointed as an interim officer and director of the Company. See the Company's 8-K Current Report dated May 6, 2003, which has been previously filed with the Securities and Exchange Commission. See Part III, Item 13.

Prospective Business Activities:

The Company's plan of operation subsequent to the settlement of the aforementioned litigation is to: (i) consider guidelines of industries in which the Company may have an interest; (ii) adopt a business plan regarding engaging in the business of any selected industry; and (iii) commence such operations through funding and/or the acquisition of a "going concern" engaged in any industry selected.

The Company is not currently engaged in any substantive business activity and has no commitment to engage in any such activity in the foreseeable future. In our present form, the Company may be deemed to be a vehicle to acquire or merge with a business or company. The commencement of any business opportunity will be preceded by the consideration and adoption of a business plan by the Board of Directors. The Company does not intend to restrict its search to any particular business or industry, and the areas in which it will seek out particular business opportunities or acquisitions, reorganizations or mergers may include, but will not be limited to, the fields of high technology, manufacturing, natural resources, service, research and development, communications, transportation, insurance, brokerage, finance and medically related fields, among others. The Company recognizes that the number of suitable potential business ventures that may be available to the Company may be extremely limited, and may be restricted to entities that desire to avoid what these entities may deem to be the adverse factors related to an initial public offering. The most prevalent of these factors include substantial time requirements, legal and accounting costs, the inability to obtain an underwriter who is willing to publicly offer and sell shares, the lack of or the inability to obtain the required financial statements for such an undertaking, limitations on the amount of dilution to public investors in comparison to the stockholders of any such entities, along with other conditions or requirements imposed by various federal and state securities

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laws, rules and regulations. Any of these types of transactions, regardless of the prospects, would require the Company to issue a substantial number of shares of common stock, usually amounting to between 80% and 95% of the outstanding shares following the completion of any such transaction; accordingly, investments in any such private enterprise, if available, would be much more favorable than any investment in the Company.

Management intends to consider a number of factors prior to making any decision as to whether to participate in any specific business endeavor, none of which may be determinative or provide any assurance of success. These may include, but will not be limited to an analysis of the quality of the entity's management personnel; the anticipated acceptability of any new products or marketing concepts; the merit of technological changes; its present financial condition, projected growth potential and available technical, financial and managerial resources; its working capital, history of operations and future prospects; the nature of its present and expected competition; the quality and experience of its management services and the depth of its management; its potential for further research, development or exploration; risk factors specifically related to its business operations; its potential for growth, expansion and profit; the perceived public recognition or acceptance of its products, services, trademarks and name identification; and numerous other factors which are difficult, if not impossible, to properly or accurately analyze, let alone describe or identify, without referring to specific objective criteria.

The results of operations of any specific entity may not necessarily be indicative of what may occur in the future, by reason of changing market strategies, plant or product expansion, changes in product emphasis, future management personnel and changes in innumerable other factors. Furthermore, in the case of a new business venture or one that is in a research and development mode, the risks will be substantial, and there will be no objective criteria to examine the effectiveness or the abilities of its management or its business objectives. In addition, a firm market for its products or services may yet need to be established, and with no past track record, the profitability of any such entity will be unproven and cannot be predicted with any certainty.

Management will attempt to meet personally with management and key personnel of the entity sponsoring any business opportunity afforded to the Company, visit and inspect material facilities, obtain independent analysis or verification of information provided and gathered, check references of management and key personnel and conduct other reasonably prudent measures calculated to ensure a reasonably thorough review of any particular business opportunity; however, due to time constraints of time and resources, these activities may be limited.

The Company is unable to predict the time as to when and if it may actually participate in any specific business endeavor. The Company anticipates that proposed business ventures will be made available to it through personal contacts of directors, executive officers and principal stockholders, professional advisors, securities broker-dealers, venture capital personnel, members of the financial community and others who may present unsolicited proposals. In certain cases, the Company may agree to pay a finder's fee or to otherwise compensate the persons who submit a potential business endeavor in which the Company eventually participates. Such persons may include the directors, executive officers and beneficial owners of the Company's securities or their affiliates. In this event, such fees may become a factor in negotiations regarding any potential venture and, accordingly, may present a conflict of interest for such individuals. Management does not presently intend to acquire or merge with any business enterprise in which any member has a prior ownership interest.

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Although the Company currently has no plans to do so, depending on the nature and extent of services rendered, it may compensate members of management in the future for services that they may perform for the Company. Because the Company currently has extremely limited resources, and it is unlikely to have any significant resources until it has determined a business or enterprise to engage in or has completed a merger or acquisition, management expects that any such compensation would take the form of an issuance of the Company's common stock to these persons; this would have the effect of further diluting the holdings of the Company's other stockholders. There are presently no preliminary agreements or understandings between the Company and members of management respecting such compensation.

Substantial fees are often paid in connection with the completion of acquisitions, reorganizations or mergers. These fees are usually divided among promoters or founders, and it is not unusual for a portion of these fees to be paid to members of management or to principal stockholders as consideration for their agreement to retire a portion of the shares of common stock owned by them. Management may actively negotiate or otherwise consent to the purchase of all or any portion of their common stock as a condition to, or in connection with, a proposed reorganization, merger or acquisition. It is not anticipated that any such opportunity will be afforded to other stockholders or that such stockholders will be afforded the opportunity to approve or consent to any particular stock buy-out transaction. In the event that such fees are paid, they may become a factor in negotiations regarding any potential acquisition by the Company and, accordingly, may also present a conflict of interest for such individuals. The Company has no present arrangements or understandings respecting any of these types of fees or opportunities. The Company's directors and executive officers have not used any particular consultants, advisors or finders on a regular basis.

None of the Company's directors, executive officers, founders, or their affiliates or associates, has had any negotiations with any representatives of the owners of any business or company regarding the possibility of an acquisition, reorganization, merger or other business opportunity for the Company; nor are there any similar arrangements with the Company.

History of the Company:

Immediately prior to October 27, 1999, the Company was an inactive public company. Effective October 27, 1999, pursuant to an Asset Purchase Agreement, the Company purchased from OSCM - OneStop.com, Inc., a Florida corporation ("OSCM"), an 80% ownership interest in CCM, all rights to an option to purchase the remaining 20% ownership interest in CCM, and all assets relating to the Shopss.com virtual shopping mall owned by OSCM, including all software, web-sites, and related technology, customers and customer lists, patents, trademarks and trade names. In exchange for the acquired assets, the Company issued to OSCM 12,000,000 shares of its common stock, which represented approximately 60% of its outstanding shares of common stock after giving effect to the transaction. The Company also agreed to assume the liabilities relating to the Shopss.com business as recorded on the financial statements of OSCM and the liabilities relating to the option of the stockholders of CCM to require OSCM to purchase the remaining 20% interest in CCM. Pursuant to a subsequent agreement in principle between the Company and OSCM, clarifications were made to the effect that none of the assets relating to the Shopss.com virtual shopping mall would include any of the assets or liabilities relating to the virtual shopping mall operated by a subsidiary of OSCM in Israel, any obligation of the Company to pay cash for the assets acquired from OSCM was cancelled, the holdings of OSCM in the Company were decreased by canceling 11,000,000 shares of common stock owned by OSCM, the Company issued a warrant to OSCM to purchase 3,000,000 shares of common stock at \$5.00 per share for a period of two years, and the Company agreed to cancel all amounts due from OSCM to the Company aggregating approximately \$1,600,000. Immediately after

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the closing of the Asset Purchase Agreement, the Company effected a 5.435034 forward split of its common stock.

After the closing of the Asset Purchase Agreement, the Company relied on OSCM for a substantial portion of its working capital and provided OSCM with computers and other equipment. As a result of certain financial difficulties experienced by OSCM, OSCM was unable to provide working capital to the Company and was also unable to pay the Company for the equipment which the Company had delivered to OSCM and its affiliated entities. As a result of these financial difficulties, the Company ceased operations and became insolvent, sold or wrote-off its operating assets, and terminated all of its employees during the three months ended June 30, 2000.

Effective December 18, 2000, the Company entered into a Share Exchange Agreement with AccessTel and the shareholders of AccessTel pursuant to which the Company acquired all of the shares of AccessTel in exchange for 22,418,980 shares of common stock, which represented 80% of the issued and outstanding shares of common stock of the Company after giving effect to the transaction. An additional 13,681,560 shares of common stock were reserved for issuance under the Company's stock option plan. At the closing of this transaction, the existing officers and directors of the Company resigned, and new officers and directors were appointed.

On January 16, 2001, the Board of Directors of the Company unanimously adopted and a majority of the shareholders approved a stock option plan that provides for the issuance of up to 20,000,000 shares of common stock of the Company.

On January 24, 2001, the Board of Directors of the Company unanimously adopted and a majority of the shareholders approved an amendment to the Articles of Incorporation to increase the total authorized number of shares of capital stock from 50,000,000 to 120,000,000, of which 100,000,000 shares are common stock and 20,000,000 shares are preferred stock.

On February 16, 2001, the Company filed Articles of Amendment to its Articles of Incorporation with the State of Utah to change the name of the Company from Shopss.com, Inc. to AccessTel, Inc., and to increase the Company's equity capitalization to 100,000,000 shares of common stock and 20,000,000 shares of preferred stock.

ITEM 2. DESCRIPTION OF PROPERTY

As of December 31, 2002, the Company did not own or lease any property.

ITEM 3. LEGAL PROCEEDINGS

On May 1, 2001, Reed & Wangsgard, L.C. (formerly Droz, Reed & Wangsgard, L.C.) filed suit in the Third Judicial District Court of Salt Lake County, State of Utah (the "Court"), Civil No. 010903821 (the "Action"), to assert claims, on behalf of its clients, prior management of the Company, against AccessTel and the original shareholders of AccessTel. The complaint in the Action demands rescission of the Share Exchange Agreement, and alleges that the Company was induced to enter into the Share Exchange Agreement through a series of false representations made by AccessTel and its shareholders. The complaint also includes alternative causes of actions for fraud, conversion, injunctive relief, and the issuance of a Writ of Replevin.

On May 3, 2001, pursuant to the motion of Reed & Wangsgard, L.C., the Honorable Raymond Uno, Judge of the Court, issued an Order appointing Leonard W. Burningham, Esq., a member of the Utah State Bar, as receiver for the Company. Pursuant to such Order, the receiver is authorized to prepare and file reports with the Securities and Exchange Commission.

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On May 16, 2001, pursuant to the motion of Reed & Wangsgard, L.C., the Honorable L.A. Dever, Judge of the Court, issued a Temporary Restraining Order prohibiting the transfer of any shares of common stock issued by AccessTel and/or Shopss.com, Inc. which were issued in the name of any defendant (other than the transfer agent) or held for the benefit of any such defendant.

On May 27, 2001, pursuant to the motion of Reed & Wangsgard, L.C., the Honorable L.A. Dever, Judge of the Court, issued a Preliminary Injunction enjoining Atlas Stock Transfer Company from registering the transfer of, or reissuing, any shares of common stock issued by the Company and/or Shopss.com, Inc. which were issued in the name of any defendant (other than Atlas Stock Transfer Company) or are held for the benefit of any defendant to the suit.

On January 17, 2002, Reed & Wangsgard, L.C. received written confirmation from an agent of the Board of Directors of the Company that said Board of Directors have come to a unanimous decision to settle the claim for rescission of the Share Exchange Agreement by rescinding the Share Exchange Agreement. However, the Board of Directors of the Company failed and/or refused to follow through with their agreement to rescind the Share Exchange Agreement. As a result, Reed & Wangsgard, L.C. filed a Motion to Enforce Settlement with respect to the agreement to rescind the Share Exchange Agreement.

During February 2002, pursuant to the motion of counsel for AccessTel and the original shareholders of AccessTel, the Honorable L.A. Dever, Judge of the Court, issued an order limiting the Court's jurisdiction over certain of the defendants to the Action. As a result, the Court continued to have jurisdiction over the corporate defendants and through it, plaintiffs may assert claims arising from the allegedly wrongful conduct of current management.

On May 1, 2003, a settlement was reached between the remaining parties to the Action. The material terms of the settlement include the requirement that the corporate defendants surrender all right, title and interest in and to those shares of common stock of the Company issued to them pursuant to the Exchange Agreement, and that all members of management of the Company that had been designated to serve as directors and executive officers of the Company at the closing of the Exchange Agreement resign from their respective management positions. As a result of the settlement, on May 6, 2003, prior management of the Company that had filed the complaint, caused to be filed with the Court a Motion to Dismiss the complaint. Subject to the granting of the Motion to Dismiss the complaint, of the 16,718,763 shares issued to the corporate defendants, 11,356,782 of the surrendered shares have been delivered to counsel for prior management of the Company and will be duly canceled and returned to the authorized but unissued common stock of the Company, and 5,361,981 shares will be transferred to a private third party unrelated to the AccessTel parties pursuant to a confidential settlement of a separate legal action involving a legal debt owed by one of the AccessTel parties to the private third party. The current officers and directors of the Company resigned, and David C. Merrell, a former director and executive officer of the Company, was appointed as an interim officer and director of the Company.

Lawrence Liang, the Company's Chief Executive Officer, President and a director, and Stuart Bockler, the Company's Chief Financial Officer, Secretary and a director as of December 31, 2002, were named as defendants in the Complaint, and resigned as officers and directors of the Company effective April 24, 2003.

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

No matters were submitted to a vote of the Company's security holders

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during the fourth quarter of the fiscal year ended December 31, 2002.

PART II.

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Market Information

Since February 27, 2001, the common stock of the Company has been traded on the OTC Bulletin Board under the symbol "ATEL." The following table sets forth the range of reported closing bid prices of the Company's common stock during the periods indicated. Such quotations reflect prices between dealers in securities and do not include any retail mark-up, mark-down or commission, and may not necessarily represent actual transactions. Trading in the Company's common stock has been limited and sporadic, and should not be deemed to constitute an "established trading market". The information set forth below reflects the 1-for-8 reverse stock split effective May 29, 1998 and the 5.435034 forward stock split effective October 27, 1999.

| | Low | High |
|--------------------------------------|--------|--------|
| | --- | ---- |
| Fiscal Year Ended December 31, 2001: | | |
| Three months ended | | |
| March 31, 2001 | \$0.20 | \$0.87 |
| June 30, 2001 | 0.07 | 0.28 |
| September 30, 2001 | 0.06 | 0.14 |
| December 31, 2001 | 0.06 | 0.15 |

Fiscal Year Ended December 31, 2002:

Three months ended

| | | |
|--------------------|--------|--------|
| March 31, 2002 | \$0.03 | \$0.11 |
| June 30, 2002 | 0.03 | 0.14 |
| September 30, 2002 | 0.02 | 0.08 |
| December 31, 2002 | 0.02 | 0.08 |

(b) Holders

As of May 16, 2003, the Company had 151 common shareholders of record, excluding shares held in "street name" by brokerage firms and other nominees who hold shares for multiple investors.

(c) Dividends

Holder of common stock are entitled to receive dividends if, as and when declared by the Board of Directors out of funds legally available for distribution, subject to the dividend and liquidation rights of any preferred stock that may be issued and outstanding. The Company has not paid cash dividends on its common stock and has no present intention of paying cash dividends in the foreseeable future. It is the present policy of the Board of Directors to retain all earnings to provide for the future growth and development of the Company's business operations.

(d) Sales of Unregistered Securities

The Company did not issue any securities during the years ended December

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31, 2001 and 2002.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The Company's plan of operation subsequent to the settlement of the AccessTel litigation outlined in Part I, Item 3, is to: (i) consider guidelines of industries in which the Company may have an interest; (ii) adopt a business plan regarding engaging in the business of any selected industry; and (iii) commence such operations through funding and/or the acquisition of a "going concern" engaged in any industry selected.

The financial statements for the years ended December 31, 2001 and 2002, exclude the operations of AccessTel. The balance sheets as of December 31, 2001 and 2002, include the assets and liabilities of Shopss.com, Inc.'s operations and excludes the assets and liabilities of AccessTel's operations due to the impending completion of the rescission litigation.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses, has no operations and has a deficiency in working capital and shareholders' equity at December 31, 2001 and 2002. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company's independent certified public accountants have included a modification paragraph in their report on the Company's financial statements for the year ended December 31, 2002 with respect to this matter.

The Company is currently insolvent and has no business operations. The Company's current efforts are focused on maintaining the corporate entity and pursuing litigation against management. As a result of the matters described herein, the Company may have to file for protection under the United States Bankruptcy Code. Accordingly, there can be no assurances that the Company will be able to continue in existence.

Results of Operations:

During the years ended December 31, 2002 and 2001, the Company incurred general and administrative expenses of \$166,335 and \$257,869, which consisted of legal and accounting expenses of \$52,335 and \$143,869, respectively, and charges by a shareholder for services rendered of \$114,000, and interest expense of \$3,266 and \$1,808, respectively, related to advances by a shareholder to or on behalf of the Company.

Liquidity and Capital Resources December 31, 2002:

Operating Activities -

At December 31, 2002, the Company had no cash resources and a working capital deficit of \$1,425,909, as a result of which the Company was insolvent. The Company utilized \$166,335 of cash in operating activities during the year ended December 31, 2002, as compared to utilizing \$166,736 of cash during the year ended December 31, 2001.

Financing Activities -

During the years ended December 31, 2002 and 2001, a shareholder made advances to or on behalf of the Company aggregating \$52,335 and \$52,736, respectively, pursuant to a line of credit with interest at 1% below the prime rate. These advances have been used to fund general and administrative expenses, consisting primarily of legal and accounting fees. There can be no assurances that the shareholder will continue to make such advances to or on

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behalf of the Company. The Company also incurred fees to the shareholder for services rendered of \$114,000 for the years ended December 31, 2002 and 2001.

ITEM 7. FINANCIAL STATEMENTS

The financial statements are listed at the "Index to Financial Statements" elsewhere in this document.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III.

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The following table and text set forth the names and ages of all directors and executive officers of the Company as of May 16, 2003. The Board of Directors is comprised of only one class. All of the directors will serve until the next annual meeting of stockholders and until their successors are elected and qualified, or until their earlier death, retirement, resignation or removal. Officers are elected at the Annual Meeting of the Board of Directors, which immediately follows the Annual Meeting of Stockholders. There are no family relationships among directors and executive officers. Also provided herein is a brief description of the business experience of each director and executive officer during the past five years and an indication of directorships held by each director in other companies subject to the reporting requirements under the Federal securities laws.

| Name | Age | Positions | Date Appointed |
|------------------|-----|--|----------------|
| ---- | --- | ----- | ----- |
| David C. Merrell | 44 | President, Chief Financial Officer, Secretary and Director | April 24, 2003 |

Lawrence Liang, the Company's Chief Executive Officer, President and director since December 18, 2000, and Stuart Bockler, the Company's Chief Financial Officer, Secretary and director since December 18, 2000, both resigned as officers and directors of the Company effective April 24, 2003 (see "ITEM 3. LEGAL PROCEEDINGS").

Biographies of Directors and Executive Officers:

David C. Merrell, President, Chief Financial Officer, Secretary and Director. Since 1989, Mr. Merrell has been the owner of DCM Finance, a finance company located in Salt Lake City, Utah that makes and brokers real estate loans. Mr. Merrell received his Bachelor of Science Degree in Economics from the University of Utah in 1981. Mr. Merrell previously served as an executive officer and director of the Company from May 18, 1996, until October 27, 1999.

Compliance with Section 16(a) of the Securities Exchange Act of 1934, as Amended:

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers and persons who own more than 10% of a registered class of the Company's equity securities to file various reports with the Securities and Exchange Commission concerning their

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holdings of, and transactions in, securities of the Company. Copies of these filings must be furnished to the Company.

The Company believes that all individual filing requirements applicable to the Company's directors and executive officers were complied with under Section 16(a) during the year ended December 31, 2002.

Involvement in Certain Legal Proceedings Stuart Bockler:

On February 28, 2001, the Securities and Exchange Commission initiated a cease-and-desist proceeding against Stuart Bockler pursuant to Section 8A of the Securities Act of 1933, as amended. Stuart Bockler consented to the entry of an order that he cease-and-desist from committing or causing any violation and any future violation of Section 17(b) of the Securities Act of 1933, as amended (see Securities Act of 1933 Release No. 7956 dated February 28, 2001; Administrative Proceeding File No. 3-10433).

On January 10, 2002, the Securities and Exchange Commission filed a complaint seeking a permanent injunction against Stuart Bockler enjoining him from further violations of Sections 17(a) and 17(b) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and disgorgement (see Litigation Release No. 17300 dated January 10, 2002).

On April 16, 2003, the United States District Court for the Southern District of Florida entered an Order Granting the Securities and Exchange Commission's Motion for Summary Judgment of Permanent Injunction and Other Relief against Defendant Stuart Bockler. The Final Judgment enjoins Stuart Bockler from violating Sections 17(a) and 17(b) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, orders Stuart Bockler to pay disgorgement in the amount of \$174,616.16, with prejudgment interest in the amount of \$7,985.16, and imposes a civil penalty of \$110,000.00 (see Litigation Release No. 18105 dated April 24, 2003).

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth certain information as to the Company's President and Chief Executive Officer and each of the Company's officers whose total compensation exceeded \$100,000 during the years ended December 31, 2000, 2001 and 2002. This information below is presented to the best of the Company's knowledge.

Summary Compensation Table

| Name and Principal Position(s) | Year | Salary | Other Annual Compensation | All Other Compensation |
|---|--------------|--------|---------------------------|------------------------|
| Lawrence Liang Chief Executive Officer and President | 2002 2001 | \$ | \$ | \$ |
| Stuart Bockler Chief Financial Officer and Secretary | 2002 2001 | | | |
| Gerard Conca President | 2000 1999 | 84,000 | | |

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| | |
|------------|------|
| Rami Adler | 2000 |
| President | 1999 |

The Company did not have any deferred compensation or long-term incentive plans during the years ended December 31, 2000, 2001 and 2002, nor did the Company issue any stock options or stock appreciation rights during such periods.

Compensation of Directors:

The Company's directors are not compensated for their services as a member of the Board of Directors or for their serving on any committee of the Board of Directors.

Independent Public Accountants:

Radin, Glass & Co., LLP has served as the Company's independent auditors since 1999. Services provided to the Company by Radin, Glass & Co., LLP during the years ended December 31, 2001 and 2002 included audits of the Company's consolidated financial statements and limited reviews of interim financial statements included in quarterly reports, and an audit of financial statements included in a Current Report on Form 8-K. During the years ended December 31, 2001 and 2002, payments to Radin, Glass & Co., LLP were \$20,500 and \$13,073 for such services.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As used in this section, the term beneficial ownership with respect to a security is defined by Rule 13d-3 under the Securities Exchange Act of 1934, as amended, as consisting of sole or shared voting power (including the power to vote or direct the vote) and/or sole or shared investment power (including the power to dispose of or direct the disposition of) with respect to the security through any contract, arrangement, understanding, relationship or otherwise, subject to community property laws where applicable.

As of May 16, 2003, the Company had a total of 33,354,091 shares of common stock issued and outstanding, which is the only issued and outstanding voting equity security of the Company. The information set forth below reflects the 1-for-8 reverse stock split effective May 29, 1998 and the 5.435034 forward stock split effective October 27, 1999.

The following table sets forth, as of May 16, 2003: (a) the names and addresses of each beneficial owner of more than five percent (5%) of the Company's common stock known to the Company, the number of shares of common stock beneficially owned by each such person, and the percent of the Company's common stock so owned; and (b) the names and addresses of each director and executive officer, the number of shares of common stock beneficially owned, and the percentage of the Company's common stock so owned, by each such person, and by all directors and executive officers of the Company as a group. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of common stock, except as otherwise indicated.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Shares of Common Stock Outstanding |
|--|--|---|
| David C. Merrell 9055 Cobble Canyon Lane Sandy, Utah 84093 | - | - % |

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| | | |
|--|---------------|-------|
| Stuart Bockler 58 Amagansett Drive Morganville, New Jersey 07761 | 5,361,981 (1) | 16.1% |
| Lawrence Liang 1269 Mountain Quail Circle San Jose, California 95120 | 6,799,098 (2) | 20.3% |
| William C. Lee 4435 Deer Ridge Road Danville, California 94506 | 2,184,060 (2) | 6.5% |
| John L. Milling 115 River Road Edgewater, New Jersey 07020 | 1,673,624 (2) | 5.0% |

(1) Barbara Bockler, the former wife of Stuart Bockler, owns 1,500,000 shares of the Company's common stock, as her sole and separate property. Accordingly, these shares are not included in Mr. Bockler's share ownership calculations.

(2) As a result of the legal settlement of the AccessTel litigation in May, 2003, 11,356,782 shares of common stock will be returned to the Company for cancellation, including 6,799,098 shares owned by Lawrence Liang, 2,184,060 shares owned by William C. Lee, 1,673,624 shares owned by John L. Milling, and 700,000 owned by another party once the Motion to Dismiss filed has been recorded by the Court (see "ITEM 3. LEGAL PROCEEDINGS").

Changes in Control:

As a result of the settlement of the litigation described at "ITEM 3. LEGAL PROCEEDINGS", there was a change in control of the Company. The Company is otherwise unaware of any contract or other arrangement, the operation of which may at a subsequent date result in a change in control of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits:

A list of exhibits required to be filed as part of this report is set forth in the Index to Exhibits, which immediately precedes such exhibits, and is incorporated herein by reference.

Reports on Form 8-K:

The Company did not file any Current Reports on Form 8-K during or related to the three months ended December 31, 2002.

ITEM 14. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under

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the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Within the 90 days prior to the filing of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports the Company files and submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported as and when required.

(b) Changes in Internal Controls

There were no changes in the Company's internal controls or in other factors that could have significantly affected those controls subsequent to the date of the Company's most recent evaluation.

SIGNATURES

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

ACCESSTEL, INC.

(Registrant)

Date: May 21, 2003

By: /s/ Leonard W. Burningham, Esq.

Leonard W. Burningham, Receiver

CERTIFICATION

I, Leonard W. Burningham, Esq., Receiver, certify that:

1. I have reviewed this Annual Report on Form 10-KSB of AccessTel, Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report.
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and I have:

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a. designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this Annual Report is being prepared;

b. evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and

c. presented in this Annual Report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. I have disclosed, based on my most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. I have indicated in this Annual Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 21, 2003

By: /s/ Leonard W. Burningham, Esq.

Leonard W. Burningham, Receiver

ACCESSTEL, INC.

INDEX TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

Independent Auditors' Report Radin, Glass & Co., LLP

Financial Statements:

Balance Sheets December 31, 2002 and 2001

Statements of Operations Years Ended December 31, 2002 and 2001

Statements of Cash Flows Years Ended December 31, 2002 and 2001

Statements of Stockholders' Deficiency Years Ended December 31, 2002 and 2001

Notes to Financial Statements Years Ended December 31, 2002 and 2001

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INDEPENDENT AUDITORS' REPORT

Shareholders and Directors
AccessTel, Inc.

We have audited the accompanying balance sheets of AccessTel, Inc. as of December 31, 2002 and 2001, and the related statements of operations, shareholders' deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AccessTel, Inc. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered from recurring losses from operations, including net losses of \$169,601 and \$259,677 for the years ended December 31, 2002 and 2001, respectively, and had a deficit in working capital and a deficiency in stockholders' equity as of December 31, 2002. These factors raise substantial doubt the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On May 1, 2001, the Company was sued by the former shareholders of Shopss.com, Inc., which had been merged with the Company on December 18, 2000 as described at Note 1. The complaint alleged that AccessTel, Inc. and its former shareholders made false representations, inducing Shopss.com, Inc. to enter into the merger. The complaint demanded rescission. On May 3, 2001, the Court issued an order appointing a receiver for the Company to perform certain duties. This litigation was resolved during May 2003. The financial statements as of December 31, 2002 and 2001 and for the years then ended include the assets and liabilities of Shopss.com, Inc.'s operations and exclude the assets and liabilities of AccessTel, Inc.'s operations due to the rescission litigation.

Radin, Glass & Co., LLP
Certified Public Accountants

New York, New York
May 20, 2003

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ACCESSTEL, INC.
BALANCE SHEETS
DECEMBER 31, 2002 AND 2001

| | 2002 ---- | 2001 ---- |
|---|--------------|--------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ - | \$ - |
| | ----- | ----- |
| Total current assets | - | - |
| | ----- | ----- |
| Property and equipment | - | - |
| Less: accumulated depreciation | - | - |
| | ----- | ----- |
| | - | - |
| | ----- | ----- |
| Deposits | - | - |
| | ----- | ----- |
| Total assets | \$ - | \$ - |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' DEFICIENCY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$1,087,764 | \$1,087,764 |
| Due to stockholder | 333,071 | 166,736 |
| Accrued interest payable | 5,074 | 1,808 |
| | ----- | ----- |
| Total current liabilities | 1,425,909 | 1,256,308 |
| | ----- | ----- |
| Stockholders' deficiency: | | |
| Preferred stock, \$1.00 par value; authorized 20,000,000 shares; issued and outstanding none | - | - |
| Common stock, \$0.001 par value; authorized 100,000,000 shares; issued and outstanding 33,354,091 shares | 33,354 | 33,354 |
| Additional paid-in capital | 325,091 | 325,091 |
| Accumulated deficit | (1,784,354) | (1,614,753) |
| | ----- | ----- |
| Total stockholders' deficiency | (1,425,909) | (1,256,308) |
| | ----- | ----- |
| Total liabilities and stockholders' | | |

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| | | |
|------------|---------------|---------------|
| deficiency | \$ - ===== | \$ - ===== |
|------------|---------------|---------------|

See accompanying notes to financial statements.

ACCESSTEL, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2002 AND 2001

| | 2002 ---- | 2001 ---- |
|--|-----------------------|-----------------------|
| Revenues | \$ - | \$ - |
| Cost of revenues | - | - |
| Gross profit | - | - |
| General and administrative expenses | 166,335 | 257,869 |
| Interest expense | 3,266 | 1,808 |
| Net loss | \$ (169,601) ===== | \$ (259,667) ===== |
| Net loss per common share (basic and diluted) | \$ (0.01) ===== | \$ (0.01) ===== |
| Weighted average common shares outstanding (basic and diluted) | 33,354,091 ===== | 33,354,091 ===== |

See accompanying notes to financial statements.

ACCESSTEL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002 AND 2001

| | 2002 ---- | 2001 ---- |
|---|--------------|--------------|
| Cash flows from operating activities: | | |
| Net loss | \$ (169,601) | \$ (259,677) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Changes in operating assets and liabilities: | | |

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| | | |
|---|-----------|-----------|
| Increase in: | | |
| Accounts payable and accrued expenses | - | 91,133 |
| Accrued interest payable | 3,266 | 1,808 |
| | ----- | ----- |
| Net cash used in operating activities | (166,335) | (166,736) |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Increase in due to shareholder | 166,335 | 166,736 |
| | ----- | ----- |
| Net cash provided by financing activities | 166,335 | 166,736 |
| | ----- | ----- |
| Cash and cash equivalents: | | |
| Net increase (decrease) | - | - |
| At beginning of period | - | - |
| | ----- | ----- |
| At end of period | \$ - | \$ - |
| | ===== | ===== |

Supplemental Disclosures of Cash Flow Information:

| | | |
|---------------|---|---|
| Interest paid | - | - |
| Taxes paid | - | - |

See accompanying notes to financial statements.

ACCESSTEL, INC.
STATEMENT OF STOCKHOLDERS' DEFICIENCY
YEARS ENDED DECEMBER 31, 2002 AND 2001

| Stockholders' Deficiency | Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Total |
|--------------------------------------|-----------------|--------|--------------|----------|----------------------------|---------------------|-------|
| | Shares | Amount | Shares | Amount | | | |
| Balance, December 31, 2000 (562,187) | - | - | 33,354,091 | \$33,354 | \$ 759,535 | \$(1,355,076) | \$ |
| Effect of rescission (434,444) | - | - | - | - | (434,444) | - | |

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| | | | | | | |
|---|---|---|------------|----------|------------|---------------|
| Net loss for the year (259,677) | - | - | - | - | - | (259,677) |
| ----- | | | | | | |
| Balance, December 31, 2001 (1,256,308) | - | - | 33,354,091 | 33,354 | 325,091 | (1,614,753) |
| Net loss for the year (169,601) | - | - | - | - | - | (169,601) |
| ----- | | | | | | |
| Balance, December 31, 2002 \$(1,425,909) | - | - | 33,354,091 | \$33,354 | \$ 325,091 | \$(1,784,354) |
| ===== | | | | | | |
| ===== | | | | | | |

See accompanying notes to financial statements.

ACCESSTEL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

1. Business

Shopss.com, Inc., a Utah corporation, changed its name to AccessTel, Inc. (the "Company") effective February 16, 2001, in conjunction with the acquisition of AccessTel, Inc., a Delaware corporation ("AccessTel"), in a reverse merger transaction effective December 18, 2000.

Effective December 18, 2000, the Company entered into a Share Exchange Agreement with AccessTel and the shareholders of AccessTel pursuant to which the Company acquired all of the shares of AccessTel in exchange for 22,418,980 shares of common stock, which represented 80% of the issued and outstanding shares of common stock of the Company after giving effect to the transaction. An additional 13,681,560 shares of common stock were reserved for issuance under the Company's stock option plan. At the closing of this transaction, the existing officers and directors of the Company resigned, and new officers and directors were appointed.

Litigation to rescind this transaction was subsequently commenced on May 1, 2001, and a receiver was appointed on May 3, 2001.

The information contained herein is based on the information available to the receiver, but due to the commencement of litigation and the appointment of a receiver, such information may not be complete or accurate. Information provided herein is given to the best knowledge of the receiver, and where it is indicated herein that "management believes" or similar references to management's knowledge, this information is provided to the best knowledge of the receiver, and not management.

The financial statements for the years ended December 31, 2001 and 2002 exclude the operations of AccessTel. The balance sheets as of December 31, 2001 and 2002 include the assets and liabilities of Shopss.com, Inc.'s

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operations and excludes the assets and liabilities of AccessTel's operations due to the rescission litigation.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses, has no operations and has a deficiency in working capital and shareholders' equity at December 31, 2001 and 2002. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company's independent certified public accountants have included a modification paragraph in their report on the Company's financial statements for the year ended December 31, 2002 with respect to this matter.

The Company is currently insolvent and has no business operations. The Company's current efforts are focused on maintaining the corporate entity and pursuing litigation against management. As a result of the matters described herein, the Company may have to file for protection under the United States Bankruptcy Code. Accordingly, there can be no assurances that the Company will be able to continue in existence.

2. Summary of Significant Accounting Principles

Cash and Cash Equivalents

The Company classifies highly liquid temporary investments with an original maturity of three months or less when purchased as cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Maintenance and repairs are charged to expenses as incurred. Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method.

Fair Value of Financial Instruments

The carrying amounts reported in the balance sheet for cash, receivables, and accrued expenses approximate fair value based on the short-term maturity of these instruments.

Stock-Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation", establishes a fair value method of accounting for stock-based compensation plans and for transactions in which an entity acquires goods or services from non-employees in exchange for equity instruments. SFAS No. 123 also encourages, but does not require, companies to record compensation cost for stock-based employee compensation. The Company has chosen to continue to account for stock-based compensation utilizing the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", with pro forma disclosures of net income (loss) as if the fair value method had been applied. Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair market price of the Company's common stock at the date of grant over the amount an employee must pay to acquire the stock.

Comprehensive Income

The Company has adopted SFAS No. 130, "Reporting Comprehensive Income", which establishes standards for reporting and display of comprehensive income, its

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components and accumulated balances. Comprehensive income is defined to include all changes in equity during a period from non-owner sources. Comprehensive income (loss) equaled net income (loss) for the years ended December 31, 2002 and 2001.

Income Taxes

The Company utilizes the liability method of accounting for income taxes as set forth in SFAS No. 109, "Accounting for Income Taxes." Under the liability method, deferred taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. As of December 31, 2002, the Company had federal net operating loss carryforwards of approximately \$1,200,000, which expire beginning in 2020. A 100% valuation allowance has been provided with respect to the deferred tax assets as the Company cannot determine that it is more likely than not that it will be able to realize the deferred tax assets.

Due to restrictions imposed by the Internal Revenue Code regarding substantial changes in ownership of companies with loss carryforwards, the utilization of the Company's federal net operating loss carryforwards will be limited as a result of changes in the Company's stock ownership in prior years.

Loss Per Share

The Company has adopted SFAS No. 128, "Earnings Per Share". SFAS No. 128 provides for the calculation of basic and diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution relating to outstanding stock options, warrants and convertible debt. The loss per common share does not include the exercise of outstanding stock options and warrants, since their effect would be anti-dilutive.

Accounting for Long-Lived Assets

SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", establishes guidelines regarding when impairment losses on long-lived assets, which include plant and equipment and certain identifiable intangible assets, should be recognized and how impairment losses should be measured. The Company periodically reviews such assets for impairment whenever circumstances and situations indicate that the carrying amounts may not be recoverable, and records any such losses in the period in which such determination is made.

Accounting Estimates and Assumptions

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

3. Transactions with Shareholder

During the years ended December 31, 2002 and 2001, pursuant to a line of credit with interest at 1% below the prime rate, a shareholder made advances to or on behalf of the Company aggregating \$23,063 and \$52,736, respectively. Related interest expense recorded during the years ended December 31, 2002 and

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2001 was \$3,266 and \$1,808, respectively. These advances have been used to fund general and administrative expenses, consisting primarily of legal and accounting fees. There can be no assurances that the shareholder will continue to make such advances to or on behalf of the Company. The Company also incurred fees to the shareholder for services rendered of \$114,000 for the years ended December 31, 2002 and 2001.

4. Stockholders' Deficiency

On January 16, 2001, the Board of Directors of the Company unanimously adopted and a majority of the shareholders approved a stock option plan that provides for the issuance of up to 20,000,000 shares of common stock of the Company.

On January 24, 2001, the Board of Directors of the Company unanimously adopted and a majority of the shareholders approved an amendment to the Articles of Incorporation to increase the total authorized number of shares of capital stock from 50,000,000 to 120,000,000, of which 100,000,000 shares are common stock and 20,000,000 shares are preferred stock.

On February 16, 2001, the Company filed Articles of Amendment to its Articles of Incorporation with the State of Utah to change the name of the Company from Shopss.com, Inc. to AccessTel, Inc., and to increase the Company's equity capitalization to 100,000,000 shares of common stock and 20,000,000 shares of preferred stock.

5. Legal Proceedings

On May 1, 2001, Reed & Wangsgard, L.C. (formerly Droz, Reed & Wangsgard, L.C.) filed suit in the Third Judicial District Court of Salt Lake County, State of Utah (the "Court"), Civil No. 010903821 (the "Action"), to assert claims, on behalf of its clients, prior management of the Company, against AccessTel and the original shareholders of AccessTel. The complaint in the Action demands rescission of the Share Exchange Agreement, and alleges that the Company was induced to enter into the Share Exchange Agreement through a series of false representations made by AccessTel and its shareholders. The complaint also includes alternative causes of actions for fraud, conversion, injunctive relief, and the issuance of a Writ of Replevin.

On May 3, 2001, pursuant to the motion of Reed & Wangsgard, L.C., the Honorable Raymond Uno, Judge of the Court, issued an Order appointing Leonard W. Burningham, Esq., a member of the Utah State Bar, as receiver for the Company. Pursuant to such Order, the receiver is authorized to prepare and file reports with the Securities and Exchange Commission.

On May 16, 2001, pursuant to the motion of Reed & Wangsgard, L.C., the Honorable L.A. Dever, Judge of the Court, issued a Temporary Restraining Order prohibiting the transfer of any shares of common stock issued by AccessTel and/or Shopss.com, Inc. which were issued in the name of any defendant (other than the transfer agent) or held for the benefit of any such defendant.

On May 27, 2001, pursuant to the motion of Reed & Wangsgard, L.C., the Honorable L.A. Dever, Judge of the Court, issued a Preliminary Injunction enjoining Atlas Stock Transfer Company from registering the transfer of, or reissuing, any shares of common stock issued by the Company and/or Shopss.com, Inc. which were issued in the name of any defendant (other than Atlas Stock Transfer Company) or are held for the benefit of any defendant to the suit.

On January 17, 2002, Reed & Wangsgard, L.C. received written confirmation from an agent of the Board of Directors of the Company that said Board of Directors have come to a unanimous decision to settle the claim for rescission of the

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Share Exchange Agreement by rescinding the Share Exchange Agreement. However, the Board of Directors of the Company failed and/or refused to follow through with their agreement to rescind the Share Exchange Agreement. As a result, Reed & Wangsgard, L.C. filed a Motion to Enforce Settlement with respect to the agreement to rescind the Share Exchange Agreement.

During February 2002, pursuant to the motion of counsel for AccessTel and the original shareholders of AccessTel, the Honorable L.A. Dever, Judge of the Court, issued an order limiting the Court's jurisdiction over certain of the defendants to the Action. As a result, the Court continued to have jurisdiction over the corporate defendants and through it, plaintiffs may assert claims arising from the allegedly wrongful conduct of current management.

6. New Accounting Pronouncements

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 addresses the diverse accounting practices for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company will be required to adopt SFAS No. 143 effective January 1, 2003. The Company does not expect that the adoption of SFAS No. 143 will have a significant effect on the Company's financial statement presentation or disclosures.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Such costs covered by SFAS No. 146 include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS No. 146 replaces the previous accounting guidance provided by the EITF No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company does not anticipate that the adoption of SFAS No. 146 will have a significant impact on the Company's financial statement presentation or disclosures.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN No. 45 clarifies disclosures that are required to be made for certain guarantees and establishes a requirement to record a liability at fair value for certain guarantees at the time of the guarantee's issuance. The disclosure requirements of FIN No. 45 have been applied in the Company's financial statements at December 31, 2002. The requirement to record a liability applies to guarantees issued or modified after December 31, 2002. The Company will adopt the measurement and recording provisions of FIN No. 45 prospectively beginning January 1, 2003.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB 51". FIN No. 46 requires that the primary beneficiary in a variable interest entity consolidate the entity even if the primary beneficiary does not have a majority voting interest. The consolidation requirements of FIN No. 46 are required to be implemented for any variable interest entity created on or after January 31, 2003. In addition, FIN No. 46 requires disclosure of information regarding guarantees or exposures to loss relating to any variable interest entity existing prior to January 31, 2003 in financial statements issued after January 31, 2003. FIN No. 46 is effective for the Company on January 31, 2003, and is not expected to have a significant impact on the Company's financial statement

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presentation or disclosures.

In April 2003, the FASB issued Statements of Financial Accounting Standards No. 149 ("SFAS No. 149"), an amendment to SFAS No. 133. SFAS No. 149 clarifies under what circumstances a contract with initial investments meets the characteristics of a derivative and when a derivative contains a financing component. This SFAS is effective for contracts entered into or modified after June 30, 2003.

7. SUBSEQUENT EVENTS-UNAUDITED

On May 1, 2003, a settlement was reached between the remaining parties to the Action. The material terms of the settlement include the requirement that the corporate defendants surrender all right, title and interest in and to those shares of common stock of the Company issued to them pursuant to the Exchange Agreement, and that all members of management of the Company that had been designated to serve as directors and executive officers of the Company at the closing of the Exchange Agreement resign from their respective management positions. As a result of the settlement, on May 6, 2003, prior management of the Company that had filed the complaint, caused to be filed with the Court a Motion to Dismiss the complaint. Subject to the granting of the Motion to Dismiss the complaint, of the 16,718,763 shares issued to the corporate defendants, 11,356,782 of the surrendered shares have been delivered to counsel for prior management of the Company and will be duly canceled and returned to the authorized but unissued common stock of the Company, and 5,361,981 shares will be transferred to a private third party unrelated to the AccessTel parties pursuant to a confidential settlement of a separate legal action involving a legal debt owed by one of the AccessTel parties to the private third party. The current officers and directors of the Company resigned, and David C. Merrell, a former director and executive officer of the Company, was appointed as an interim officer and director of the Company.

Lawrence Liang, the Company's Chief Executive Officer, President and a director, and Stuart Bockler, the Company's Chief Financial Officer, Secretary and a director as of December 31, 2002, were named as defendants in the Complaint, and resigned as officers and directors of the Company effective April 24, 2003.

As a result of this settlement, the Company will record the cancellation of 11,356,782 shares of common stock during May 2003. As the settlement did not result in the Company gaining control of the assets or operations of AccessTel, the Company will not reflect such assets or operations in its financial statements subsequent to the settlement date.

The Company has also been sued by several creditors for non-payment of debts, and judgments have been entered for the payment of such debts, plus interest and legal fees, in some cases.

INDEX TO EXHIBITS

| Exhibit Number | Description of Document |
|-------------------|---|
| ----- | ----- |
| 3.1 | Articles of Amendment to the Company's Articles of Incorporation, increasing the total authorized number of shares of capital stock from 50,000,000 to 120,000,000, of which 100,000,000 shares are |

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common stock and 20,000,000 shares are preferred stock, and changing the Company's name to AccessTel, Inc., as filed with the State of Utah on February 16, 2001. (1)

99.1 Motion to Dismiss dated May 6, 2003. (2)

99.2 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (3)

(1) Previously filed as an Exhibit to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001, and incorporated herein by reference.

(2) Previously filed as an Exhibit to the Company's Current Report on Form 8-K dated May 6, 2003, filed on May 12, 2003, and incorporated herein by reference.

(3) Filed herein.