ADOBE SYSTEMS INC
Form 4
January 28, 2015

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
GARRETT MARK

(Last) (First) (Middle)

ADOBE SYSTEMS INCORPORATED, 345 PARK AVENUE

(Street)

SAN JOSE, CA 95110

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ADOBE SYSTEMS INC [ADBE]

3. Date of Earliest Transaction (Month/Day/Year)
01/24/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP, CFO & Asst. Secretary

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	01/24/2015		M		24,166	A	$ 0	24,166	D	
Common Stock	01/24/2015		F		11,732 (1)	D	$ 74.06	12,434	D	
Common Stock	01/24/2015		M		15,625	A	$ 0	28,059	D	
Common Stock	01/24/2015		F		8,153 (2)	D	$ 74.06	19,906	D	
Common Stock	01/24/2015		M		7,500	A	$ 0	27,406	D	

Common Stock	01/24/2015		F		2,883 (2)	D	$ 74.06	24,523	D	
Common Stock	01/24/2015		M		17,500	A	$ 0	42,023	D	
Common Stock	01/24/2015		F		9,131 (2)	D	$ 74.06	32,892	D	
Common Stock	01/24/2015		M		11,967	A	$ 0	44,859	D	
Common Stock	01/24/2015		F		6,244 (2)	D	$ 74.06	38,615	D	
Common Stock								50,000	I	by trust (3)
Common Stock								107	I	by trust (4)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amour Underlying Securit (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amo or Num of Sh
Performance Shares	$ 0	01/24/2015		M			24,166	(5)	(5)	Common Stock	24,
Restricted Stock Units	$ 0	01/24/2015		M			15,625	(6)	(6)	Common Stock	15,6
Restricted Stock Units	$ 0	01/24/2015		M			7,500	(7)	(7)	Common Stock	7,5
Restricted Stock Units	$ 0	01/24/2015		M			17,500	(8)	(8)	Common Stock	17,5
Restricted Stock Units	$ 0	01/24/2015		M			11,967	(9)	(9)	Common Stock	11,9
Performance Shares	$ 0	01/26/2015		A	V	68,800 (10)		(11)	(11)	Common Stock	68,8

Restricted Stock Units	$ 0	01/26/2015		A	34,400	(12)	(12)	Common Stock	34,4

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GARRETT MARK ADOBE SYSTEMS INCORPORATED 345 PARK AVENUE SAN JOSE, CA 95110			EVP, CFO & Asst. Secretary	

Signatures

/s/ Jonathan Vaas, as attorney-in-fact	01/28/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares surrendered to pay tax liability due at vesting of Performance Shares.

(2) Shares surrendered to pay tax liability due at vesting of Restricted Stock Units.

(3) Shares held by the Garrett Living Trust, dtd 11/15/91 of which reporting person is a trustee.

(4) Shares held by the Garrett Family Investment Partnership LP.

(5) Represents the number of shares acquired upon vesting of 1/3 of the Performance Shares earned by the participant in connection with the Performance Share award filed January 26, 2012. The participant earned 116% of the target award based on the achievement of certain pre-established performance goals during the 2012 fiscal year. This Performance Share award vested in full on the third anniversary of the January 24, 2012 grant date.

(6) RSU award granted on January 24, 2012 vests at a rate of 25% annually on the first, second, third and fourth anniversaries of the grant date. The remaining units will vest on January 24, 2016 as to the remaining 15,625 shares.

(7) RSU award granted on January 24, 2011 vests at a rate of 25% annually on the first, second, third and fourth anniversaries of the grant date. This Restricted Stock Unit award vested in full on January 24, 2015.

(8) Vests at a rate of 50% annually on the first and second anniversaries of the January 24, 2013 grant date. This Restricted Stock Unit award vested in full on January 24, 2015.

(9) RSU award granted on January 24, 2014 vests at a rate of 1/3 annually on the first, second and third anniversaries of the grant date. The remaining units will vest on January 24, 2016 as to 11,967 shares and January 24, 2017 as to the remaining 11,966 shares.

(10) Represents the maximum number of Performance Shares that will be earned, if at all, based on the achievement of a pre-established performance goal during the three-year performance period. Each Performance Share represents a contingent right to receive one share of ADBE common stock. The maximum number represents 200% of the target payout of 34,400 shares.

(11) The Performance Shares will vest in full upon the certification of performance goal achievement on or after January 24, 2018, if the performance goal is achieved and the holder continues to provide services to the Company on such date.

(12) Vests 1/3 on each of January 24, 2016, January 24, 2017 and January 24, 2018.

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55,000
6,469
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63,623
250,000
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200
-25,000
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10,000

Keith Boyd(2)
Art Beroff(2)(5)
Gene Boyd(2)
Phillip W. Loveless(3)(4)(5)
Ailbe Allen(2)(3)
Mariantonietta Denti(2)
Robert Bramlett(4)
William Wetzel(3)
Art Beroff(2)(5)
Ailbe Allen(2)
Mariantonietta Denti(2)
Marcia Hein(2)
Ailbe Allen(2)(3)
Mariantonietta Denti(2)
Keith Boyd(2)
Beth Halek(3)
Robert Bramlett(4)(5)
Joseph Johnston(2)(5)
Gene Boyd(2)
Gene Boyd(2)
Jerry D. Nance(4)
Stephen K Nance(4)
Jerry Kregg Nance(4)
Ailbe Allen(2)(5)
Neil Havmes(2)(4)
Wade E. Hughes(2)(3)
Zachary A. Miller(2)(4)
Zachary A. Miller(4)
Neil A. Haymes(2)(4)
Steve K. Russell(2)(4)
Jon Flake Barnes(2)(4)
David Little(2)(4)
Betty S. Boyd(2)
West(4)
David Helmers(2)(3)

10,000
5,000
26,125
5,000
10,000
6
125,000
6,250
5,000
10,000
6
1
3
6

Explanation of Responses:

25,000
2,000
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1,400
9,000
10,000
5,000
100
100
-10,000
2,500
1,000
1,250
1,250
2,500
2,500
2,500
2,500
3,000
22,500
5,000

CEO Services. Director of the issuer.
Introduction of SOFS to Levgum
Interest Payment for Loan. Director of the issuer.
Cash. Merger with Kilkenny.
Cash
Merger with Kilkenny.
Cash
Cash
Softstone/Levgum Negotiations
Incorrectly Issued
Merger with Kilkenny.
Merger with Kilkenny.
Merger with Kilkenny.
Merger with Kilkenny.
CEO Services. Director of the issuer.
Cash
Loan Incentive(2)
Consulting Services regarding Merger with Kilkenny.
Loan Incentive. Director of the issuer.
Loan Incentive. Director of the issuer.
Cash
Adjustment
Cash
Adjustment
Cash
Cash
Cash
Cash
Cash

Loan Incentive. Director of the Issuer.
Cash
Cash
Cash
07/01/02
1,000

Alan Burris[2][4]
330

Cash
07/01/02
1,000

Freeman Loughridge[2][4]
330

Cash
07/02/02
1,000

Eric Swenson[2][4]
330

Cash
07/09/02
1,500

Caitlin Adams[2][4]
495

Cash
07/09/02
1,500

Kathleen Hattensty[2][4]
495

Cash

05/14/03	240,000	Marvin Templer[2][3][5]	24,000	Cash
05/14/03	5,000	Donald Gray[2][4]	500	Cash
05/14/03	10,000	Kenneth Hendrick[2][3]	1,000	Cash
05/14/03	150,000	Danilo Cacciamatta[2][5]	10,000	Loan Repayment
05/14/03	150,000	Gary Bryant[2][5]	10,000	Loan Repayment

Explanation of Responses:

05/14/03	25,000	John Melton(2)(5)	2,500	Cash
08/04/03	344	Issued for cash included in a prior period(2)(4)	2,515	Cash
08/04/03	1,147	Issued as a loan incentive included in a prior period(2)(4)	2,000	Loan Incentive
08/04/03	6,879	Issued to settle various accounts payable(2)(4)	40,519	Accounts Payable
08/04/03	1,988	Issued to settle various claims for compensation for services(2)(4)	14,145	Services
08/04/03	229	Issued to extinguish interest owed on loans payable(2)	1,024	Interest Payment
08/04/03	239,273	Issued to Boyd family for their assumption of company debt(2)(3)	1,409,318	Extinguish Debt

(1) Left blank purposely.

(2) Sold in an offering exempt from registration pursuant to the provisions of Regulation D, Rule 506. All purchasers in the above list were either "accredited investors" or, if not, did not exceed 35 in number and were provided with offering materials that met the requirements of a Form SB-2 offering circular. All purchasers were provided with an opportunity to ask questions of management before making their investment decisions. No public solicitation or public advertising was used in connection with the sales.

(3) A family member of a Board Member.

(4) A close friend of a Board Member.

(5) Already a shareholder of the company when this purchase was made.

Item 6. Management s Discussion and Analysis.

The following discussion and analysis should be read in conjunction with the financial statements and the accompanying notes thereto and is qualified in its entirety by the foregoing and by more detailed financial information appearing elsewhere. See "Financial Statements."

Results of Operations - Fiscal Years Ended June 30, 2003 and June 30, 2004

The following table presents, as a percentage of sales, certain selected financial data for each of fiscal years ended June 30, 2003 and June 30, 2004:

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	Fiscal Year Ended 06-30-2003	Fiscal Year Ended 06-30-2004
Sales	100%	100%
Operating expenses	509%	604%
Income (loss) from operations	(409)%	(504)%
Other expenses	64%	(1,662)%

Net income (loss)		(474)%		(2,166)%
Net loss per share[1]	$	(1.59)	$	(0.89)

(1) Based on each 21.8045 shares outstanding on August 14, 2003 being consolidated to one share.

Sales

Sales of $110,079 for fiscal year 2003 decreased by $86,804, or 79 percent, to sales of $23,275 in fiscal 2004. The decrease is due to our abandonment of all activities as a going concern.

Operating expenses

Operating expenses decreased to $140,644 in fiscal 2004 from $560,795 in fiscal 2003. This 25 percent decrease is attributed primarily to our decision to discontinue our module manufacturing operations in Ardmore, storing the Parker System at a rent free facility, and our President providing our office rent free at our current address, 111 Hilltop Lane, Pottsboro, Texas.

Net income (loss)

Our net loss of $504,292 in fiscal 2004 compares to our net loss of $521,439 in fiscal 2003. This loss is attributable to our abandonment in FY 2004 of all active business pursuits.

Balance sheet items

Current assets consist of $84 in cash and cash equivalents on June 30, 2004. Our liabilities of $68,406 include $58,563 owed to our securities law counsel and other professional fees of $9,843.

Liquidity and Capital Resources

During the fiscal year ended June 30, 2004, we incurred a loss of $504,190 in the liquidation of debts by the issuance of stock.

Outlook

We have been unable to raise funds for the renovation of our tire shredder and the purchase of equipment that produces wire-free chips from shredded tires. We were able, however, to raise $250,000 from the Boyds to acquire the exclusive license from Levgum for the Western Hemisphere rights to its devulcanization technology. We shifted our business emphasis to exploiting such license and to brokering the sale of crumb rubber manufactured by other manufacturers. We have not been able to achieve any significant success and have determined that it is in the best interests of our shareholders to reorganize our company in accordance with the reorganization agreement with TS Electronics (China) described herein.

Off-Balance Sheet Arrangements

Our company has not entered into any transaction, agreement or other contractual arrangement with an entity unconsolidated with us under which we have

- an obligation under a guarantee contract,
- a retained or contingent interest in assets transferred to the unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets,
- any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument, or
- any obligation, including a contingent obligation, arising out of a variable interest in an unconsolidated entity that is held by us and material to us where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with us.

Item 7. Financial Statements.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
TS Electronics, Inc. (formerly, Softstone, Inc.)

We have audited the accompanying balance sheet of TS Electronics, Inc. (formerly, Softstone, Inc.) as of June 30, 2004 and the related statements of operations, stockholders deficit and cash flows for the year 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (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 TS Electronics, Inc. as of June 30, 2004 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company had accumulated deficit of $3,834,281 through June 30, 2004 and negative working capital of $68,322 at June 30, 2004. These factors, as discussed in Note 7 to the financial statements, raise substantial doubt about the Company s ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Evans, Gaither & Associates PLLC

Evans, Gaither & Associates PLLC
October 7, 2004
Oklahoma City, Oklahoma

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TS Electronics, Inc.
(Formerly, Softstone, Inc.)
Balance Sheet

		June 30, 2004
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	84
Total Current Assets		84
Total Assets	$	84
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$	68,406

Total Current Liabilities		68,406
Total Liabilities		68,406
STOCKHOLDERS' DEFICIT		
Common stock - $.001 Par Value; 30,000,000 shares authorized; 600,015 shares issued and outstanding		600
Shares To Be Issued		2,000
Additional Paid in Capital		3,763,359
Deficit Accumulated		(3,834,281)
Total Stockholders' Deficit		(68,322)
Total Liabilities and Stockholders' Deficit	$	84

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

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TS Electronics, Inc.
(Formerly, Softstone, Inc.)
Statements of Operations
For the Years Ended June 30, 2004 and 2003

		Year Ended June 30,		
		2004		2003 (Restated)
REVENUES	$	23,275	$	110,079
EXPENSES				
Impairment of Property & Equipment		-		295,074
Cost of Goods Sold		47,681		-
General and Administrative Expenses		92,963		265,721
Total Expenses		140,644		560,795
Loss from Operations	$	(117,369)	$	(450,716)
OTHER INCOME AND (EXPENSES)				
Miscellaneous Income		2,500		159
Loss on Disposal of Assets and Liabilities		(504,190)		(17,741)
Interest Expense		(5,595)		(46,191)
Gain (Loss) on Settlement of Debt		120,362		(6,950)
Total Other (Income) and Expenses		(386,923)		(70,723)

Net Income (Loss)	$	(504,292)	$	(521,439)
Earnings (Loss) Per Common Share, Basic and Diluted	$	(0.89)	$	(1.59)
Weighted Average common Shares Outstanding		565,450		326,941

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

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TS Electronics, Inc. (Formally Softstone, Inc.)
Statements of Changes in Stockholders' Deficit
For the Years Ended June 30, 2004 and 2003 (Restated)

	Common Stock		Additional Paid-In	Shares To Be	Deficit	Total Stockholders'
	Shares	Amount	Capital	Issued	Accumulated	Deficit
Balance - June 30, 2002	322,959	$ 7,042	$ 2,232,162	$ 2,999	$ (2,808,550)	$ (566,347)
Reverse stock split 21.8045:1 on August 14, 2003	-	(7,288)	7,288	-	-	-
Shares issued for Cash	12,841	280	35,955	-	-	36,235
Stock issued for settlement of notes payable	13,759	300	17,700	-	-	18,000
344 Shares of common stock to be issued for cash	-	-	-	2,515	-	2,515
Shares issued for cash included in the prior period	138	3	996	(999)	-	-
Adjustment to share price	458	13	(13)	-	-	-

1,147 Shares of common stock to be issued for loan incentive	-	-	-	2,000	-	2,000
Net loss	-	-	-	-	(521,439)	(521,439)
Balance - June 30, 2003	350,155	350	2,294,088	6,515	(3,329,989)	(1,029,036)
Shares issued for cash included in the prior period	344	1	2,514	(2,515)	-	-
Shares issued for settlement of related party accounts payable	6,879	7	40,512	-	-	40,519
Shares issued for services	1,988	2	14,143	-	-	14,145
Shares issued for interest	229	-	1,024	-	-	1,024
Shares issued for loan incentive included in prior period	1,147	1	1,999	(2,000)	-	-
Stock issued for the disposal of assets and liabilities	239,273	239	1,409,079	-	-	1,409,318
Net loss	-	-	-	-	(504,292)	(504,292)
Balance - June 30, 2004	600,015	$ 600	$ 3,763,359	$ 2,000	$ (3,834,281)	$ (68,322)

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

TS Electronics, Inc.

(Formerly, Softstone, Inc.)
Statements of Cash Flows
For the Years Ended June 30, 2004 and 2003

		2004		(Restated) 2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Loss	$	(504,292)	$	(521,439)
Adjustments to Reconcile Net Income to Net Cash Flows used in Operating Activities:				
Depreciation and amortization		-		67,271
Loss on sale of assets		504,190		17,741
Issuance of common stock for services		14,145		-
Shares to be issued for loan incentive		-		2,000
(Gain) Loss on settlement of debt		(120,362)		6,950
Impairment of assets		-		295,074
Decrease (Increase) of accounts receivable		-		818
Increase (decrease) of accounts payable & accrued expenses		70,507		38,459
Total Adjustments		468,480		428,313
Net Cash Flows used in Operating Activities		(35,812)		(93,126)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of assets		2,500		32,576
Net Cash Flows provided by Investing Activities		2,500		32,576
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on loans and debts		(3,804)		-
Proceeds from borrowing		35,411		22,336
Receipt of cash for stock to be issued		-		2,515
Cash received for issuance of common stock		-		36,235
Net Cash Flows provided by Financing Activities		31,607		61,086
Net Increase (Decrease) in Cash and Cash Equivalents		(1,705)		536
Cash and Cash Equivalents at Beginning of Period		1,789		1,253
Cash and Cash Equivalents at End of Period	$	84	$	1,789
<u>SUPPLEMENTAL CASH FLOW INFORMATION:</u>				
Cash Paid for Interest	$	5,595	$	13,898

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

TS ELECTRONICS, INC.
(Formerly, Softstone, Inc.)
NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATIONS AND DESCRIPTION OF BUSINESS

TS Electronics, Inc. (formerly, Softstone, Inc.) (the "Company"), a Delaware corporation, was incorporated on October 7, 1998. The Company was formed to manufacture a patented rubber product used in the road and building construction industries. Its principal activities have consisted of financial planning, establishing sources of production and supply, developing markets, and raising capital. Prior to July 2002, the Company was in the development stage as defined by Statement of Financial Accounting Standards No. 7 "Accounting and Reporting by Development Stage Enterprises". Its principal operations began in the quarter ended September 30, 2002. On August 13, 2003, the Company changed its name to TS Electronics, Inc.

On July 24, 2001, the Company entered into a plan of reorganization involving Kilkenny Acquisition Corp. (Kilkenny) whereby the Company is the survivor and in control of the board of directors. The merger agreement provided for the exchange of 1,158,387 shares of the Company's common stock for all the common stock of Kilkenny. In connection with this merger, on April 4, 2001, certain insider shareholders of the Company contributed 3,947,698 shares of their common stock to the Company effectively reducing the then outstanding shares of stock to 3,685,992. Subsequent issues of common stock for cash and services increased the outstanding stock of the Company to 4,590,646. The issuance of the above mentioned shares of the Company's common stock on the merger date increased the common stock of the Company to 5,669,033 with the Company shareholders, prior to the merger, owning approximately 81% of the outstanding shares of the Company. For accounting purposes, the transaction between the Company and Kilkenny has been treated as a re-capitalization of the Company, with the Company as the accounting acquirer (reverse acquisition), and has been accounted for in a manner similar to a pooling of interests.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Property and equipment

Property and equipment are stated at cost. Expenditures for repairs and maintenance are charged to expense as incurred. Upon sale, retirement, or other disposition, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations for the period. The Company depreciates property and equipment using the straight-line method over their estimated useful lives ranging from five to seven years.

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TS ELECTRONICS, INC.
(Formerly, Softstone, Inc.)
NOTES TO THE FINANCIAL STATEMENTS

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses are recognized based upon the estimated fair value of the asset. The Company reevaluated its property and equipment at June 30, 2003 and determined all the non-current assets have been impaired and were of no value.

Revenue recognition

Revenue is recognized when merchandise is shipped to a customer.

Income taxes

Deferred income taxes are provided on temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future years. Deferred income tax assets or liabilities are determined by applying the presently enacted tax rates and laws.

Fair value of financial instruments

The carrying amount of all financial instruments at June 30, 2004, which consist of various professional and related party payables, approximate their fair values.

Accounts payable and receivable

The Company has an amount payable to a related party of $7,036 as of June 30, 2004 which represents professional fees and miscellaneous expenses paid by the related party on behalf of the Company. The Company also has an accounts receivable from the same related party of $3,508 as of June 30, 2004 which relates to the transfer of crumb rubber revenues from the Company to the related party. The related party accounts payable has been reduced by $3,508 for financial statement presentation. The amounts are due on demand, unsecured and interest free.

During the year ended June 30, 2004 the related party paid or agreed to pay a total of $53,911 of expenses incurred by the Company of which $46,875 was incurred and recorded during the quarter ended September 30, 2003. Effective September 30, 2003 the related party accepted stock in lieu of payment of these liabilities. The related party received 239,273 shares of common stock for the assumption of all notes payable, accounts payable and accrued expenses. Subsequent to September 30, 2003 the Company has incurred additional expenses of $7,036 which the related party has agreed to pay.

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Earnings per share

Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share". Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Basic and diluted net loss per share for the twelve month period ended June 30, 2004 and 2003 were determined by dividing net loss for the periods by the weighted average number of basic and diluted shares of common stock outstanding. Weighted average number of shares used to compute basic and diluted loss per share is the same since there are no dilutive securities outstanding.

Use of estimates

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 and 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.

Stock-based compensation

SFAS No. 123 prescribes accounting and reporting standards for all stock-based compensation plans, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights. SFAS No. 123 requires compensation expense to be recorded (i) using the new fair value method or (ii) using the existing accounting rules prescribed by Accounting Principles Board Opinion No. 25, "Accounting for stock issued to employees" (APB 25) and related interpretations with proforma disclosure of what net income and earnings per share would have been had the Company adopted the new fair value method. The Company has chosen to account for stock-based compensation using Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and has adopted the disclosure only provisions of SFAS 123. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee is required to pay for the stock.

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of SFAS 123 and the Emerging Issues Task Force consensus in Issue No. 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods or Services". Valuation of shares for services is based on the estimated fair market value of the shares issued.

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As of June 30, 2004, the Company does not have any options for share purchase or warrants outstanding.

Accounting developments

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148 "Accounting for Stock Based Compensation-Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used, on reported results. The Statement was effective for the Companies' interim reporting period ending January 31, 2003. The adoption of SFAS 148 did not have a material effect on the earnings or financial position of the Company.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities", an interpretation of accounting Research Bulletin ("ARB") No. 51 "Consolidated Financial Statement". In December 2003, the FASB issued a revised version of FIN 46 (FIN 46R) that replaced the original FIN 46. Interpretation No. 46R addresses consolidation by business enterprises of variable interest entities, which one or both of the following characteristics: (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated support from other parties, which is provided through other interest that will absorb some or all of the expected losses of the entity; (ii) the equity investors lack one or more of the following essential characteristics of a controlling financial interest: the direct or indirect ability to make decisions about the entities activities through voting rights or similar rights; or the obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities; the right to receive the expected residual returns of the entity if they occur, which is the compensation for the risk of absorbing the expected loss.

Interpretation No. 46R, also requires expanded disclosures by the primary beneficiary (as defined) of a variable interest entity and by an enterprise that holds a significant variable interest in a variable interest entity but is not the primary beneficiary. Interpretation No. 46 as revised, applies to small business issues no later than the end of the first reporting period that ends after December 15, 2004.

This effective date includes those entities to which Interpretation No. 46R had previously been applied. However, prior to the required application of Interpretation 46R, a public entity that is a small business issuer shall apply Interpretation No. 46R or this Interpretation to those entities that are considered to be special-purpose entities no later than as of the end of the first reporting period that ends after December 15, 2003.

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Interpretation No. 46R may be applied prospectively with a cumulative-effect adjustment as of the date on which it is first applied or by restating previously issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated.

On April 30, 2003 the FASB issued FASB Statement No. 149 (FAS 149), Amendment of Statement 133 on Derivative Instruments and Hedging Activities. FAS 149 amends and clarifies the accounting guidance on (1) derivative instruments (including certain derivative instruments embedded in other contracts) and (2) hedging activities that fall within the scope of FASB Statement No. 133 (FAS 133), Accounting for Derivative Instruments and Hedging Activities. FAS 149 also amends certain other existing pronouncements, which will result in more consistent reporting of contracts that are derivatives in their entirety or that contain embedded derivatives that warrant separate accounting. FAS 149 is effective (1) for contracts entered into or modified after June 30, 2003, with certain exceptions, and (2) for hedging relationships designated after June 30, 2003. The guidance is to be applied prospectively. Adoption of SFAS No. 149 did not have a material impact on the Company s financial position or results of operations or cash flows.

On May 15, 2003, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 150 (FAS 150), Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. FAS 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the statement of financial position. Further, FAS 150 requires disclosure regarding the terms of those instruments and settlement alternatives. FAS 150 affects an entity's classification of the following freestanding instruments: a) Mandatorily redeemable instruments b) Financial instruments to repurchase an entity's own equity instruments c) Financial instruments embodying obligations that the issuer must or could choose to settle by issuing a variable number of its shares or other equity instruments based solely on (i) a fixed monetary amount known at inception or (ii) something other than changes in its own equity instruments d) FAS 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety. The guidance in FAS 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. For private companies, mandatorily redeemable financial instruments are subject to the provisions of FAS 150 for the fiscal period beginning after December 15, 2003. Adoption of SFAS No. 150 did not have a material impact on the Company s financial position or results of operations or cash flows.

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In June 2003, the FASB issued an Exposure Draft for a proposed statement of financial accounting standards ("SFAS") entitled "Qualifying Special Purpose Entities ("QSPE") and Isolation of Transferred Assets", an amendment of SFAS No. 140 ("The Exposure Draft"). The Exposure Draft is a proposal that is subject to change and as such is not yet authoritative. If the proposal is enacted in its current form, it will amend and clarify SFAS 140. The Exposure Draft would prohibit an entity from being a QSPE if it enters into an agreement that obligated a transferor of financial assets, its affiliates or its agents to deliver additional cash or other assets to fulfill the special-purposes entity s obligation to beneficial interest holders. The Company does not believe that this exposure draft will have a material effect on the Company s financial position or results of operations

Reclassifications

Certain amounts in the 2003 financial statements have been reclassified to conform with the 2004 presentation

3. PROPERTY AND EQUIPMENT

The Company reevaluated its property and equipment at June 30, 2003 and determined all the non-current assets have been impaired and were of no value, based upon the fair market value of similar assets. The impaired property and equipment comprised of the following:

Furniture and computer equipment	$	42,198	
Production and other equipment		450,063	
Vehicles		29,381	
Accumulated depreciation			
and amortization		(226,568	)
Property and equipment, net		295,074	
Impairment loss		(295,074	)
Net carrying value	$	-	

The Company recorded an impairment expense equal to the book value of property and equipment amounting to $295,074.

4. NOTES PAYABLE

During the period ended September 30, 2003, the Company issued 6,879 shares of common stock valued at $40,519 for settlement of the accounts payable - related parties totaling $160,881, resulting in a gain of $120,362 on settlement of debt.

Also during the period ended September 30, 2003, the Company issued 239,273 shares of common stock for the disposal of all other notes payable, accounts payable and accrued expenses, net of an accounts receivable of $1,765. The stock was valued at $1,409,318. The net debt and assets disposed of was $905,128 resulting in a loss of $504,190. The Company has no notes payable as of June 30, 2004.

5. STOCKHOLDERS' EQUITY

Common stock

During the year ended June 30, 2004, the Company issued common stock in exchange of various services to following parties:

During the year ended June 30, 2004, the Company issued 344 shares of common stock for cash received in the prior year.

During the year ended June 30, 2004, the Company issued 6,879 shares of common stock valued at $40,519 for settlement of notes payable amounting to $160,881 resulting in a gain of $120,362 on settlement of debt.

During the year ended June 30, 2004, the Company issued 1,988 shares for services valued at $14,145.

During the year ended June 30, 2004, the Company issued 229 shares of common stock for interest valued at $1,024.

During the year ended June 30, 2004 the Company issued 1,147 shares for loan incentives included in the prior period valued at $2,000.

During the year ended June 30, 2004, the Company issued 239,273 shares of common stock valued at $1,409,318 for the disposal of assets and liabilities resulting in a loss of $504,190.

6. INCOME TAXES

The Company's effective income tax benefit differed from the benefit computed using the federal statutory tax rate as follows:

	Year Ended June 30,					
		2004			2003	
Federal statutory rate	$	171,459		$	177,289	
Nondeductible expenses		-			(443	)
Change in valuation allowance		(171,459	)		(176,846	)
Net Carrying Value	$	-		$	-	

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At June 30, 2004 the Company had a net deferred tax asset totaling $636,259 mainly related to a net operating loss carryforward from operating losses incurred of $1,538,000. As carryforwards can only be used to offset future taxable income, management has fully reserved this net deferred tax asset with a valuation allowance until it is more likely than not that taxable income will be generated. A valuation allowance is provided for deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Net operating loss carryforwards can be carried forward for fifteen years for federal tax purpose subject to certain limitations and they will expire in the year 2018.

7. GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the company as a going concern. However, the Company has an accumulated deficit of $3,834,281 at June 30, 2004 and a negative working capital of $68,322 at June 30, 2004. In view of the matters described above, the ability to pay the obligations shown in the accompanying balance sheet is dependent upon continued operations of the company, which in turn is dependent upon the Company s ability to raise additional capital, obtain financing and succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management's plan of operations anticipates that the cash requirements for the next twelve months will be met by obtaining funding from related parties to pay for professional fees to sustain the Company until the Company is sold to a new entity. However, there is no assurance that the Company will be able to implement its plan.

8. REORGANIZATION

On July 31, 2003, the Company entered in to a reorganization agreement with TS Electronics Corporation (TSEC), a Delaware corporation. Under the reorganization agreement, TSEC shareholders were to purchase from the Company, 5,350,000 shares of its common stock in a private placement under rule 506 of the Regulation D of the Securities Act of 1933, in exchange for the transfer to the Company of all the capital stock of TSEC. Under the agreement, all of the directors of the Company were to be replaced by the designee of TSEC to fill this vacancy and become the director of the Company.

Per the agreement, TSEC and its shareholders were to be indemnified by the Company against any liabilities arising either from a failure of the Company or its current president to discharge all liabilities of the Company. The closing of the agreement was to be effective subject to compliance of Securities and Exchange filing rules and regulations.

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Pursuant to the reorganization agreement, on August 13, 2003, the Company filed its Certificate of Amendment to Certificate of Incorporation with the Secretary of State of the State of Delaware changing its name to "TS Electronics, Inc." and consolidating the common stock of the corporation. The stock consolidation to 600,015 shares, $0.001 par value, effective August 14, 2003, consolidates each 21.8045 outstanding shares to one share, with fractional shares being rounded up or down to the nearest whole number.

On January 20, 2004, the Company withdrew the preliminary information statement and amendments for the reason that the proposed business combination between the two companies had been abandoned.

9. RESTATEMENT

Subsequent to the issuance of the Company's financial statements for the year ended June 30, 2003, the Company determined that a certain transaction and presentation in the financial statements had not been accounted properly in the Company's financial statements. The Company reevaluated the Company s property and equipment at June 30, 2003 as the Company was contemplating an acquisition and determined all the non-current assets have been impaired and were of no value, based upon the fair market value of similar assets. The impaired property and equipment comprised of the following, at their historical cost:

Furniture and computer equipment	$	42,198	
Production and other equipment		450,063	
Vehicles		29,381	
Accumulated depreciation			
and amortization		(226,568	)
Property and equipment, net	$	295,074	

The Company recorded an impairment expense equal to the book value of property and equipment totaling $295,074 in the accompanying financial statements. The Company's 2003 financial statements have been restated to correct errors as follows:

The Company has restated its Statements of Operations by disclosing the loss from the impairment of property & equipment at June 30, 2003 (note 3), as a separate line item in the Statement of Operations.

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The effect of the correction of all the errors is as follows:

Year ended June 30, 2003		AS PREVIOUSLY REPORTED			AS RESTATED	
PROPERTY & EQUIPMENT, net	$	295,074		$	-	
TOTAL ASSETS	$	298,628		$	3,554	
STATEMENT OF SHAREHOLDERS' DEFICIT						
Accumulated deficit:	$	(3,034,913	)	$	(3,329,987	)
Total stockholders deficit	$	(733,960	)	$	(1,029,034	)
STATEMENT OF OPERATIONS:						
Operating expenses	$	265,721		$	560,795	
Operating Loss	$	155,642		$	450,716	
Net loss	$	226,365		$	521,439	
Basic and diluted net loss per share	$	(0.69	)	$	(1.59	)

10. SUBSEQUENT EVENT

Effective August 11, 2004 the Company entered into a Stock Exchange Agreement (the "Agreement") with Mr. Hou Xiao, the sole shareholder of China ESCO Holdings Limited ("China ESCO"), a company organized in the Hong Kong Special Administration Region in The People s Republic of China and its wholly owned operating subsidiary, AsiaNet PE Systems Limited. China ESCO was incorporated on February 13, 2004, to be the present holding company of AsiaNet PE Systems Limited that was organized on April 25, 2000, in the Zhu Hai City Economic Special District, Guangdong Province in the People s Republic of China (the "PRC"). China ESCO is engaged in the development and manufacturing of electrical energy saving systems and products in the PRC.

The agreement provides that the Company will issue approximately 11,201,902 shares of its restricted common stock in exchange for 100% of the issued and outstanding capital stock of China ESCO which will represent approximately 94% of the then total issued and outstanding common stock of the Company after the exchange.

Both the Company and China ESCO have commenced due diligence investigations of each other in preparation for the consummation of the transaction. The Company plans to prepare appropriate shareholder materials for dissemination to the shareholders to obtain shareholder approval of the proposed transaction as soon as practicable, subject to completion of due diligence and receipt of appropriate financial statements of China ESCO and it subsidiary.

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If the transaction is consummated, the name of the Company is expected to be changed to "China ESCO Corporation" or such other name as selected by China ESCO. Upon closing, all of the current officers and directors of the Company will resign and will be replaced by officers and directors of China ESCO. The Agreement also contemplates the adoption of a 2004 Stock Benefit Plan, the appointment of new auditors as the independent auditors of the Company and the filing of an amendment to the Certificate of Incorporation of the Company to change its name, as described, and to increase the authorized number of shares of common stock from 30,000,000 shares to 50,000,000 shares of common stock.

The consummation of the transaction with China ESCO is subject to a number of conditions, including approval by the board of directors of the Company and China ESCO and the shareholders of the Company and China ESCO, completion of satisfactory due diligence, receipt by the Company of financial statements of China ESCO as required under applicable regulations, and satisfaction of all applicable regulatory requirements. As a result of the exchange of the China ESCO stock in exchange for the Company s stock, China ESCO will become a wholly-owned subsidiary of the Company.

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Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

On February 4, 2004 Kabani & Company, Inc. of Fountain Valley, California, the principal independent accountants of TS Electronics, Inc., formerly Softstone Inc., resigned. Kabani & Company had been engaged as TS Electronics and previously Softstone s principal independent accountants since September 5, 2002, when it replaced Hogan & Slovacek of Oklahoma City and Tulsa as Softstone s principal independent accountants. See Softstone s Form 8-K filed with the Commission on September 11, 2002 (Commission File No. 000-29523).

The report of Kabani & Company on the financial statements of TS Electronics for its fiscal year ended June 30, 2003 contained no adverse opinions or disclaimers of opinion, and, other than raising substantial doubt about TS Electronics ability to continue as a going concern for the fiscal year ended June 30, 2003, were not otherwise modified as to uncertainty, audit scope, or accounting principles during the period of its engagement (September 5, 2002) to February 4, 2004, the date of resignation. Similarly, the reports of Kabani & Company and Hogan & Slovacek on the financial statements of Softstone contained no adverse opinions or disclaimers of opinion, and, other than raising substantial doubt about Softstone s ability to continue as a going concern for each of the fiscal years ended June 30, 2002 and 2001, were not modified as to uncertainty, audit scope, or accounting principles during such past two years or the interim period to February 4, 2004, the date of resignation.

During the past two years or interim periods prior to February 4, 2004, there were no disagreements between TS Electronics or Softstone and either Kabani & Company or Hogan & Slovacek, whether or not resolved, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Kabani & Company s or Hogan & Slovacek s satisfaction, would have caused it to make reference to the subject matter of the disagreements in connection with its reports.

On February 4 2004, TS Electronics engaged Evans, Gaither & Associates, PLLC of Oklahoma City, Oklahoma as its new principal accountant to audit its consolidated financial statements. TS Electronics did not consult the new accountant regarding the application of accounting principles to a specific completed or contemplated transaction, or the type of audit opinion that might be rendered on the issuer's financial statements.

Item 8A. Controls and Procedures.

Evaluation of disclosure controls and procedures. The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company s disclosure controls and procedures as of June 30, 2004. Based on this evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in the SEC s rules and forms.

Changes in internal controls. There were no significant changes in internal controls or other factors that could significantly affect our internal controls subsequent to the date of our evaluation.

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Item 9. Directors, Executive Officers, Promoters and Control Persons.

A list of our current officers, directors and significant employees appears below. The directors are elected annually by the shareholders. The officers serve at the pleasure of the board of directors. The directors do not presently receive fees or other remuneration for their services.

Person	Office	Office Held Since	Term of Office
Keith P. Boyd, 30	President Chief Financial Officer Director	2001 2003 2001	October 2004 October 2004 October 2004
Frederick W. Parker, 68	Director	1999	October 2004
Gene F. Boyd, 65	Secretary Chairman of the Board of Directors	1999 1999	October 2004 October 2004

Keith P. Boyd. Mr. Boyd has spent most of his adult life assisting his father, Gene Boyd, with the family interests, Meinecke-Boyd, Inc., located near Ardmore, Oklahoma. After a year in college, he joined the U.S. Navy and ended his naval career as a petty officer - machinist mate 3rd class - aboard the USS Chicago, SSN 721, a nuclear-powered, fast-attack submarine. In late 1998, Mr. Boyd raised the first investor capital for Softstone. He has considerable mechanical skills and abilities and assisted with the design and fabrication of Softstone s Parker System machine. He formulated Softstone s sales and marketing effort and has been responsible to date for all of its sales. In June 2001 he was elected president and CEO of Softstone, Inc. (the company s third) and then merged the company with a 12G reporting shell, making Softstone an SEC-reporting public corporation. Mr. Boyd negotiated our contract with Levgum, Ltd., of Israel and restructured the company to incorporate the devulcanization technology. Keith Boyd has initiated the beginnings of a global market strategy through his research of product applications as well as market entries. He devotes 100 percent of his time to the affairs of our company.

Frederick W. Parker. Mr. Parker attended the University of Southern California and the University of Wyoming. From December 1969 to May 1980 he was employed as an executive and wholesaler of drilling fund securities of Canadian American Securities, a subsidiary of American Quasar Petroleum. From May 1980 to June 1982 he founded and operated ENEX Securities and the ENEX Income Funds. From 1982 to November 1984 he owned and operated Parker Energy Funding, a coal methane gas company. From 1986 to 1987 he was a consultant to several oil and gas production companies regarding deep well injection of hazardous oil field waste. From June 1987 to October 1990 he was the executive vice president of Princeton Clearwater Corporation. From 1990 to 1999 he operated the consulting firm of Donner-Gray, primarily regarding oil and gas and real estate activities. From May 1996 to September 1998 he was the director of marketing of VE Enterprises, a manufacturing concern. From October 1998 until June 1999 when it was merged with Softstone, Inc., he was the president and owner of Softstone International LLC, which owned the patented technology for the manufacture of rubber modules, which patent was assigned to Softstone, Inc. Upon the incorporation of Softstone, Inc. on January 28, 1999, he became its president and a director. He is still a director but resigned his position as president in May 2001.

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Gene F. Boyd. Mr. Boyd, a 1960 graduate of Texas Tech, has been the president of Meinecke-Boyd, Inc., an Oklahoma ranching and investment corporation, since January 1979. As the operator of a 3600-acre Simmental cattle ranch at Tishomingo, Oklahoma, Mr. Boyd practiced (and preached) holistic resource management, which included rotational grazing to enhance the natural recycling of soil and grasses. He also served as vice-president of the Oklahoma Simmental Association and as a board member of soil and water conservation districts. Intrigued by the potential and the need for recycled rubber products, Mr. Boyd and his wife moved to Ardmore, Oklahoma after 26 years on the ranch, so that he could be a full-time participant in the start-up and development of Softstone, Inc. Upon the incorporation of Softstone, Inc., on January 28, 1999, Mr. Boyd became its secretary and its chairman of the board of directors, positions he still holds.

Audit committee and Audit Committee Financial Expert

Our directors serve as our audit committee. There is no financial expert serving on the audit committee. We have no financial expert serving on the audit committee, because we have no assets of substantial value and have no ongoing business activities.

Code of Ethics

We have adopted a Code of Ethics that applies to our chief executive officer, chief financial officer, and - should we acquire such - principal accounting officer or controller or persons performing similar functions. A copy of the Code of Ethics is filed as an exhibit to this Form 10-KSB annual report.

Compliance with Section 16 (a) of the Exchange Act

Section 16(a) Beneficial Ownership Reporting Compliance. Based solely upon a review of Forms 3, 4 and 5 and amendments thereto furnished to us with respect to our fiscal year ended June 30, 2004 and any written representations furnished to us from a person subject to Section 16(a) filing requirements that no Form 5 is required for such period, no person who, at any time during the fiscal year, was a director, officer or beneficial owner of more than ten person of our common stock failed to file on a timely basis reports required by Section 16(a) of the Exchange Act during such fiscal year or prior fiscal years.

Item 10. Executive Compensation.

No executive officer of the company has received total compensation in any of the last three years that exceeds $100,000. The table below sets forth all compensation awarded to, earned by, or paid to the presidents of the company during the last three fiscal years:

						Securities	
				Other		Underlying	
	Fiscal	Annual		Restricted	Options/	LTIP	
Name	Year	Salary	Bonus	Compensation	Stock Awards	SARS	Payouts

Keith Boyd	2004	0	0	0	0	0	0
Keith Boyd	2003	$ 36,000	0	0	0	0	0
Keith Boyd	2002	$ 36,000	0	$ 50,000	0	0	0
Keith Boyd	2001	$ 36,000	0	$ 20,000	0	0	0
Frederick Parker	2001	0	0	0	0	0	0

Employment Contracts

We have no long-term compensation plans or employment agreements with any of our officers or directors.

There are no employment contracts, compensatory plans or arrangements, including payments to be received from our company, with respect to any director or executive officer which would in any way result in payments to any such person because of his or her resignation, retirement or other termination of employment, any change in control, or a change in the person s responsibilities following a change in control of our company.

Stock Options

There have been no stock options granted to the officers and directors of our company, nor have there been any other forms of compensation paid to the officers and directors of the company.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth certain information regarding beneficial ownership of the common stock of Softstone as of September 30, 2004 (giving effect to the one-for-each-21.8045 shares of stock consolidation), by each officer and director of our company, by each individual who is known, as of the date of this filing, to be the beneficial owner of more than five percent of our common stock, its only voting security, and by the officers and directors as a group:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class	Office
Keith P. Boyd 111 Hilltop Lane Pottsboro, TX 75076	74,129	12.4	President Director
Frederick W. Parker 811 N. Rockford Place Ardmore, OK 73401	35,562	5.9	Director
Gene F. Boyd 712 Franklin Court Ardmore, OK 73401	200,122	33.4	Secretary Director
Betty Sue Boyd 612 Franklin Court	25,015	4.2	

Ardmore, OK 73401		
Officers and Directors as a Group (3 persons)	334,828	55.9

(1) Mr. Parker s shares are held of record by the Frederick W. Parker Family Limited Partnership.

(2) Of these shares, 712,745 are held of record by the Gene F. Boyd Revocable Living Trust, 10,000 shares are held of record by Meinecke/Boyd, Inc., a company under the control of Mr. Boyd, and 27,551 are held of record by the Betty Sue Boyd Revocable Living Trust.

Item 12. Certain Relationships and Related Transactions.

During fiscal years 2003 and 2004, the following outstanding notes payable were either issued or renewed from earlier years. In each instance, the notes were either guaranteed by Gene Boyd, who is a director and the secretary of our company, or were issued to him and his spouse, Betty Sue Boyd, in exchange for loans of money to the company by them:

Revolving note payable to bank; interest		
rate 7.5%, due on December 05, 2005	$	88,468
Notes payable to stockholder, 8% & 12%		
interest rates and due on demand		600,889

Bank term loan; 6.78% interest rate;		
Maturing September 13, 2003		37,857
Bank term loan; interest at 6.25%		
(variable); collateralized by equipment,		
accounts receivable and intangibles		
and guaranteed by the principal stockholder		
of the Company, due July 15, 2005		25,331
Note payable to stockholder; interest free;		
due on demand		160,879

All of the above notes have been released, and the obligations have been assumed by the Boyd family.

Item 13. Exhibits and Reports on Form 8-K.

(a) Exhibits

The following exhibits are filed, by incorporation by reference, as part of this Form 10-KSB:

Exhibit	Item
2	Agreement and Plan of Reorganization of July 24, 2001 between Softstone, Inc. and Kilkenny Acquisition Corp.*
3	Certificate of Incorporation of Softstone Inc.*
3.1	Bylaws of Softstone, Inc.*
10	Lease Agreement of February 1, 2000, between Ardmore Development Authority, as lessor, and Softstone, Inc., as lessee.*
10.1	Scrap Tire Disposal Agreement of January 11, 2000, between Michelin North America, Inc., and Softstone, Inc.*
10.2	Letter of intent of May 1, 2001, of Little Elm Independent School District regarding the Little Elm Walking Trail.*
10.3	Agreement of March 15, 2002 with Levgum, Inc. concerning exclusive license to Western Hemisphere for Levgum s devulcanization technology.**
10.4	Reorganization Agreement of August 2, 2003 between Softstone Inc., TS Electronics Corporation, and other parties.+
10.5	Escrow Agreement of August 1, 2003 between Softstone Inc., TS Electronics Corporation, and other parties.+

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10.6	Form of August 1, 2003 Lockup Agreement between TS Electronics Corporation, certain shareholders of Softstone Inc. and the custodian.+
10.7	Stock Exchange Agreement dated August 11, 2004.++
14	Code of Ethics for CEO and Senior Financial Officers.
16.2	Letter of March 8, 2004 of Kabani & Company, Inc. agreeing with the statements made in Amendment No. 1 to Form 8-K by TS Electronics, Inc., concerning TS Electronics change of principal independent accountants.+++
31	

	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.1	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99	United States Patent No. 5,714,219.*
*	Previously filed with Form 8-K August 8, 2001 Commission File No. 000-29523; incorporated by reference.
**	Previously filed with Form 10-QSB May 20, 2002 Commission File No. 000-29523; incorporated by reference.
***	Previously filed with Form 8-K September 11, 2002 Commission File No. 000-29523; incorporated by reference.
+	Previously filed with Form 10-QSB 09-30-03 Commission File No. 000-29523, incorporated by reference.
++	Previously filed with Form 8-K (Exhibit 10.1) 08-17-04 Commission File No. 000-29523, incorporated by reference.
+++	Previously filed with Amendment 1 to Form 8-K 02-04-04 Commission File No. 000-29523, incorporated by reference.

(b) Forms 8-K

Form 8-K dated August 17, 2004, reporting Item 1 - Change in Control of Registrant, and Item 2 - Acquisition or Disposition of Assets; and Item 7(b) - Exhibits (Commission File #000-29523, EDGAR Accession #0001060830-04-000308 filed August 20, 2004).

Amendment No. 1 to Form 8-K dated August 17, 2004, reporting Item 1.01 - Entry into a Material Definitive Agreement, and Item 9.01 - Financial Statements of Business Acquired (Commission File #000-29523, EDGAR Accession #0001060830-04-000333 filed October 4, 2004).

Item 14. Principal Accountant Fees and Services

Audit Fees. Our principal independent accountant billed us, for each of the last two fiscal years, the following aggregate fees for its professional services rendered for the audit of our annual financial statements and review of financial statements included in our Form 10-QSB reports or other services normally provided in connection with statutory and regulatory filings or engagements for those two fiscal years:

Fiscal Year ended June 30, 2004	$	11,000
Fiscal Year ended June 30, 2003	$	15,250

Audit-Related Fees. Our principal independent accountant billed us, for each of the last two fiscal years, the following aggregate fees for assurance and related services reasonably related to the performance of the audit or review of our financial statements and not reported above under "Audit Fees":

Fiscal Year ended June 30, 2004	$	-0-
Fiscal Year ended June 30, 2003	$	-0-

Tax Fees. Our principal independent accountant billed us, for each of the last two fiscal years, the following aggregate fees for professional services rendered for tax compliance, tax advice and tax planning:

Fiscal Year ended June 30, 2004	$	-0-
Fiscal Year ended June 30, 2003	$	-0-

All Other Fees. Our principal independent accountant billed us, for each of the last two fiscal years, the following aggregate fees for products and services provided by it, other than the services reported in the above three categories:

Fiscal Year ended June 30, 2004	$	-0-
Fiscal Year ended June 30, 2003	$	-0-

Pre-Approval of Audit and Non-Audit Services. The Audit Committee requires that it pre-approve all audit, review and attest services and non-audit services before such services are engaged.

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SIGNATURES

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

TS Electronics, Inc. (formerly named Softstone Inc.)

Date: October 13, 2004

By: /s/ Keith Boyd

Keith Boyd
President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: October 13, 2004	By: /s/ Keith Boyd
	Keith Boyd President, Chief Financial Officer and Director

Date: October 13, 2004	By: /s/ Gene Boyd
	Gene Boyd Secretary and Director

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TS ELECTRONICS, INC.
Commission File Number 0-29523

Index to Exhibits to
Form 10-KSB 06-30-04

The following exhibits are filed, by incorporation by reference, as part of this Form 10-KSB:

Exhibit	Item
2	Agreement and Plan of Reorganization of July 24, 2001 between Softstone, Inc. and Kilkenny Acquisition Corp.*
3	Certificate of Incorporation of Softstone Inc.*
3.1	Bylaws of Softstone, Inc.*
10	Lease Agreement of February 1, 2000, between Ardmore Development Authority, as lessor, and Softstone, Inc., as lessee.*
10.1	

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