

Edgar Filing: 800AMERICA COM INC - Form 8-K

800AMERICA COM INC
Form 8-K
May 13, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): October 27, 2000

800America.com, Inc.
(Exact name of issuer as specified in its charter)

Nevada	000-28547	87-0567884
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer dentification Number)

420 Lexington Avenue
New York, NY 10170
(Address of principal executive offices and zip code)

(800) 999-5048
(Registrant's telephone number, including area code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

As previously reported, on October 27, 2000, 800America.com, Inc. ("Registrant") acquired Inshop.com, Inc. ("Inshop") pursuant to a Stock Acquisition Agreement between Registrant, Inshop and certain shareholders of Inshop (the "Agreement") and issued in the aggregate 1,800,000 shares of its restricted common stock to the shareholders of Inshop. Pursuant to the terms of the Agreement, Registrant intends to operate Inshop as a subsidiary.

Closing of the transaction was subject to shareholder approval of the Inshop Shareholders. No shareholder approval by Registrant's shareholders was required.

Edgar Filing: 800AMERICA COM INC - Form 8-K

There is no relationship between Registrant or its affiliates, officers or directors and Inshop or its affiliates, officers and directors.

The exchange ratio provided for in the stock Acquisition Agreement was arrived at by arms length negotiation based upon the revenues, income and potential for growth of Inshop as of the time the transaction was negotiated.

The Registrant is filing the following information relating to the transaction.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

- (a) Financial Statements of Business Acquired.
- (b) Pro Forma Financial Information.
- (c) Exhibits.

Exhibit Number	Description
2	Form of Stock Acquisition Agreement (previously filed).

ITEM 7a

PRICEWATERHOUSECOOPERS

Pricewaterhouse Coopers LLP
1301 Avenue of the Americas New
York NY 10019-6013 Telephone
(212) 259-1000 Facsimile (212)
259-1301

Report of Independent Accountants

To the Board of Directors and Stockholders of inshop.com, Inc.:

In our opinion, the accompanying balance sheet and related statements of operations, stockholders' deficit and cash flows present fairly, in all material respects, the financial position of inshop.com, Inc. (a development stage company) (the "Company") at December 31, 1999, 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. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit

Edgar Filing: 800AMERICA COM INC - Form 8-K

includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the Financial statements, the Company has suffered operating losses since inception. This and other factors raise substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

March 10, 2000
New York, New York

Pricewaterhouse Coopers LLP

1

inshop.com, Inc.
(A development stage company)
Balance Sheet

Assets

Current assets:

Cash and cash equivalents
Prepayments and other current assets

Total current assets

Property and equipment, net
Restricted cash

Total assets

Liabilities, mandatorily redeemable convertible preferred stock and stockholders' deficit

Current liabilities:

Accounts payable and accrued expenses

Total current liabilities

Edgar Filing: 800AMERICA COM INC - Form 8-K

Commitments (Note 8)

Mandatorily redeemable

Series A Convertible Preferred Stock, net of offering costs (\$.01 par value; 10,000,000 shares authorized, 5,692,394 issued and outstanding) (liquidation preference of \$7,095,000)

Stockholders' deficit:

Common stock (\$0.01 par value, 20,000,000 shares authorized, 8,089,800 shares issued and outstanding)
Additional paid in capital
Accumulated deficit

Total stockholders' deficit

Total liabilities, mandatorily redeemable convertible preferred stock and stockholders' deficit

The accompanying notes are an integral part of these financial statements

2

inshop.com, Inc.
(A development stage company)
Statement of Operations

	Year Ended December 31, 1999
Total revenues	\$ -----
Cost of revenues:	
Website development and operations	324,602
Content development	208,264

Total cost of revenues	532,866

Gross margin	(532,866)

Operating expenses:	
Sales and marketing	1,528,173
Technology	127,743
General and administrative	982,716

Edgar Filing: 800AMERICA COM INC - Form 8-K

Total operating expenses	2,638,632

Loss from operations	(3,171,498)

Other income:	
Interest and other income	111,416
Interest expense	(11,853)

Total other income (expense)	99,563

Net loss	(3,071,935)

Accretion of mandatorily redeemable convertible preferred stock to redemption value	(30,584)

Loss available to common stockholders	\$(3,102,519)

The accompanying notes are an integral part of these financial statements

3

inshop.com, Inc.
(A development stage company)
Statement of Stockholders' Deficit

	Common Stock		Additional
	-----	-----	Paid in
	Shares	Amount	Capital
Issuance of Founder's common stock for cash	5,100.000	\$ 51,000	\$ (42,118)
Issuance of common stock for cash	2,314,800	23,148	224,634
Compensatory common shares granted to employees			52,000
Compensatory stock options granted to non-employees			80,520
Net loss	-----	-----	-----

Edgar Filing: 800AMERICA COM INC - Form 8-K

Balance at December 31, 1998	7,414,800	74,148	315,036
Exercise of stock options	675,000	6,750	74,250
Compensatory stock options granted to non-employees			288,232
Compensatory common shares granted employees			32,500
Stock options issued in connection with issuance of mandatorily redeemable preferred stock			6,327
Stock compensation charges related to the issuance of the AOL warrant			6,896
Accretion of mandatorily redeemable convertible preferred stock to redemption value			(30,584)
Net loss	-----	-----	(3,071,935)
Balance at December 31, 1999	\$8,089,800	\$ 80,898	\$ 692,657
	-----	-----	-----

4

inshop.com, Inc.
(A development stage company)
Statement of Cash Flows

	Year Ended December 31, 1999
Cash flows from operating activities:	
Net loss	\$ (3,071,935)
Adjustments to reconcile net loss to net cash used in operating activities:	
Compensatory warrants issued to a service provider	6,896
Compensatory stock options granted to non- employees	288,232
Compensatory common shares issued to employees	32,500
Depreciation and amortization	60,298
Increase in prepayments and other current assets	(43,950)

Edgar Filing: 800AMERICA COM INC - Form 8-K

Increase in accounts payable and accrued expenses	427,798

Net cash used in operating activities	(2,300,161)

Cash flow from investing activities:	
Increase in restricted cash	(95,564)
Purchases of property and equipment	(362,312)

Net cash used in investing activities	(457,876)

Cash flows from financing activities:	
Proceeds from the exercise of stock options	81,000
Proceeds from issuance of common stock	-
Net proceeds from issuance of mandatorily redeemable convertible preferred stock	6,743,262

Net cash provided by financing activities	6,824,262

Net increase in cash and cash equivalents	4,066,225
Cash and cash equivalents, beginning of period	16,001

Cash and cash equivalents, end of period	\$ 4,082,226

Cash paid for:	
Interest	\$ 39,082

5

inshop.com, Inc.
(A development stage company)
Notes to Consolidated Financial Statements
December 31, 1999

1. Organization and Basis of Presentation

Organization inshop.com, Inc. ("inshop" or "the Company") is a Delaware corporation, which was incorporated in June 1999. inshop was formed to succeed Insider Shopping LLC,

An investor group originally organized Insider Shopping LLC as a New York limited liability company in January 1997. The Company was formed to provide local shopping and shopping related content via a telephone system and subsequently developed a Web site for delivering its content through the Internet.

Basis of Presentation

The financial statements have been prepared on a going-concern basis, which contemplates realization of assets and liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses since its inception and has financed its operations

Edgar Filing: 800AMERICA COM INC - Form 8-K

to date by capital contributions raised in private financing. As of December 31, 1999, the Company has a stockholders' deficit of \$2,700,334. In addition, the Company expects to incur substantial costs and expenses during the year ending December 31, 2000; accordingly, the Company will require additional funds to meet planned obligations over the next twelve months which it expects to obtain from additional private financing, however, it currently has no commitment for additional financing. There can be no assurance that such funds, if at all available, can be obtained on terms reasonable to the Company. In the event the Company is unable to raise additional funds, planned operations will need to be scaled back or discontinued. Continuance of the Company as a going concern is dependent upon, among other things, the Company's ability to obtain adequate long-term financing and profitable operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Recapitalization

These financial statements reflect the recapitalization on June 2, 1999 of Insider Shopping LLC as a corporation and the conversion of each membership interest in the limited liability Company into shares of common stock.

2. Significant Accounting Policies and Procedures

Fixed Assets

Depreciation of equipment, furniture and fixtures, and purchased computer software is provided for by the straight-line method over their estimated useful lives ranging from three to five years. Amortization of leasehold improvements is provided for over the lesser of the term of the related lease or the estimated useful life of the improvement. Repairs and maintenance costs are charged to operations in the periods incurred.

6

inshop.com, Inc.

(A development stage company)

Notes to Consolidated Financial Statements

December 31, 1999

Computer Software Costs

The Company applies the provisions of Statement of Position 981, "Accounting for the cost of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1") which provides guidance for accounting for computer software developed or obtained for internal use including the requirement to capitalize specified costs and amortization of such costs. Costs incurred during the preliminary project stage are expensed as incurred. Computer software costs incurred during the application development stage are capitalized. Typically, these costs relate to third party consulting costs directly associated with the development of the internal use computer software. Amortization commences once the software is ready for its intended use and is amortized by the straight-line method over the estimated useful life, typically twelve to eighteen months.

Cash and Cash Equivalents

Cash and Cash Equivalents include money market accounts and highly liquid investments purchased with original maturities of three months or less. The Company maintains its cash and cash equivalents in highly

Edgar Filing: 800AMERICA COM INC - Form 8-K

rated financial institutions.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate fair value because of their short maturities

Revenue Recognition

Subscription services revenues are recognized over the period that services are provided.

Risks and Uncertainties

The Company has a limited operating history and its prospects are subject to the risks, expenses, and uncertainties frequently encountered by companies in the new and rapidly evolving markets for Internet products and services. These risks include the failure to develop and extend the Company's online service brands, the rejection of the Company's services by Web consumers, vendors and/or advertisers, the inability of the Company to maintain and increase the levels of traffic on its online services, as well as other risks and uncertainties. Management believes that sufficient funding will be available to meets its planned business objectives for a reasonable period of time; however, there can be no assurance that inshop will be successful in its efforts to raise additional capital.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

7

inshop.com, Inc.

(A development stage company)

Notes to Consolidated Financial Statements

December 31, 1999

Advertising Costs

The Company expenses the costs of advertising in the period in which the costs are incurred. Advertising expenses were approximately \$1,280,000 for the year ended December 31, 1999.

Income Taxes

The Company recognizes deferred taxes by the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for differences between the financial statement and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Edgar Filing: 800AMERICA COM INC - Form 8-K

Stock based compensation

The accompanying financial position and results of operations of the Company have been prepared in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees: ("APB No. 25"). Under APB No. 25, generally, no compensation expense is recognized in the financial statement's in connection with the awarding of stock option grants to employees provided that, as of the grant date, all terms associated with the award are fixed and the fair value of the Company's stock is equal to or less than the amount an employee must pay to acquire the stock. The Company will recognize compensation expense in situations where the terms of an option grant are not fixed or where the fair value of the Company's common stock on the grant date is greater than the amount an employee must pay to acquire the stock.

Disclosures require by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), including pro forma operating results had the Company prepared its financial statements in accordance with the fair-value-based method of accounting for stock-based compensation, have been included in Note 6.

The fair value of options and warrants granted to non employees for financing, goods or services are included in the financial statements and expenses over the life of the debt, as goods are utilized or the services performed, respectively.

Stock options granted to non-employees

The fair value of options granted to non-employees for services rendered is recognized as an expense in accordance with EITF 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services."

Comprehensive Income

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("FAS") No. 130, "Reporting Comprehensive Income" ("FAS 130"). This statement requires companies to classify items of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. FAS 130 is effective for financial statement issues for fiscal years beginning after December 15, 1997. The Company adopted FAS 00 in fiscal year 1999. There was no difference between net income and comprehensive income for the year ended December 31, 1999.

inshop.com, Inc.

(A development stage company)

Notes to Consolidated Financial Statements

December 31, 1999

3. Fixed Assets

Fixed assets consist of the following:

Edgar Filing: 800AMERICA COM INC - Form 8-K

	Estimated Useful Life
Computers and equipment	3 years
Leasehold improvements	Term of lease or 5 years
Furniture and fixtures	5 years
Software developed for internal use	18 months
Less, accumulated depreciation and amortization	
Total fixed assets	

4. Mandatory Redeemable Preferred Stock

Series A, convertible participating preferred stock

In June and November 1999, the Company completed a private offering of 3,309,531 and 2,392,863 shares of Series A mandatory redeemable, convertible participating preferred stock ("Series A Preferred Stock"), respectively, at a price of \$1,2464 per share, providing gross proceeds of approximately \$4.12 million and \$2.97 million, respectively.

The holders of the Series A Preferred Stock are entitled to: (i) receive dividends when and if declared by the Board of Directors prior to December 31, 2001; (ii) receive a dividend at an annual rate of LIBOR, plus 4% commencing January 1, 2002; (iii) a liquidation preference equal to the \$1.2464 plus any accrued and unpaid dividends; (iv) mandatory redemption of the preference amount in cash at any time after January 1, 2004; (v) vote at a special or annual Meeting of stockholders; (vi) elect one director of the Company; and (vii) convert shares of Series A Preferred Stock to shares of the Company's common stock at a rate of \$1.2464 divided by the conversion price of \$1.2464 as adjusted for dividends, issuance of rights to purchase common stock, certain distributions and other changes.

In the event of a public offering of the Company's stock, the shares of Series A Preferred Stock will automatically convert into common shares.

9

inshop.com, Inc.
(A development stage company)
Notes to Consolidated Financial Statements
December 31, 1999

5. Capital Stock

At December 31, 1999 the authorized capital stock of the Company consists of 20,000,000 shares of Common Stock, \$.01 par value per share and 10,000,000 of Preferred Stock, \$.01 par value per share. The Board of Directors of the Company has the authority to issue Preferred Stock in series with rights and privileges determined by the Board. Upon

Edgar Filing: 800AMERICA COM INC - Form 8-K

formation of the Company, 7,414,800 shares of \$.01 par value Common Stock were issued to the founders for \$256,664.

In 1999, inshop issued 50,000 shares of the Company's common stock to an employee in exchange for services provided. The Company recorded a non-cash compensation expense of \$32,500 based upon the \$0.65 fair value of the Company's common shares on the date of the issuance as determined by the Company's Board of Directors.

Warrants Issued to Related Party

In November 1999, the Company issued to America Online/Digital Cities warrants to purchase up to 401,155 shares of the Company's Mandatory Redeemable Preferred Stock at a price of \$1.2464 per share in exchange for banner advertising on the American Online/Digital Cities Website. For the year ended December 31, 1999, the Company recorded a non-cash charge of \$6,996 as a marketing expense, representing the fair value of the advertising services received in 1999 in exchange for the warrants. In connection with the warrant issued to America Online, 234,693 prorata warrants at a price of \$ 1.2464 were issued to the other Preferred Stock shareholders including AOL in order that the preferred shareholders have the ability to maintain their ownership percentages.

6. Stock Options

Stock Option Plan

In 1999, inshop's Board of Directors and stockholders adopted the Company's 1999 Stock Option Plan ("the Plan"). The Plan provides for the granting of stock options at the discretion of the Board of Directors. The total number of shares of Common Stock for which options may be granted under the Plan is 1,600,000.

The Board of Directors determines the exercise price of all stock options granted under the Plan at the time of grant. The maximum term of each option granted under the Plan is ten years from the date of grant. Options shall become exercisable at such times and in such installments as the Board of Directors shall provide in the terms of each individual award.

The exercise price of all options under the Plan, which range from \$0.94-\$1.25, were determined based upon the fair market value of inshop's Common Stock on the date of grant as determined by the Company's board of directors,

Stock option activity under the Plan can be summarized as follows:

10

inshop.com, Inc.
(A development stage company)
Notes to Consolidated Financial Statements
December 31, 1999

Number of

Edgar Filing: 800AMERICA COM INC - Form 8-K

	Shares
Outstanding at January 1, 1999	
Granted	908,291
Exercised	-
Forfeited	191,408

Outstanding at December 31, 1999	16,883

Options available for future grant	883,117
Options exercisable	123,469

At December 31, 1999 the weighted-average remaining contractual life of the outstanding options approximated 10 years.

Stock-Based Compensation

As permitted by FAS 123, the Company applies APB 25 and related interpretations in accounting for employees stock option awards. In accordance with the provisions of FAS 123, the Company discloses pro forma effects of accounting for such arrangements using the minimum value method of the Black-Scholes option-pricing model. Based on the fair value of the stock options at the date of grant, the Company's net loss for the year ended December 31, 1999 would not have been adjusted.

The fair value of each option grant to employees is estimated using the minimum-value method of the Black-Scholes option-pricing Model, which assures no volatility. The values were obtained using' assumptions, which were derived using information provided by the management of the Company. Changes in the information would affect the assumptions and the option prices derived from those assumptions. The weighted average assumptions used for the grants made in 1999 were as follows: risk free interest rate ranging between 4.42%-6.0 1%, expected option life ranging between one to five years and dividend yield 0.0%.

During 1999, the Company issued options to purchase up to 369,794 shares of the Company's Common Stock to consultants and advisors. The options vest over different time periods of up to three years. In accordance with Emerging Issues Task Force Abstract No. 9618, "Accounting for Equity Investments That are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", the Company is recording the value of the services being received based on the fair value of the options provided or the services received whichever is more reliably measured. The fair value of these options has been estimated using the Black-Scholes options pricing model based on the following weighted average assumptions: risk free interest rate ranging between 4.42%-6.01 %, expected option life ranging between one to rive years, dividend yield 0.0% and volatility of 50%. In 1999, the Company recorded non-compensation of approximately \$288,000 related to such awards.

In connection with the sales of the Company's Series A Preferred Stock, the Company issued options to purchase 74,100 and 127,450 shares of the Company's common shares at exercise prices of \$0.94 and \$1.25, respectively to the financial advisor of the Company. The Company recorded issuance costs of \$6,327 related to these options.

Edgar Filing: 800AMERICA COM INC - Form 8-K

inshop.com, Inc.
(A development stage company)
Notes to Consolidated Financial Statements
December 31, 1999

7. Related Party Transactions

In November 1999, the Company entered into a contract with America Online/Digital Cities, a holder of inshop stock, whereby America Online/ Digital Cities agreed to deliver certain traffic to a co-branded Website with the Company for a period of one year.
(See Note 5)

The Company entered into a License and Support Agreement with a stockholder in 1999, whereby inshop.com issued a license to inshop UK in exchange for a 25% interest in the UK entity.

8. Commitments

Operating leases the Company leases office space under a non-cancelable operating lease expiring in 2005. The following is a schedule of future minimum lease payments under non-cancelable operating leases as of December 31, 1999:

2000	\$ 159,105
2001	196,074
2002	201,956
Thereafter	530,852

	\$1,087,987

Rent expense for the year ended December 31, 1999 was approximately \$93,000.

9. Subsequent Events

In January 2000, the Board of Directors approved a verbal agreement with CAE Solutions, a related party, under which CAE Solutions will provide technical services to the Company. Under the agreement, the Company will pay CAE a monthly fee of up to \$44,000 and will issue CAE Solutions 160,000 shares of the Company's common stock upon completion of the initial 12 month term of the agreement. The Company will account for the issuance of such shares under the provisions of EITF 96-18.

ITEM 7b

Edgar Filing: 800AMERICA COM INC - Form 8-K

On October 24, 2000, 800America . com, Inc. (800America) acquired all the outstanding common and preferred stock of Inshop . com (InShop) in exchange for 1,187,493 shares of 800America . com, Inc. common stock.

The acquisition will be accounted for as a purchase. The stock issued was valued at \$1 per share for a total purchase price of \$1,817,493 allocated as follows:

Customer list (approximately 103,000 names)	\$917,493
Goodwill	900,000

Total	\$1,817,493

The stock was valued at the average price per share during the month the agreement was reached which value was reduced by one-third due to the restricted nature of the stock and its volatility. It was valued at approximately \$9 per customer and will be amortized over seven years. The customer list consist of retail stores around the country that have agreed to participate with InShop The equipment of Inshop was not considered to have any value.

The unaudited pro forma condensed consolidated balance sheet of 800America .. com Inc. and Inshop as of September 30, 2000 reflects adjustments as if the acquisition had been made as of that date. The unaudited pro forma condensed consolidated statements of income for the year ended December 31, 1999 and for the nine months ended September 30, 2000 reflect adjustments as if acquisition had occurred on January 1, 1999 and January 1, 2000 respectively.

The unaudited pro forma condensed consolidated balance shee t and statement of income should be read in conjunction with the separate historical audited financial statements of 800America . com Inc. and Inshop and the related notes appearing elsewhere in this report. The pro forma financial information is not nece s sarily indicative of the results that would have been reported had such events actually occurred on the dates specified, nor is it necessarily indicative of the future results of the combined company. Actual statements of operations of the companies will be consolidated commencing on the date of the acquisition.

13

800America . com, Inc. Unaudited Pro Forma Combined Condensed Balance Sheet September 30, 2000

	Historical 800America	Historical InShop.com
Assets		
Current Assets		
Cash and Cash Equivalents	\$1,780,803	

Edgar Filing: 800AMERICA COM INC - Form 8-K

Accounts Receivables (Net)	1,097,094	
Total Current Assets	2,877,897	
Property and Equipment		
Equipment (Net)	592,575	383,800
Intangible Assets		
Goodwill (Net)	200,000	
Total Assets	3,670,472	383,800
Liabilities, Mandatorily Redeemable Convertible Preferred Stock		
Current Liabilities		
Accounts Payable	209,011	536,700
Rebates Payable	330,982	
Income Tax Payable	415,570	
Total Current Liabilities	955,563	536,700
Mandatory Redeemable		
Series A Convertible Preferred Stock		6,783,000
Stockholders' Equity		
Common Stock	12,450	82,600
Additional Paid in Capital	1,402,112	693,500
Retained Earnings	1,300,347	-7,712,000
Total Stockholders' Equity	2,714,909	-6,935,900
Total Liabilities and Stockholders' Equity	\$3,670,472	\$383,800

See Notes to the Unaudited Pro Forma
Combined Consolidated Financial Notes

800America.com, Inc.
Pro Forma Income Statement
Year Ended December 31, 1999

Edgar Filing: 800AMERICA COM INC - Form 8-K

Revenues	\$3,283,575	\$0
Cost and Expense		
Rebates	2,135,668	
Web Site Development		324,602
Content Development		208,264
Total Cost of Revenues	2,135,668	532,866
Gross Margin	1,147,907	-532,866
Operating Expense		
Sales and Marketing		1,528,173
Technology		127,743
Advertising	397,738	
General and Administrative	474,999	982,716
Total Operating Expense	872,737	2,638,632
Profit (Loss) from Operations	275,170	-3,171,498
Other Income (Expense)		
Interest and Other Income	5,810	111,416
Interest Expense		-11,853
Total	5,810	99,563
Income Tax (Expense) Benefit	-95,533	
Net Income (Loss)	\$185,447	(\$3,071,935)
Accretion of Mandatary		
Redeemable Convertible		
Preferred Stock to Redemption Value		-30,584
Net Income (Loss)	185,447	-3,102,519
Basic Earnings Per Common Share Outstanding	\$0.03	
Basic Weighted Average Common		
Shares Outstanding	6,243,132	
Diluted Earnings Per CommonShare	\$0.03	
Diluted Weighted Average Common Share	6,432,989	

See Notes to the Unaudited Pro Forma
Combined Consolidated Financial Notes

800America . com, Inc.
Pro Forma Income Statement
Nine Months Ended September 30, 2000

	800America	Inshop
Revenues	\$9,512,208	\$23,800
Cost of Revenues		
Web Site Development and Operations	486,453	526,400
Contents		488,200
Rebates	4,876,154	
Total	5,362,607	1,014,600
General, Administration and Selling Expense		
Sales and Marketing	1,060,112	2,392,600
Technology		144,700
General and Administration	1,062,121	710,000
Total	2,122,233	3,247,300
Operating Income (Loss)	2,027,368	-4,238,100
Income Tax (Expense) Benefit	-689,305	0
Net Income (loss)	\$1,338,063	(\$4,238,100)
Basic Earnings Per Common Share		
Outstanding	\$0.11	
Basic Weighted Average		
Common Shares Outstanding	12,350,000	
Diluted Earnings Per Share		
Common Stock	\$0.10	
Diluted Weighted Average		
Common Stock	13,900,000	

See Notes to the Unaudited Pro Forma
Combined Consolidated Financial Notes

Edgar Filing: 800AMERICA COM INC - Form 8-K

800America.com, Inc.
Notes to Unaudited Pro Forma
Combined Condensed Financial Information

Note 1 - Significant Accounting Policies and Basis of Presentation

The accompanying historical financial statements of 800America . com, Inc. (800America) and InShop . com (InShop) have been derived from financial statements prepared in accordance with U. S. generally accepted accounting principles.

800America and Inshop's historic financial statements for the year ended December 31, 1999, used in the pro forma financial statements., were for each company based on their audited financial statements of and for the period ended December 31, 1999.

800America and Inshop financial statements as of and for the nine months ended September 30, 2000, used in the pro forma financial statements are derived from each company's unaudited financial statements for that period.

Note 2 - Pro Forma Adjustments Balance Sheet

- a. Balance sheet adjustments - to record the consideration paid for the net assets acquired at their fair market value.

Customer list	\$917,493
Goodwill	900,000

Stock issued	\$1,817,493

- b. The above consideration was in the form of 1,817,493 shares of 800America issued for all the outstanding common and preferred stock of Inshop.
- c. The fair market value of the stock determined above was the average price traded for the month of the merger (October 2000) reduced by one-third for its restricted status and volatility. The customer list was comprised of retail stores around the country, who had agreed to participate with Inshop, and each name was valued at approximately nine (9) dollars. The equipment was not considered to have any value.

17

Note 3 - Pro Forma Adjustment Income Statement

- a. Intangibles resulting from the purchase will be amortized as follows until January 2, 2002 when Financial Accounting Standards Board Opinion No. 142 will be adopted dispensing with the

Edgar Filing: 800AMERICA COM INC - Form 8-K

amortization for Goodwill and requiring, at a minimum annual test for impairment and recognition of impairment losses in the future.

Goodwill	15 years
Customer List	7 years

- b. Accretion of redemption value of preferred stock no longer be required with the merger and is terminated.
- c. To record income tax effects of the merger and pro forma adjustments. The net operating loss created during the year of merger would be used during the year of the merger and the subsequent year. The tax benefit will be created during the year of the merger.

18

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

800AMERICA.COM, INC.

Date: May 9, 2002

By: /s/ David E. Rabi

David E. Rabi
Chief Executive Officer

19