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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 11, 2001

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 Identification 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 11, 2001, 800America.com, Inc. (the "Company") through its wholly-owned subsidiary, 800America.com Acquisition Corp., a Delaware corporation, acquired all of the then outstanding capital stock of iGain, Inc. ("iGain"), a Delaware corporation, in a stock-for-stock merger (such transaction being referred to as the "Merger") pursuant to a certain Merger Agreement and Plan of Reorganization dated as of October 11, 2001. iGain, headquartered in Fairfield, Connecticut, is a provider of private

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label customer loyalty programs for business. Each iGain preferred share was converted into .44444444 shares of the Company's Common Stock and each iGain common share was converted into .01011941 shares of the Company's Common Stock.

In connection with the closing of the Merger, the Company issued a total of 1,050,000 shares of its common stock, which had a value of approximately \$2,226,000 based on the closing price of the Company's common stock on October 11, 2001. The consideration paid by the Company was determined by the parties through a privately negotiated arms' length transaction. Holders of 1,000,000 shares of common stock received in the transaction have the right to put the shares back to the Company for repurchase. The Company 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 Merger Agreement and Plan of Reorganization by and among 800America.com, Inc., iGain, Inc. and 800 America.com, Inc. Acquisition Corp. dated as of October 11, 2001 (previously filed).

ITEM 7a

Jack F. Burke, Jr.
Certified Public Accountant
P. O. Box 15728
Hattiesburg, Mississippi 39404

Independent Auditors Letter

To the Board of Directors and Stockholders' of iGain, Inc.

I have audited the accompanying balance sheet of iGain, Inc. as of December 31, 2000 and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express and opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

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In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of iGain, Inc. as of December 31, 2000, 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 accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note A to the financial statements, the Company has suffered recurring losses from operations, which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Jack F. Burke, Jr.

May 1, 2002
Hattiesburg, Mississippi

iGain, Inc. Balance Sheet December 31, 2000

Assets	
Current Assets	
Cash in Bank	\$978,989
Account Receivables	119,544
Federal Notes - Deposit Account	400,912

Total Current Assets	
Equipment	
Computer Hardware	130,268
Computer Software	234,938
Accumulated Depreciation	-3,515

Total Equipment	
Other Assets	
Prepaid Assets	1,603

Total Other Assets	
Total Assets	

Liabilities and Stockholders' Equity

Current Liabilities

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Accounts Payable	250,790
Capital Lease Obligations	125,499
Member Deposits	913,533

Total Current Liabilities	
Stockholders' Equity	
Preferred Stock - Series A Convertible Preferred Stock \$0.01 par 5,000,000 Shares Authorized 1,125,000 Shares Issued	11,250
Common Stock - \$0.01 Par Value, 10,000,000 Shares Authorized 4,941,001 Shares Issued	49,000
Additional Paid in Capital	843,030
Retained Earnings (Deficit)	(\$330,363)

Total Stockholders' Equity	
Total Liabilities and Stockholders' Equity	

The Accompanying Notes Are An Integral Part of These Financial Statements.

iGain, Inc.
Income Statement
Eleven Days Ended December 31, 2000

Revenues	\$170,319

Cost of Revenues	
Cost of Goods Sold	13,993
Technology Development	140,925

Total Cost of Revenues	154,918

Selling, General and Administrative	
Depreciation and Amortization	3,515
Compensation and Benefits	34,975
Bad Debts	45,781
General and Administrative	10,398
Research and Development	250,000

Total Selling General and Administrative	344,669

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Operating Income (Loss)		----- -329,268
Interest Expense		1,095 -----
Net (Loss)		(\$330,363)
Earning Per Common Share Outstanding		(\$0.07)
Weighted Average Common Share Outstanding	4,936,001	
Diluted Earnings Per Share of Fully Diluted Common Share		(\$0.05)
Fully Diluted Common Share	7,321,001	

The Accompanying Notes Are An Integral Part of These Financial Statements

iGain, Inc.
Statement of Cash Flows
Eleven Days Ended December 31, 2000

Cash Flows From Operating Activities		
Net Loss From Operations		(\$330,363)
Adjustments to Reconcile Net Loss to Net Cash Used in Operations		
Depreciation and Amortization	3,515	
Accounts Receivables - Increase	-119,544	
Prepaid Assets - Increase	-1,603	
Accounts Payables - Increase	250,790	
Capital Lease - Increase	125,499	
Member Deposits - Increase	913,533	
Stock Issue for Compensation	120,000	
Net Cash Provided by Operations		----- 961,827 -----
Cash Flows From Investing Activities		
Purchase of Federal Notes	-400,912	
Purchase of Computer Equipment	-130,268	
Purchase of Software	-234,938	
Net Cash (Used) by Investments		----- -766,118 -----
Cash flows From Financing		
Sale of Preferred Stock	715,000	
Conversion to C Corporation Common Stock from Partnerships	68,280	
Net Cash Provided by Financing		----- 783,280 -----
Net Increase in Cash		978,989

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Beginning Cash Balance	0

Ending Cash Balance	\$ 978,989

Supplemental Cash Flow Information	
Income Tax Paid	\$ 0
Interest Paid	\$ 1,095

The Accompanying Notes Are An Integral Part of These Financial Statements

iGain, Inc.
Statement of Stockholders' Equity
December 31, 2000

	Preferred Shares	Stock Amount	Common Shares
Formation of Corporation from Partnership Net (Deficit) December 20, 2000			4,747,001
Sale of Preferred Stock December 20, 2000 Net of Cost of \$156,125	871,000	9,000	
Conversion of Short Term Note and Interest Due Thereon Into Preferred Stock December 20, 2000	254,000	2,250	
Common Stock Issued for Service			194,000
Net Loss December 20, through December 31, 2000			
Total	1,125,000	11,250	4,941,001

The Accompanying Notes Are An Integral Part of These Financial Statements

iGain, Inc.
Notes to Financial Statements
December 31, 2000

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Note A - The Company

iGain, Inc. was formed on December 20, 2000 by incorporating a previous partnership. The Company was incorporated in Delaware. The exchange has been recorded on a historic cost basis similar to reorganization. The Company is a provider and administrator of a cash based loyalty and customer retention program for retailers, catalog-based merchants and e-commerce sites.

The Company and its predecessor have had no significant revenues to date. As shown in the accompanying financial statements, the Company has incurred a significant net loss for the period ended December 31, 2000 and has been dependent upon equity financing to meet its obligations and sustain operations. The Company is subject to those risks associated to emerging e-commerce companies, which, by definition, seek to create new markets for their products and services. These factors raise substantial doubt about the Company's ability to continue as a going concern. In order to continue its operations, the Company is seeking additional financing and exploring strategic alliances with other companies. However, there is no assurance that the Company can obtain adequate additional financing, or that profitable operations can be attained. The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or the amount and classification of liabilities that might be necessary as a result of the above uncertainty.

Note B - Significant Accounting Policies

Use of Estimates - The preparation of financial statements in accordance with auditing standards generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents - The Company considers all highly liquid investment instruments purchased with maturity of three months or less to be cash equivalents.

Furniture and Equipment - Furniture and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of 3 to 7 years. Expenditures for maintenance and repairs are charged to expense as incurred.

Note C - Series a Convertible Preferred Stock

In December 2000 the company issued 1,125,000 shares of its newly created Series A Convertible Preferred Stock ("Series A"), par value \$0.01, and warrants to purchase an aggregate of 196,875 shares of common stock for \$1.00 per share. Included in the issuance were 254,000 shares to an investor who converted a short-term note in the amount of \$250,000 plus accrued and unpaid interest of \$4,000. Each share of Series A is initially convertible, at any time, into one share of common stock of the Company and is subject to certain anti-dilution adjustments. The shares will automatically convert into common stock upon the consummation of an initial public offering for a minimum of \$20 million at per share price of \$2.50. In addition, the Series A holder may require the Company to purchase their shares of Series A at their earlier of (i) the fifth anniversary of the purchase, (ii) the closing of any merger, acquisition or any

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other transaction resulting in a change of control as defined, or (iii) any event of default under the agreement, at a per share price equal to the greater of (i) the initial cost per share, (ii) the fair value as determined by an independent third party appraiser, or (iii) two times the company's gross revenues for the twelve months prior to the transaction.

Series A has a liquidation preference of \$1.00 per share plus any declared and unpaid dividends, and vote on all matters along with the common stockholders' based upon the number of common shares the Series A are then convertible into. In connection with the issuance of the Series A, the Company issued 194,000 shares of common stock and paid \$50,000 in cash to a company as a fee relating to the private placement of Series A. In addition, the Company incurred approximately \$106,000 in professional fees relating to the issuance of Series A.

Note D - Employee Benefits

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code that covers substantially all employees. Participant contributions to the plan are voluntary and are subject to certain limitations. The Company is not required to make any matching contributions. During the year ended December 31, 2000 the Company did not make any contributions.

Note E - Subsequent Events

In February 2001 the Company sold an additional 1,125,000 shares of Series A convertible preferred stock and warrants to purchase an aggregate of 196,875 shares of common stock for \$1.00 per share in a private placement offering for gross proceeds aggregating \$1,125,000.

On March 15, 2001 the Company entered into three-year office space lease totaling \$243,000. The terms of the lease require the Company to deposit \$6,500 as a security deposit into an interest bearing account of the lessor.

Note F - Capital Lease Obligations

The Company acquired certain equipment through the issuance of capital lease obligation. Future payments required under these leases are summarized as follows:

Year Ending December 31 -----	
2001	\$125,498

Item 7b

800America . com, Inc.
ProForma Financial Information
Unaudited ProForma Combined Condensed
Financial Information

On October 9, 2001, 800america.com, Inc. (800America) acquired all the

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outstanding common and preferred stock of iGain.com Inc. (iGain), in exchange for 1,050,000 shares of common stock of 800America. The acquisition was accounted for as a purchase.

The following unaudited proforma combined balance sheet is presented to give effect to the acquisition of certain assets of iGain by 800America. The unaudited proforma combined condensed balance sheet has been prepared to reflect the transaction as of September 30, 2001. The unaudited proforma combined condensed statements of income combine the results of operations of iGain and 800America for the year ended December 31, 2000 and for the nine months ended September 30, 2001, as if the acquisitions of iGain, which closed on October 9, 2001, had occurred on January 1, 2000 and January 1, 2001 respectively. The proforma information was prepared based on historic financial statements and the related notes of iGain and 800 America.

The unaudited proforma combined condensed financial statements and the notes thereto should be read in conjunction with the historic financial statements and related notes of iGain and 800America appearing elsewhere in this report. The proforma information is not necessarily indicative of the result that would have been obtained 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 income of the combined companies will be consolidated commencing on the date of acquisition.

The purchase price was computed from the average trading price of the stock over three (3) days either side of the trade date October 9, 2001. The average trading price was \$2.10, the purchase price then was based on 1,050,000 shares at \$2.10 or \$2,205,000. The purchase price was allocated as follows:

Goodwill	\$1,205,000
Software	786,000
Hardware	214,000

	\$2,205,000

iGain is an Internet Shopping Portal that blends in well with 800America existing networking development. Customers shopping on the iGain site can easily be transferred to other 800America sites, at the customer's request, conversely shoppers on other 800America sites have easy access to the iGain site.

On January 1, 2002 the Company plans to adopt Financial Accounting Standards No 142, Goodwill and Intangible Assets. Upon the adoption of this pronouncement the Company will no longer amortize goodwill but will perform an impairment evaluation annually, or more frequently should circumstances or conditions arise which merit such a review.

800America.com Inc.
Unaudited ProForma Combined
Condensed Income Statement
Year Ended December 31, 2000

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	Historical 800America	Historical iGain, Inc.	Pro Adju
Revenues	\$15,980,529	\$170,319	
Cost of Revenues			
Cost of Goods Sold		13,993	
Technology Development	233,938	140,925	
Rebates	8,913,351		
Total Cost of Revenues	9,147,289	154,918	
Selling General and Administrative			
Sales and Marketing	1,878,318		
Depreciation and Amortization	486,480	3,515	3
General and Administrative	1,354,542	51,154	
Total Selling General and Administrative	3,719,340	54,669	3
Operating Income (Loss)	3,113,900	-39,268	-3
Other Income (Expense)	26,243	-1,095	
Income Tax (Expense) Benefit	-1,067,649		1
Net Income Loss	\$2,072,494	(\$40,363)	(\$2)
Net Income Per Common Share Basic	\$0.16		
Basic Weighted Average Common Outstanding	12,721,356		
Diluted Earnings Per Share Common Stock	\$0.14		
Diluted Weighted Average Common Stock	14,371,359		

See Accompanying Notes to Unaudited Combined Condensed Financial Statements

800America.com Inc.
Unaudited ProForma Combined
Condensed Balance Sheet
September 30, 2001

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	Historical 800America	Historical iGain, Inc.	Pro Adju
Assets			
Current Assets			
Cash	\$9,107,264	\$962,507	
Accounts Receivable Net	58,907	39,969	
Deferred Tax Asset	47,260		
Total Current Assets	9,213,431	1,002,476	
Property and Equipment (Net)			
Computer Software	1,772,456	147,598	-1
Computer Hardware	332,960	139,964	7
Total Property and Equipment	2,105,416	287,562	7
Other Assets			
Goodwill - Net	176,666		1,2
Investment	439,714		
Total Assets	11,935,227	1,290,038	1,9
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts Payable	134,379	62,557	-
Lease Obligations		84,841	
Member deposits		907,292	
Income Tax Payable	866,567		
Total Current Liabilities	1,000,946	1,054,690	-
Stockholders' equity			
Common Stock	16,162		-
Deferred Stock		22,500	-
Additional Paid in Capital	2,756,147	1,987,684	-1,7
Retained Earnings (Deficit)	8,161,972	-1,774,836	-2
Total Stockholders' Equity	10,934,281	235,348	2,2
Total Liabilities and Stockholders' Equity	\$11,935,227	\$1,290,038	1,7

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See Accompanying Notes to Unaudited combined Condensed financial Statements

ITEM 7b

800America.com Inc.
Unaudited ProForma Combined
Condensed Income Statement
Nine Months Ended September 30, 2001

	Historical 800America	Historical iGain, Inc.
Revenues	\$15,244,673	\$270,889
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Cost of Revenues		
Cost of Goods Sold		111,657
Technology Development	421,587	369,114
<hr style="border-top: 1px dashed black;"/>		
Total Cost of Revenues	421,587	480,771
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Selling General and Administrative		
Sales and Marketing	3,133,605	91,310
Depreciation and Amortization	593,869	47,770
Salaries and Wages	615,946	884,952
General and Administrative	1,834,870	535,053
<hr style="border-top: 1px dashed black;"/>		
Total Selling General and Administrative	6,178,290	1,559,085
<hr style="border-top: 1px dashed black;"/>		
Operating Income (Loss)	8,644,796	-1,768,967
Other Income (Expense)	108,600	34,493
Income Tax (Expense)	-3,030,000	0
<hr style="border-top: 1px dashed black;"/>		
Net Income (Loss) From Continuing Operations	5,723,396	-1,734,474
Gain on disposal of Discontinued Operations Net of Tax	330,000	
<hr style="border-top: 1px dashed black;"/>		
Net Income (Expense)	\$6,053,396	(\$1,734,474)
<hr style="border-top: 1px dashed black;"/>		
Net Income Per Common Share Basic		
Continuing Operations	\$0.36	
Disposal of Discontinued Operations	\$0.02	
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Net Income	\$0.38	

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Basic Weighted Average Common Stock Outstanding	15,929,989
Net Income Per Common Stock	
Diluted Continuing Operations	\$0.31
Disposal of Discontinued Operations	\$0.02

Net Income	\$0.33
Diluted Weighted Average Shares Outstanding	18,343,624

See Accompanying Notes to Unaudited Combined Condensed Financial Statements

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 iGain.com, Inc. (iGain) have been derived from financial statements prepared in accordance with U. S. generally accepted accounting principles.

800America and iGain's historic financial statements for the year ended December 31, 2000, used in the pro forma financial statements, were for 800America based on their audited financial statements of and for the period ended December 31, 2000 and for iGain on their unaudited financial statements for the same period.

800America and iGain's 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.

Computer Hardware	\$ 214,000
Software	786,000
Goodwill	1,205,000

Stock issued	\$2,205,000

- b. The above consideration was in the form of 1,050,000 shares of 800America common stock issued for all the outstanding common and preferred stock of iGain.
- c. The fair market value of the stock determined above was the average price traded for the month of the merger (October 2001) reduced by

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one-third for its restricted status and volatility.

Note 3 - Pro Forma Adjustment Income Statement

- a. Goodwill resulting from the purchase will not be amortized. On January 2, 2002 Financial Accounting Standards Board Opinion No. 142 was adopted dispensing with the amortization for Goodwill and requiring, at a minimum, annual test for impairment and recognition of impairment losses in the future. Depreciation is recorded for Computer Hardware and Software for periods indicated.
- b. 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.

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