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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): September 24, 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.

On September 24, 2001, 800America.com, Inc. ("the Company") completed the acquisition of substantially all of the assets, including the name and assumed certain liabilities of cs-live.com, Inc. The assets consisted primarily of intellectual property. Headquartered in Ontario Canada, cs-live provided enhanced real time communications using the Internet as the delivery medium. The purchase price was \$50,000 and 450,000 shares of the Company's Common Stock. The Company used its own funds. The consideration paid by the Company was determined

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by the parties through a privately negotiated arm's length 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
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2	Form of Asset Purchase Agreement between cs-live, Inc. and 800America.com, Inc., dated as of August 30, 2001.

ITEM 7a

KPMG LLP
CHARTERED ACCOUNTANTS
Suite 1000
45 O'Connor St.
Ottawa, ON K1P 1A4
Canada

Telephone (613) 560-0011
Telefax (613) 560-2896
www.kpmg.ca

AUDITORS' REPORT

To the Directors

We have audited the balance sheet of cs-live.com inc. as at December 31, 2000 and the statements of operations and deficit and cash flows for the period from incorporation on January 13, 2000 to December 31, 2000. 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 Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

"KPMG LLP"

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Chartered Accountants

Ottawa, Canada

January 25, 2001 (except for note 12,
which is as of February 23, 2001)

cs-live.com inc.

Balance Sheet

December 31, 2000

Assets

Current assets:

Cash and cash equivalents	\$ 120,769
Accounts receivable	41,524
Investment tax credits receivable	175,000
Prepaid expenses	16,151
	<hr/>
	353,444

Capital assets (note 3)	208,469
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	\$ 561,913
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Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable and accrued liabilities	\$ 296,605
Deferred revenue	3,700
Note payable (note 4)	94,000
Shareholders' loans (note 5 and 12(b))	127,500
	<hr/>
	521,805

Shareholders' equity

Share capital (note 6)	1,602,726
Contributed surplus (note 6)	149,567
Deficit	(1,712,185)
	<hr/>
	40,108

Going concern (note 1)
Commitments (note 8)
Subsequent events (note 12)

	\$ 561,913
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See accompanying notes to financial statements.

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cs-live.com inc.

Statement of Operations and Deficit

For the period from incorporation on January 13, 2000 to December 31, 2000

Revenue	\$	21,698
Cost of revenue		49,295
		(27,597)
Expenses:		
General and administrative (note 6(b))		704,762
Sales and marketing		605,456
Research and development		342,619
Amortization		34,646
Interest and bank charges		8,366
		1,695,849
		(1,723,446)
Investment income		11,261
Net loss, being deficit, end of period	\$	(1,712,185)
Loss per share (note 9)	\$	(0.35)
Weighted average number of common shares		4,883,181

See accompanying notes to financial statements

cs-live.com, inc.

Statement of Cash Flows

For the period from incorporation on January 13, 2000 to December 31, 2000

Cash Flows from operating activities:

Operations:		
Net loss		\$(1,712,185)
Items not involving cash:		
Amortization		34,646
Compensation expense (note 6(b))		149,567
Change in non-cash operating working capital		67,631
		(1,460,341)
Financing:		
Issue of common shares		1,602,725
Note payable		94,000
Shareholders' loans		127,500
		1,824,225

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Investment:	
Purchase of capital assets	(243,115)

Increase in cash and cash equivalents	\$ 120,769
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of period	\$ 120,769

Supplemental cash flow information:	
Interest paid	\$ 3,514

The Company considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

See accompanying notes to financial statements.

cs-live.com inc.

Notes to Financial Statements

For the period from incorporation on January 13, 2000 to December 31 2000

cs-live.com Inc. (the "Company") was incorporated under the Canada Business Corporations Act on January 13, 2000. The Company develops and markets software that enables businesses to implement a real time customer service function over the Internet.

1. Significant accounting policies:

- (a) Going concern: These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations.

The ability of the company to continue as a going concern and to realize the carrying value of its assets is dependent on the success of future operations, and the continuing support of its shareholders and lenders. It cannot be determined at this time whether these objectives will be realized.

These financial statements do not reflect adjustments in the carrying values of its accounts receivable, investment tax credits receivable, prepaid expenses or capital assets that would be necessary if the going concern assumption were not appropriate should the Company not be able

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to continue its normal course of business.

(b) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the declining balance basis using the following annual rates:

Asset Type	Rate
Office furniture and equipment	20%
Computer equipment	30%
Software	30%

Leasehold improvements are amortized on a straight-line basis over the related lease term.

cs-live.com inc.

Notes to Financial Statements, page 2

For the period from incorporation on January 13, 2000 to December 31, 2000

1. Significant accounting policies (continued):

(d) Revenue recognition:

The Company generates revenues from licensing its software. License revenues are recognized over the term of the license.

Consulting and software customization revenues are recognized as the services are rendered. Billings in advance of services rendered are recorded as deferred revenue and are recognized at the time services are rendered.

(e) Research and development expense:

Research costs are expensed as incurred. Development costs are expensed in the year incurred unless management believes a development project meets the generally accepted accounting criteria for deferral and amortization. In the opinion of management, no development costs incurred to date meet all the criteria for deferral and amortization. Therefore, all development costs have been expensed as incurred.

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(f) Income taxes:

Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date.

(g) Foreign currency:

Foreign currency transactions are translated into Canadian dollars of exchange rates in effect on the date of the transactions. Monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect as at the balance sheet date. Foreign currency gains and losses are included in income.

(h) Stock option plan:

The Company applies the intrinsic value-based method of accounting for its stock compensation granted to employees. Under this method, compensation expense is recorded on the measurement date (which is generally the date of grant) only if the current market price of the underlying stock exceeded the exercise price. The Company applies the fair value-based method of accounting for stock compensation granted to non-employees. Under this method, compensation expense is measured at the grant date based on the fair value of the award determined using an option pricing method.

cs-live.com inc.

Notes to Financial Statements, page 3

For the period from incorporation on January 13, 2000 to December 31, 2000

2. Amalgamation of ADR Explorations Ltd. (ADR):

Effective august 30, 2000, the Company amalgamated with ADR and continued under the name "new cs-live.com inc.". This transaction was treated as a reverse takeover of ADR by "old cs-live.com inc.", and accounted for under the purchase method, as provided by Canadian generally accepted accounting principles.

Under reverse takeover accounting, the financial statements of their amalgamated entity are considered a continuation of the financial statements of "old cs-live in.". For the purposes of this share exchange, "old cs-live.com inc." is deemed to have acquired ADR for an ascribed purchase price of \$1, which represents the assets and liabilities, acquired. As such, the net assets of "old cs-live.com inc." have remained at their carrying values. In addition, as "old cs-live.com inc." commenced operations January 13, 2000, no comparative figures have bee presented,

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3. Capital assets:

	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$55,382	\$5,300	\$50,082
Computer equipment	112,623	17,700	90,923
Software	35,569	5,146	30,423
Leasehold improvements	39,541	6,500	33,041
	\$243,115	\$34,646	\$208,469

4. Note payable:

The note payable is due in 36 equal monthly installments, beginning November 2000, carries an interest rate of prime plus 3%, is due on demand and is secured by certain equipment.

5. Shareholders' loans

The shareholders' loans are repayable on demand and are interest-free.

6. Share capital:

(a) Authorized:

The authorized share capital consists of an unlimited number of voting common shares and an unlimited number of non-voting Class A shares.

cs-live.com inc.

Notes to Financial Statements, page 4

For the period from incorporation on January 13, 2000 to December 31, 2000

6. Share capital (continued):

(b) Issued:

The Company's issued and outstanding shares are as follows:

	Number of Common Shares	Amount
Issued for cash	6,019,718	\$1,703,107
Issued to effect amalgamation	670,244	1
Share issuance costs	-	(100,382)
	6,689,962	\$1,602,726

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Included in general and administrative expenses and contributed surplus is \$149,567, which represents the fair value of common shares issued to non-employees in exchange for services.

(c) Purchases warrants:

On April 28, 2000, 571,158 common share purchase warrants were issued as part of a share offering. Each warrant is exercisable until April 28, 2001 to acquire one common share at a price between \$0.80 and \$1.20 per share.

On August 30, 2000, 670,244 common share purchase warrants were issued as part of the amalgamation of ADR Explorations Ltd. Each warrant is exercisable to acquire one common share at \$1.00 per share anytime within 12 months of the date of commencement of the quotation or trading of the common shares on the Canadian Venture Exchange.

At December 31, 2000, 1,241,402 purchase warrants were outstanding.

(d) Stock options:

Under the terms of the Stock Option Plan, the Company is authorized to issue up to 15% of the common shares outstanding on a non-diluted basis to its employees, officers, directors and other service providers. The exercise price of each option equals the market price of the Company's stock on the date prior to the date of the grant. The maximum term of an option is five years. Options are granted at the discretion of the Board and vest annually in three equal tranches starting on the first anniversary of the grant.

cs-live.com inc.

Notes to Financial Statements, page 5

For the period from incorporation on January 13, 2000 to December 31, 2000

A summary of the status of the Company's Stock Option Plan as of December 31, 2000, and changes from the date of incorporation are presented below:

	Number of Shares	Weighted exercise price
Granted	1,164,435	\$0.58
Exercised	(176,600)	0.25

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Forfeited	(15,000)	1.60
Options outstanding, end of period	972,835	\$0.63
Options exercisable, end of period	518,868	\$0.45

The following table summarizes information about stock options outstanding at December 31, 2000:

Range Of exercise Prices	Options outstanding		Options exercisable	
	Number outstanding at 12/31/00	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at 12/31/00
\$0.25 to \$0.50	356,050	4.3 years	\$0.27	356,050
\$0.75 to \$0.83	583,875	4.2 years	0.80	154,908
41.50 to \$1.60	32,910	4.7 years	1.58	7,910
	972,835	4.3 years	\$0.63	518,868

cs-live.com inc.
Notes to financial Statements, page 6

For the period from incorporation January 13, 2000 to December 31, 2000

7. Income taxes:

Deferred income taxes reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such

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amounts as measured by tax laws. The tax effects of temporary differences that gave rise to significant portions of the future tax asset and future tax liability are as follows:

	2000
Expected tax rate	44.0%
Expected tax expense applied to net loss	\$(753,000)
Increase (decrease) in taxes resulting from:	
Non-deductible compensation expense (note 6)	47,000
Valuation allowance	711,000
Share issue costs	(9,000)
Other miscellaneous items	4,000
Income tax expense	\$ -

8. Commitments:

The Company is committed to payments under operating leases for office space and equipment. Annual payments are approximately: 2001 - \$78,000; 2002 - \$57,700; 2003 - \$52,000; and 2004 - \$3,000.

9. Loss per share:

For the purposes of the loss per share computation, the weighted average number of common shares has been used. Had the stock options and purchase warrants been exercised, the effect on the loss per share would be anti-dilutive.

10. Segmented information:

Management has determined that, as of December 31, 2000, the Company operates in one industry segment, which involves the development and marketing of software that enables organizations to implement a real-time customer service function over the internet, and one geographic segment, being Canada.

11. Financial instruments:

Concentrations of credit risk:

The company is exposed to credit-related losses in the event of non-performance by counterparties. Credit exposure is minimized by dealing with only creditworthy counterparties.

Fair values:

The carrying values of cash and cash equivalents, accounts receivable, investment tax credits receivable, accounts payable and accrued liabilities, note payable and shareholder loan approximate fair values due to the short-term maturities of these instruments.

cs-live inc.

Notes to Financial Statements page, 7

For the period from incorporation on January 13, 2000 to December 31, 2000

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12. Subsequent events:

- (a) On February 23, 2001, the Company completed a private placement of convertible debentures (the "Debentures") having a principle value of \$350,000. The Debentures have a two-year term and bear interest at a rate of 20% per annum, payable annually, in arrears. At the option of the holder, the Debentures can be converted, in whole or in part, into common shares of the company at a conversion price equal to the greater of \$1 and the twenty-day weighted average closing price of the Company's common shares on the Canadian Venture Exchange.

Purchasers of the Debentures also receive one Class A purchase warrant and one Class B purchase warrant for each \$2 of Debentures purchased. Each Class A purchase warrant entitles the holder to acquire one common share of the Company for a period of 24 months at an exercise price of \$1 or if the Company completes an offering of securities raising at least \$500,000 during the 12-month period following the closing of the Debenture offering, the exercise price shall be the per share offering price of the subsequent offering. Each Class B purchase warrant entitles the holder to acquire one common share of the Company for a period of 24 months at an exercise an equivalent number of Class A purchase warrants.

- (b) Subsequent to year end, the shareholders' loans of \$127,500 were converted into the Debentures described above having a principle value of \$127,500. The shareholders' were no issued and Class A or Class B purchase warrants.

ITEM 7b

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

On September 24, 2001 800America.com, Inc. (800America) acquired all the outstanding common and preferred stock of cslive.com, Inc. (cslive). In exchange for 450,000 shares of common stock of 800America and fifty thousand dollars (\$50,000) the acquisition was accounted for as a purchase.

The unaudited proforma combined condensed balance sheet has been prepared to reflect the transaction as of June 30, 2001. The following unaudited proforma combined condensed statements of income combine the results of operations of cslive and 800America for the year ended December 31, 2000 and for the six months ended June 30, 2001 as if the acquisitions of cslive, which closed on September 24, 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 cslive and 800 America.

The unaudited proforma combined condensed financial statements and the notes thereto should be read in conjunction with the historic financial

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statements and related notes of cslive 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 common stock component of the purchase price was computed from the average trading price of the stock over three (3) days either side of the trade date September 24, 2001, resulting in an average price of two (2) dollars per share. The purchase price was reduced by fifty thousand (\$50,000), due to the restricted conditions of the stock and its volatility. The resulting purchase price then is as follows:

Common Stock	900,000
Less Valuation Allowance	(50,000)

	850,000
 Cash	 50,000

	900,000

Allocations of the purchase price is as follows:

Web Development	450,000
Goodwill	450,000

	900,000

Cs-live web development and technology provides real-time communications using the Internet as the delivery medium. Cs-live technology enables companies with a web presence to maximize the effectiveness of the Internet with applications that provide enhanced real-time communications over the web, including live chat and rich media. Cs-live provides solutions for eLearning, eMarketing, eSupport and eSurveys, brings cs-live's customers web sites to the next level with live and interactive customer management solutions.

The goodwill will not be amortized as the Company adopts Financial Accounting Standards Board Opinion Number 142 on January 1, 2002 which will require a (at a minimum) an annual review for impairment and recognition of such losses as they occur in the future.

800America . com, Inc.
Pro Forma Combined Consolidate Income Statement
For Year Ended December 31, 2000

Historical
800
America

Historical
cslive .com
Inc.

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Revenues	\$15,980,529	\$21,698
Cost of Revenues		
Cost of Goods Sold		
Internet Hosting		
Web Site Operations	233,938	49,295
Other		
Rebates	8,913,351	
Total Cost of Revenues	9,147,289	49,295
Selling, General and Administrative		
Sales and Marketing	1,878,318	605,456
Depreciation - Amortization	486,480	34,646
Research and Development		342,619
General and Administrative	1,354,542	704,762
Total Selling, General and Administrative	3,719,340	1,687,483
Operating Income	3,113,900	-1,715,080
Other Income (Expense)	26,243	2,895
Income Tax (Expense) Benefit	-1,067,649	
Net Income	\$2,072,494	(\$1,712,185)

See Accompanying Notes to Unaudited Combined Consolidated Financial Statements

800America . com, Inc.
Pro Forma Combined Consolidate Income Statement
For Six Months Ended June 30, 2001

	Historical 800 America	Historical cslive .com Inc.
Revenues	9,302,749	139,218

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Cost of Revenues		
Cost of Goods Sold		
Internet Hosting		
Web Site Operations	\$191,188	\$35,475
Other		
Rebates		
Total Cost of Revenues	191,188	35,475
Selling, General and Administrative		
Sales and Marketing	1,147,119	184,712
Depreciation - Amortization	426,968	36,600
Research and Development		236,161
General and Administrative	1,516,141	29,339
Total Selling, General and Administrative	3,090,228	749,812
Operating Income	6,021,333	-646,069
Other Income (Expense)	43,506	-40,069
Income Tax (Expense) Benefit	-2,094,900	
Net Gain (Loss) From Continuing Operations	3,969,939	-686,138
Gain on Disposal of Discontinued Operations Net of Tax	330,000	
Net Income	\$4,299,939	(\$686,138)

See Accompanying Notes to Unaudited Combined Consolidated Financial Statements

800America . com, Inc.
Pro Forma combined Consolidated Balance Sheet
June 30, 2001

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	Historical 800 America	cs-live . com, Inc
Assets		
Current Assets		
Cash and Cash Equivalents	\$5,370,914	\$71,125
Accounts Receivable (Net)	868,310	76,020
Inventory		14,405
Prepaid Assets		
Income Tax Benefit	52,360	175,000
Total Current Assets	6,291,584	336,550
Property and Equipment		
Equipment (Net)	447,460	77,024
Furniture Fixture (Net)		44,082
Software (Net)	314,857	28,965
Web Development (Net)		
Leasehold Improvements (Net)		26,437
Total Property & Equipment	762,317	176,508
Other Assets		
Goodwill (Net)	186,666	
Investments in Affiliates	2,568,075	
Total Other Assets	2,754,741	
Total Assets	9,808,642	513,058
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts Payable	207,989	283,793
Income Tax Payable	1,288,906	
Notes Payable		104,306
Debenture Payable		721,000
Total Current Liabilities	1,496,895	1,109,099
Stockholders' Equity		
Common Stock	15,429	1,652,715
Preferred Stock		
Additional Paid in Capital	1,943,134	149,567
Retained Earnings (Deficit)	6,353,184	-2,398,323
Total Stockholders' Equity	8,311,747	-596,041
Total Liabilities and Stockholders' Equity	\$9,808,642	\$513,058

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See Accompanying Notes To Unaudited Combined Consolidated 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 cslive.com, Inc. (cslive) have been derived from financial statements prepared in accordance with U. S. generally accepted accounting principles.

800America and cslive's historic financial statements for the year ended December 31, 2000, 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, 2000.

800America and cslive's financial statements as of and for the six months ended June 30, 2001, 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.

Web Development	\$450,000
Goodwill	450.000

Stock issued	\$900,000

- b. The above consideration was in the form of 450,000 shares of 800America common stock and cash \$50,000 issued for all the outstanding common stock of cslive.
- c. The fair market value of the stock determined above was the average price traded for the month of the merger (September 2001) reduced by fifty thousand dollars (\$50,00) for its restricted status and volatility. The Web Site composition is contained in the opening information. No other assets of cslive were considered of any value and no liabilities of cslive were assumed by 800America.

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

Web Site Development	5 years
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- 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. The tax benefit will be created during the year of the merger.

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

INDEX TO EXHIBITS

Exhibit Number	Description
-----	-----
2	Form of Asset Purchase Agreement between cs-live, Inc. and 800America.com, Inc., dated as of August 30, 2001.