NORTH AMERICAN DATACOM INC
Form S-1/A
January 29, 2001

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As filed with the Securities and Exchange Commission on January 29, 2001

Registration No. 333-51748

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NORTH AMERICAN DATACOM, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

4813
(Primary Standard Industrial Classification Code Number)

84-1067694
(I.R.S. Employer Identification Number)

751 County Road 989
Building 1000
Iuka, Mississippi 38852
(662) 424-5050
(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)

The Company Corporation
2711 Centerville Road, Suite 400
Wilmington, DE
(302) 636-5440
(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent for Service)

Copy To:
John W. Titus, Esq.
BOULT, CUMMINGS, CONNERS & BERRY, PLC
414 Union Street
Suite 1600
P.O. Box 198062

Nashville, Tennessee 37219

(615) 252-2341

Approximate date of commencement of proposed sale to the public: from time to time after the effective date of this Registration Statement as determined by market conditions and other factors.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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NORTH AMERICAN DATACOM, INC.
Cross-Reference Sheet
Showing Location in the Prospectus of
Information Required by Items of Form S-1

Form S-1 Item Number and Caption		Location In Prospectu
Item 1.	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Outside Front Cover
Item 2.	Inside Front and Outside Back Cover page of Prospectus	Table of Contents, Dea
Item 3.	Summary Information and Risk Factors	Summary, Risk Factors
Item 4.	Use of Proceeds	Use of Proceeds
Item 5.	Determination of Offering Price	*
Item 6.	Dilution	*
Item 7.	Selling Security Holders	Selling Stockholders
Item 8.	Plan of Distribution	Plan of Distribution
Item 9.	Description of Securities to be Registered	Description of Securit
Item 10.	Interests of Named Experts and Counsel	Legal Matters, Experts
Item 11.	Information With Respect to the Registrant	Market for Registrant' Stockholder Matters, S Management's Discussio Condition and Results Management, Executive Relationships and Rela Ownership of Certain B

*Not Applicable

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Information contained in this prospectus is subject to completion or amendment. The selling stockholders may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there by any sale of these securities in any state in which such offer, solicitation or sale would be unlawful.

PROSPECTUS

NORTH AMERICAN DATACOM, INC.

2,302,624 Shares of Common Stock

This prospectus relates to the offer and sale of outstanding shares of our common stock by the selling stockholders identified on page 34 of this prospectus. We will not receive any proceeds from the sale of our outstanding shares of common stock by the selling stockholders. The selling stockholders may offer and sell some, all or none of the common stock under this prospectus. The selling stockholders may determine the prices at which they will sell their shares of common stock, which may be at market prices prevailing at the time of sale or some other price. In connection with such sales, the selling stockholders may use brokers or dealers who may receive compensation or commissions for such sales. The selling stockholders may also attempt to sell their shares in isolated private transactions, at negotiated prices, with institutional or other investors.

Our common stock is currently quoted on the NASD's over-the-counter Bulletin Board under the symbol "NADA". On January 24, 2001, the last reported sales price for our common stock was $1.31 per share.

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD PURCHASE OUR COMMON STOCK ONLY IF YOU CAN AFFORD TO LOSE YOUR ENTIRE INVESTMENT. SEE "RISK FACTORS" BEGINNING ON PAGE 5 OF THIS PROSPECTUS.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is January 31, 2001.

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You should rely only on the information contained in this document. We have not authorized anyone to provide you with information that is different from that contained in this prospectus. This document may only be used where it is legal to sell these securities. The information in this prospectus may only be accurate on the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

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We have informed the selling stockholders that the anti-manipulative rules under the Exchange Act of 1934, as amended (the "Exchange Act"), including Regulation M, may apply to their sales in the market. We have furnished the selling stockholders with a copy of these rules. We have also informed the selling stockholders that they must deliver a copy of this prospectus with any sale of their shares.

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SUMMARY

Because this is a summary, it does not contain all of the information that may be important to you as a prospective purchaser of shares of our common stock. You should read the entire prospectus carefully, including the risk factors and the consolidated financial statements and the notes to the consolidated financial statements of the company appearing elsewhere in this prospectus, before you decide to purchase any shares of common stock. As used in this prospectus the terms "we", "us" or "Company" mean North American DataCom, Inc. and its subsidiaries.

ABOUT US

We are in the business of providing communications and information technology services with an emphasis on wideband fiber optic and wireless telecommunications services that support enterprise data storage solutions. These services are intended to include Internet access services, on-line critical data storage and retrieval, and data and voice networking. Our business plan envisions offering a wideband fiber optics and wireless telecommunications network that will service primarily Tier 2 markets by supporting wideband data, voice and internet transmission. Tier 2 markets consist of those population centers that are not in the primary 100 largest areas but are uniquely located along railroad rights-of-way where fiber optic transmission facilities can be easily accessed. Our short-term focus is on providing such services to Tier 2 markets in the southeast, primarily from Atlanta to Memphis.

We plan to engage in, and are currently in the process of developing, the following lines of business:

- Enterprise Data Storage and Computing Facility
- Fiber Optic and Broadband Wireless Network

We are currently engaged in the following lines of business:

- Internet Access Service Provider
- Digital and Alpha Paging Services
- Telecommunications Consulting Projects

CORPORATE INFORMATION AND HISTORY

We were organized in September 1998 as North American Software Associates, Limited, a Delaware corporation. Effective December 21, 1999, North American Software Associates, Limited was acquired by Pierce International, Inc., a Colorado corporation, in a share exchange transaction. In March 2000 we moved our state of incorporation to Delaware and changed our name to North American DataCom, Inc.

Our executive offices are located at 751 County Road 989, Building 1000, Iuka, Mississippi 38852. Our telephone number is (662) 424-5050. Our fax number is (662) 424-5059.

THE OFFERING

Securities offered by the selling Stockholders	2,302,624 shares of common stock
Common stock outstanding	98,655,678 shares as of December 8, 2000(1)

Options outstanding	Options for 14,484,216 shares as of December 8, 2000.
Use of proceeds	We will receive no proceeds from the sale of the common stock by the selling stockholders.
Risk Factors	An investment in the common stock offered hereby involves a great deal of risk. See "Risk Factors."
OTC Electronic Bulletin Board symbol.	"NADA"

(1) Excludes shares issuable upon exercise of outstanding stock options. We have approximately 14,484,216 options outstanding as of December 8, 2000.

RISK FACTORS

An investment in our common stock involves a high degree of risk, including those risks discussed below. You should carefully consider these risk factors along with all of the other information contained in this prospectus before you decide to purchase shares of our common stock. If any of these risks actually occur, our business, financial condition and operating results could be adversely affected. If that happens, the trading price of our common stock could decline and you could lose part or all of your investment. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us, or that we currently see as immaterial, may also harm our business.

RISKS ASSOCIATED WITH OUR BUSINESS AND OPERATIONS

We are a start up company, have experienced historical operating losses and received a going concern opinion from our auditors.

Substantially all of our historical revenues have been derived from providing Internet access services and digital and alpha paging services. We have no customers or revenues from our fiber optic and wireless broadband network that we are currently attempting to develop or our enterprise data storage facility that we are currently attempting to construct. Because our operating history is extremely limited, and we have not actually commenced operations on our fiber optic and wireless broadband network or our enterprise data storage facility, you may find it difficult to evaluate our business operations and prospects. We have experienced operating losses in each fiscal quarter since we were founded and will likely continue to experience such losses. As noted in our auditor's report dated September 18, 2000, our auditors have indicated that there was substantial doubt as to our ability to continue as a going concern.

We have immediate needs for substantial additional capital.

Our present operations do not provide sufficient cash flow to pay our debts as they become due. We had negative working capital of approximately

$15,000,000 at September 30, 2000, and we expect we will need to obtain additional capital of approximately $150,000,000 to finance our operating and capital needs over the next twelve months. We are actively searching for sources of financing in order to fund our business operations and capital needs, but have no commitment to provide such financing as of the date of this Prospectus. See "Management's Discussion and Analysis of Financial Condition - Liquidity." If we fail to obtain additional capital our proposed operations will be substantially restricted and we may not be able to pursue our proposed business plan.

We are currently in default in paying certain material obligations.

In March 2000, we entered into an agreement with Qwest Communications to purchase 500 miles of fiber conduit from New Orleans to Mobile, Alabama and from Pensacola, Florida to Jacksonville, Florida. The total purchase price under this agreement was approximately $15,000,000. Payments totaling approximately $9,000,000 are currently due or past due under the agreement. We have not made any of the payments due under this agreement and we are not able to make the payments, but no default has been declared. Our obligations under this agreement are personally guaranteed by our president. See "Certain Relationships and Related Transactions." We have also entered into a contract with Thoroughbred Technology and Telecommunications to lay fiber conduit between Atlanta and Memphis, through Chattanooga, at a total cost of approximately $29,000,000, of which 10% was due on October 15, 2000. The Company has received a notice of default under this contract, as we have not made this payment and we are not currently able to make the payment. If we are not able to obtain financing or raise funds to satisfy these obligations, we may lose the ability to continue to lay fiber optic cable and be subject to claims for contract breach. This would impede our plans to develop and operate a fiber optic and wireless broadband network and enterprise data storage facility.

We lease our facilities and the lessor has the right to terminate the lease.

We lease our primary facility in Iuka, Mississippi from the Mississippi Department of Economic and Community Development. This facility is critical to our proposed business plan because it already contains many of the features necessary for us to establish an enterprise data storage facility. Under our current lease agreement the lessor has the right to terminate the lease on ninety days prior written notice, regardless of whether we have defaulted under the lease. Termination of the lease by the lessor, especially after we have invested considerable time and funds in developing the facility as an enterprise data storage facility, would cause material damage to us and to our proposed business plans. See "Business - Properties".

We have certain outstanding obligations to pre-merger shareholders of Pierce International, Inc.

As part of the share exchange transaction with Pierce International, Inc. effected in December 1999, we agreed that as soon as practicable after the closing of the share exchange transaction we would offer to those persons who were shareholders of Pierce International, Inc. immediately prior to the closing, by means of a registration statement filed with the Securities and Exchange Commission, the right to purchase 0.26 of a share for each share held by such person at a price of $0.25 per share at any time prior to the expiration of one year from the effective date of the registration statement. As of the date of this prospectus, we have determined that it is not yet practicable to make such an offer, principally due to the expense of state registration of the offer. There were approximately 7,515,705 shares outstanding held by Pierce shareholders immediately prior to closing the share exchange transaction, and we would need to issue approximately 1,954,083 additional shares of our common stock in the event all options to purchase such shares were exercised. A sudden increase in the number of shares of our common stock that is outstanding may cause the price of the stock to go down and also could affect our ability to raise equity capital.

Our operating results are likely to fluctuate widely from one period to another.

We expect that our operating results for the foreseeable future are likely to fluctuate widely from quarter to quarter and from year to year. This is especially true while we are building our fiber optic and wireless broadband network. Fluctuation of results may occur due to a variety of factors including, demand for and market acceptance of our products and services, reliability of service and network availability, the ability to increase bandwidth as necessary, customer retention, capacity utilization of our enterprise data storage facility, the timing of customer needs, the timing and magnitude of capital expenditures, changes in pricing policies or practices of competitors, and changes in governmental regulations.

We will face significant competition in running our business.

Our market is intensely competitive. We may not have the resources to compete successfully in the future. Current and potential competitors include national, foreign and regional internet service providers, global, regional and local telecommunications companies and the Regional Bell Operating Companies, providers of server hosting and data storage services, and other technology services and products companies. Most of these competitors will have substantially greater resources than us. See "Description of Business - Competition."

We are entering a new market.

The market for Internet system and network management solutions has only recently begun to develop, is evolving rapidly and is characterized by an increasing number of market entrants. This market may not prove to be viable or, if it becomes viable, may not continue to grow. We currently incur costs in excess of our revenues. If we cannot attract and retain a customer base, we will not be able to increase our sales and revenues nor create economies of scale to offset our fixed and operating costs.

We will need to be able to manage growth.

In order for us to accomplish our proposed business plan, we must experience rapid growth in building our enterprise data storage facilities and network infrastructure, expand our service offering, expand our geographical coverage, expand our customer base and increase the number of our employees. This growth is expected to place a significant strain on our financial, management, operational and other resources, including our ability to ensure customer satisfaction. This expansion will require significant time commitments from our senior management and involve the efficient management of multiple relationships with a growing number of third parties. Our ability to manage growth effectively will require us to continue to expand operating and financial procedures and controls, to upgrade operational, financial and management information systems and to attract, train, motivate and retain key employees. We will also need to be able to attract, hire and retain qualified employees in today's competitive employment market. If our executives are unable to manage growth effectively, our business could be materially adversely affected.

If our systems fail, we could face significant costs.

We must protect our network infrastructure and equipment against damage from human error, physical or electronic security breaches, power loss and other facility failures, fire, earthquake, flood, telecommunications failure, sabotage, vandalism and similar events. Despite precautions that we have taken, a natural disaster or other unanticipated problems at one of our facilities could result in interruptions in services or significant damage to customer equipment or data. Any damage to or failure of our systems or service providers could result in reductions in, or terminations of, services supplied to our customers, which could have a material adverse effect on our business.

We will depend on network interconnections supplied by third parties.

We will rely, in part, on a number of public and private network interconnections to allow our customers to connect to other networks. If the networks with which we interconnect were to discontinue their interconnections, our ability to exchange traffic would be significantly constrained. Furthermore, our business could be harmed if these networks do not add more bandwidth to accommodate increased traffic. Some of these networks will likely require the payment of fees for the right to maintain interconnections. There usually is nothing to prevent any networks from increasing fees or denying access. In such cases, our ability to pursue the proposed business plan could be materially adversely affected.

A portion of our business may be subject to international risks.

We are pursuing international business opportunities, especially with respect to the Country of Turkey. Risks inherent in international operations include unexpected changes in regulatory requirements, export restrictions, tariffs and other trade barriers; challenges in staffing and managing foreign operations; differences in technology standards; employment laws and practices in foreign countries; longer payment cycles and problems in collecting accounts receivable; political instability; changes in currency exchange rates and imposition of currency exchange controls and potentially adverse tax consequences.

Our business is likely to become dependant upon one or a few major customers.

Upon completion and commencement of operations of our planned fiber optic and wireless broadband network and enterprise data storage facility, we will likely experience periods during which we will be highly dependent on one or a limited number of customers. Being dependent on a single or a few customers will make it difficult to satisfactorily negotiate attractive prices for our services and will expose us to the risk of substantial losses if a single dominant customer stops conducting business with us.

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RISKS RELATED TO LEGAL REQUIREMENTS

We will have to comply with telecommunications regulations.

Most of our proposed business services and products are subject to regulation at the federal and state levels. These regulations are in some cases uncertain and are often undergoing change. If we fail to comply with these regulations our business could be materially adversely effected. See "Description of Business - Government Regulation."

We will have to comply with environmental regulations.

Our intended operations, especially the construction and operation of a fiber optic network, are subject to various federal, state and local laws and regulations relating to the protection of the environment. These environmental laws and regulations, which have become increasingly stringent, are implemented principally by the Environmental Protection Agency and comparable state agencies, and govern the management of hazardous wastes, the discharge of pollutants into the air and into surface and underground waters, and the manufacture and disposal of certain substances. There are no material environmental claims currently pending or, to our knowledge, threatened against us. In addition, we believe that our operations are in material compliance with current laws and regulations. We estimate that any expenses incurred in maintaining compliance with current laws and regulations will not have a material effect on our earnings or capital expenditures. However, current regulatory requirements may change, currently unforeseen environmental incidents may occur, or past non-compliance with environmental laws may be discovered on our properties.

RISKS RELATED TO THE OFFERING

We may issue additional shares of common stock or preferred stock without shareholder approval and may agree to register the resale of additional shares of common stock.

Our Certificates of Incorporation authorizes the issuance of up to 150,000,000 shares of common stock and up to 10,000,000 shares of preferred stock with such rights and preferences as our board of directors may determine from time to time. Our board of directors may authorize us to issue additional shares of common stock or one or more series of preferred stock without shareholder approval. The existence or terms of these securities may adversely affect the rights of holders of the common stock. In addition, we may grant rights to other current or future holders of common stock to have their shares of common stock registered for resale under the Securities Act of 1933. A decision by any such shareholder to publicly sell a significant number of shares of the common stock will have the potential to cause a material decrease in the trading price of the common stock and may impair our future ability to raise capital at prices or on terms favorable to us.

The market price of our common stock is extremely volatile.

Trading volume and prices for our common stock have fluctuated widely since our share exchange transaction with Pierce International, Inc. During the period from January to September 2000 the bid price for our common stock has ranged from $0.95 per share to $9.13 per share. Our common stock trades only on the NASD's OTC Bulletin Board. As a result, selling our shares may be more difficult because smaller quantities of shares may be bought and sold, transactions may be delayed, and news media coverage of us is limited. Further, securities analysts do not cover our stock and institutional investors are unlikely to purchase our stock. See "Market for Registrant's Common Equity and Related Stockholder Matters." All of the shares registered for sale on behalf of the selling stockholders are "restricted securities" as that term is defined in Rule 144 under the Securities Act. We filed a Registration Statement of which this prospectus is a part to register these restricted shares for sale into the public market by the selling stockholders. The effect of this Registration Statement is to increase the number of unrestricted shares. A sudden increase in the amount of unrestricted shares may cause the price of the stock to go

down and also could affect our ability to raise equity capital. Any outstanding shares not sold by the selling stockholders pursuant to this prospectus will remain "restricted shares" in the hands of the holder, except for those held by non-affiliates, for a period of one year, calculated pursuant to SEC Rule 144.

"Penny Stock" regulations may impair the liquidity of our common stock.

Because the bid price of our common stock is below $5.00 per share, shares of common stock may be subject to the SEC's Rule 15g-9 and other penny stock regulations under the Securities Exchange Act of 1934. Rule 15g-9 imposes sales practice requirements on broker-dealers that sell low-priced securities to persons other than established customers and institutional accredited investors. For transactions covered by this rule, a broker-dealer must make a special suitability determination for the prospective purchaser and have received the purchaser's written consent to the transaction before the sale. Consequently, this rule and other "penny stock" regulations may adversely affect the ability of broker-dealers to sell our shares and may adversely affect the ability of holders to sell their shares of common stock in the secondary market.

A small number of persons control the Company.

Robert R. Crawford, our President and sole director, controls approximately 45% of our outstanding shares of common stock. In addition, a trust for the benefit of certain adult members of Mr. Crawford's family controls approximately 18% of our outstanding shares of common stock, of which Mr. Crawford disclaims beneficial ownership. As a result, Mr. Crawford and his family are able to exercise a significant influence over all matters requiring shareholder or board of director approval, including the election of directors and approval of significant corporate transactions. Such concentration of ownership may also have the effect of delaying or preventing a change in control of the Company.

We do not intend to pay, and expect to be unable to pay, dividends on our common stock.

We have not paid dividends, and do not intend to pay any dividends in the foreseeable future, since earnings, if any, are expected to be retained for use in the development and expansion of our business.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "anticipate," "believe," "plan," "could," "would", "estimate," "expect," "intend," "may," "should," and "will" or similar words. For example, statements about the level of capital expenditures and working capital that we may need to fund our business plan and the miles of fiber optic plant that we expect to develop are forward-looking statements. You should read statements that contain these words carefully because they discuss our future expectations, contain projections or our future results of operations or of our financial position or state other "forward-looking" information. There will likely be events in the future that we are not able to accurately predict or control. The factors listed above in the section captioned "Risk Factors" as well as any cautionary language located elsewhere in this Prospectus, provide examples of some of the risks, uncertainties and events that may cause our actual results to differ materially from the expectations se describe in our forward-looking statements. Before you invest in our common stock, you should be aware that the occurrence of the events described in these risk factors and elsewhere in this Prospectus could have a material adverse effect on our business, results of operations and financial position.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares of common stock by the selling stockholders.

We will bear the expenses of the registration of the shares of common stock offered herein and estimate that these expenses will be approximately $55,000.

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the over-the-counter electronic bulletin board under the symbol "NADA". The market for the common stock has often been sporadic, volatile and limited.

The following table shows the high and low bid prices for our common stock as reported by NASDAQ during the past two years and current year. The prices reflect inter-dealer quotations, without retail markup, markdown or commissions and may not represent actual transactions.

Fiscal Quarter Ended	High Bid	Low Bid
September 30, 1998	$ 0.23	$ 0.05
December 31, 1998	$ 0.15	$ 0.03
March 31, 1999	$ 0.12	$ 0.06
June 30, 1999	$ 0.10	$ 0.05
September 30, 1999	$ 0.10	$ 0.05
December 31, 1999	$ 1.69	$ 0.05
March 31, 2000	$ 9.13	$ 0.95
June 30, 2000	$ 7.06	$ 2.75
September 30, 2000	$ 6.94	$ 2.00

Holders of Record

On November 28, 2000, we had approximately 477 registered holders of record of our common stock.

Dividends

Holders of the our common stock are entitled to receive dividends when and if declared by the Board of Directors out of funds legally available therefor and, in the event of liquidation, to share pro rata in any distribution of our assets after payment of liabilities and any preferential liquidation distributions to our preferred stockholders. The Board of Directors is not obligated to declare a dividend. We have not paid any dividends on our common stock, and we do not have any current plans to pay any common stock dividends.

"Penny Stock" Rules

Because the bid price of our common stock has been below $5.00 per share, the SEC's Rule 15g-9 may apply to our common stock. This rule imposes additional sales practice requirements on a broker-dealer that sells Rule 15g-9 securities to persons other than the broker-dealer's established customers and institutional accredited investors. For transactions covered under Rule 15g-9, the broker-dealer must make a suitability determination of the purchaser and receive the purchaser's written agreement to the transaction before the sale. In addition, broker-dealers, particularly if they are market makers in the common stock, have to comply with the disclosure requirements of Rules 15g-2, 15g-3, 15g-4, 15g-5 and 15g-6 under the Exchange Act unless the transaction is

exempt under Rule 15g-1. Consequently, Rule 15g-9 and these other rules may adversely affect the ability of broker-dealers to sell or to make markets in the common stock and also may adversely affect the ability of purchasers of the shares offered by this prospectus to resell their shares.

SELECTED FINANCIAL DATA

The selected financial data set forth below have been derived from the Company's consolidated financial statements included elsewhere in this prospectus. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and related notes thereto included elsewhere in this prospectus.

	Fiscal Year Ended June 30, 2000	Inception (September 1, 1998) through June 30, 1999	Three Months ended September 30, 2000 (unaudited)	Three M ende Septemb 199 (unaudi
Net Service Revenues	$ 269,649	$ 19,539	$ 69,432	$ 2
Cost of Services	117,924	24,667	48,014	1

Gross Profit (Loss)	151,725	(5,128)	21,418	1
Selling, General and Administrative Expenses	1,744,701	477,612	715,864	19
Operating Loss	(1,592,976)	(482,740)	(694,446)	(18
Other Income (Expense), Net	(214,710)	184,650	(174,640)	
Loss before income tax expenses (benefit)	(1,807,686)	(298,090)	(869,086)	(17
Income tax expense (benefit)	--	(990)	--	
Net Loss	(1,807,686)	(297,100)	(869,086)	(17
Basic and Diluted Loss per Common Share	$ (0.03)	$ (0.01)	$ (0.01)	$
Weighted Average Number of Common Shares Outstanding	71,725,566	33,193,595	91,393,141	46,51

	At June 30, 2000	At June 30, 1999	At September 30, 2000 (unaudited)	At Septem 199 (unaudi
BALANCE SHEET DATA:				
Working Capital	($15,287,050)	$ 622,031	($14,817,932)	$ 44
Total Assets	16,250,980	1,283,172	16,739,383	1,15
Long-Term Debt	23,917	29,079	23,917	8
Shareholders' Equity	$ 775,304	$ 1,055,771	$ 1,475,343	$ 87

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The Company was organized in September 1998 as North American Software Associates, Limited, a Delaware corporation. The Company was organized to provide a variety of telecommunications services. On April 1, 1999, the Company acquired all of the assets of Freedom 2000, a local internet service provider, in exchange for 577,123 shares of restricted common stock of the Company. On December 3, 1999, the Company acquired all of the common stock of Action Communications, Inc. ("Action"), a provider of digital and alpha numeric paging services, in exchange for 1,731,339 shares of restricted common stock of the Company. The Action transaction has been treated for accounting purposes as a purchase of assets and liabilities, and revenues and expenses of Action prior to December 3, 1999 have not been consolidated. The financial statements for Action for the eleven month period ended November 30, 1999 are included elsewhere in this Prospectus. Effective December 21, 1999, North American Software Associates, Limited ("NAS") was acquired by Pierce International, Inc. in a share exchange transaction and in March 2000 the Company changed its name to

North American DataCom, Inc. The transaction with Pierce International, Inc. has been accounted for as a reverse acquisition since the former shareholders of NAS owned controlling interest in the Company immediately following the transaction and management of Pierce International, Inc. was replaced by management of NAS.

The Company currently provides Internet and Alpha numeric paging services to the mid-south area. The current operations do not rely on trademarks, licenses, franchises or concessions held. Operations are not seasonal, do not depend on a single customer and do not have a backlog of orders.

The Company intends to provide broad-based communications and information technology services with an emphasis on wideband fiber optic and wireless telecommunications services that support enterprise data storage solutions. These services are intended to include Internet access services, on-line critical data storage and retrieval, and data and voice networking. Currently the Company only provides Internet access services and digital and alpha numeric paging services. All of the Company's historical revenues have been derived from these services.

Results of Operations:

Because the Company only acquired Freedom 2000, its Internet service provider, in April 1999, only a partial year of revenues and expenses from this activity is reflected in the Company's results of operations for fiscal 1999, compared with a full year of operations for fiscal 2000. Because the Company only acquired Action Communications, Inc., its digital and alpha numeric paging provider, in December 1999, none of the revenues and expenses from this activity is reflected in the Company's results of operations for fiscal 1999 and the quarter ended September 30, 1999, and only a partial year of operations is reflected for fiscal 2000. As a result, management does not believe that the Company's results of operation for fiscal 1999 and the quarter ended September 30, 1999 are directly comparable to results of operation for fiscal 2000 and the quarter ended September 30, 2000, respectively, and are not indicative of possible results in the future.

Fiscal Year Ended June 30, 2000 Compared to 1999

The Company's historical net service revenues consist primarily of monthly fees from customers subscribing to the Company's Internet service provider services or the Company's digital and alphanumeric paging services. Net service revenues increased to $269,649 in fiscal 2000 from $19,539 in fiscal 1999, an increase of approximately 1,280%. This growth in net service revenues was primarily the result of having a full year of operations for the internet service provider in fiscal 2000, as compared with only three month's of operations in fiscal 1999 and having seven months of operations generating approximately $93,000 of revenues for the paging services in fiscal 2000, as compared with no operations in fiscal 1999. In addition, the Company provided Internet access service to approximately 1,500 customers at June 30, 2000 as compared with only about 250 customers at June 30, 1999.

The Company's cost of services consist primarily of paging airtime, postage and delivery expenses and allocated overhead costs. Cost of services increased to $117,924 in fiscal 2000 from $24,667 in fiscal 1999, an increase of approximately 378%. This increase in cost of services was primarily related to the increase in net services provided. Cost of service, as a percent of net service revenue, fell from 126% in fiscal 1999 to 43% in fiscal 2000 due to the increased customer base and correlating increase in revenue. As a result, gross profit in fiscal 2000 was $151,725, as compared with a gross loss of $5,128 in fiscal 1999.

The Company incurred selling, general and administrative expenses of approximately $1,744,701 in fiscal 2000 compared with $477,612 in fiscal 1999, an increase of approximately 265%. These expenses consisted primarily of telephone expenses, insurance expenses, payroll expenses, legal and professional services and rent expense, as well as non-cash stock compensation. This increase in selling, general and administrative expenses was primarily the result of having a full year of operations for the Internet service provider in fiscal 2000, as compared with only three month's of operations in fiscal 1999 and having seven months of operations for the paging services in fiscal 2000, as compared with no operations in fiscal 1999. The Company experienced an increase of approximately 200% in the number of employees from fiscal 1999 to fiscal 2000. Approximately $195,161 of general and administrative expense in fiscal 2000 was incurred by the Company in order to pursue its broadband telecommunications network and enterprise data center business plans. In addition, approximately $211,000 of general and administrative expense was attributed to the merger with Pierce International, Inc. during fiscal 2000.

The Company incurred approximately $214,710 in other expense in fiscal 2000 as compared with $184,650 of other income in fiscal 1999. Other income (expense) was primarily associated with the sale of 500,000 shares of New York Regional Rail Corporation stock, investment income, interest expense and various miscellaneous expenses. Imputed interest of approximately $180,282 was recorded in fiscal 2000 relating to a contract to acquire rights-of-way and fiber conduit which provided for payments over a period of months without stated interest.

Three Month Period Ended September 30, 2000 Compared
to Three Month Period Ended September 30, 1999

Net service revenues increased to $69,432 in quarter ended September 30, 2000 from $23,995 for the quarter ended September 30, 1999, an increase of approximately 189%. This growth in net service revenues was primarily the result of having operations generating approximately $18,174 of revenues for the paging services in quarter ended September 30, 2000, as compared with no paging operations for the same quarterly period in 1999. In addition, the Company provided Internet access service to approximately 1,246 customers at September 30, 2000 as compared with only about 434 customers at September 30, 1999.

Cost of services increased to $48,014 for the quarter ended September 30, 2000 from $10,378 for the quarter ended September 30, 1999. This increase in cost of services was primarily due to an increase in customers, net services provided, and increasing cost concerning telecommunications services. Cost of service, as a percent of net service revenue, increased from 43.3% for the quarter ended September 30, 1999 to 69.2% for the quarter ended September 30, 2000. As a result, gross profit for the quarter ended September 30, 2000 was $21,418, as compared with $13,617 for the quarter ended September 30, 1999.

The Company incurred selling, general and administrative expenses of approximately $715,864 for the quarter ended September 30, 2000 compared with $197,179 for the quarter ended September 30, 1999, an increase of approximately 263%. These expenses consisted primarily of telephone expenses, insurance expenses, payroll expenses, legal and professional services and rent expense. This increase in selling, general and administrative expenses was primarily the result of having a full period of operations for paging services in during the quarter ending September 30, 2000, as compared with no paging services operations for the quarter ended September 30, 1999. In addition, the Company experienced an increase of its number of employees to 28 employees at September 30, 2000 as compared to 11 employees at September 30, 1999. Approximately $131,813 of general and administrative expense for the quarter ended September 30, 2000 was incurred by the Company in order to pursue its broadband telecommunications network and enterprise data center business plans.

The Company incurred approximately $174,640 in other expense for the quarter ended September 30, 2000 as compared with $3,823 of other income for the quarter ended September 30, 1999. Other income (expense) was primarily associated with investment income, interest expense and various miscellaneous expenses. Imputed interest of approximately $182,263 was recorded in the quarter ended September 30, 2000 relating to a contract to acquire rights-of-way and fiber conduit which provided for payments over a period of months without stated interest.

Liquidity:

The Company's primary liquidity and capital needs consist of funding cash flow losses from operations, constructing and equipping the Company's enterprise data center and constructing the Company's fiber optic and broadband wireless telecommunications network. In fiscal 2000 the Company used approximately $1,183,421 of net cash in operations. In fiscal 1999, the Company used approximately $429,698 of net cash in operations. In fiscal 2000, approximately $236,906 was provided by investing activities, of which $700,000 was attributed to the Company's collection of a $700,000 receivable in connection with the sale of New York Regional Rail Corporation stock, and $463,094 was used for the purchase of property and equipment. In fiscal 1999, approximately $142,399 was used for the purchase of property and equipment. In fiscal 2000 and fiscal 1999, approximately $954,110 and $585,450, respectively, in funds were provided from financing activities, principally consisting of proceeds from selling equity securities.

For the quarters ended September 30, 2000 and 1999, the Company used approximately $522,273 and $201,561 of net cash in operations, respectively. For the quarter ended September 30, 2000, the Company used approximately $143,977 in investing activities for the purchase of property and equipment and advanced funds of $200,000 in connection with its proposed Turkish venture. Approximately $1,597,125 in funds were provided from financing activities for the quarter ended September 30, 2000, principally consisting of proceeds from selling equity securities. Payments of $575,000 against a note payable were made in the quarter. For the quarter ended September 30, 1999, the Company generated $681,712 in investing activities (principally from the receipt of $700,000 in proceeds discussed above) and generated $53,022 in financing activities.

In March 2000, the Company entered into an agreement with Qwest Communications to purchase approximately 500 miles of fiber conduit from New Orleans to Mobile, Alabama and from Pensacola, Florida to Jacksonville, Florida. The total purchase price under this agreement is approximately $15,120,000. Payments totaling approximately $9,000,000 are currently due or past due under the agreement. Payments are due quarterly through March 31, 2001. The Company has not made any of the payments due under this agreement, but no default has been declared.

In August 2000, the Company also entered into an agreement with

Thoroughbred Technology and Telecommunications to lay fiber conduit from Atlanta, Georgia to Chattanooga, Tennessee and from Chattanooga to Memphis, Tennessee. The total cost of this project under the agreements that the Company has already executed is approximately $29,000,000. 10% of this cost was due October 15, 2000, with the remainder due as segments of the project are completed. A notice of default under this agreement has been received by the Company as the Company has not made any of the payments due under this agreement.

If the Company is not able to obtain financing or raise funds to meet its obligations under the Qwest agreement and cure the default and meet its obligations under the Thoroughbred Technology agreement, the Company may lose the ability to continue to lay fiber optic cable and be subject to claims for contract breach. This would impede the Company's ability to develop and operate its planned fiber optic and wireless broadband network and enterprise data storage facility.

In July, the Company advanced $200,000 to Global Fiber Optic and Wireless Communications, Ltd. ("Global") in anticipation of developing a joint venture to develop internet and information technology services for Turkey. The Company and Global plan to each have a fifty percent interest in any joint venture formed. The Company will be required to provide electronic and communications technologies, while Global will provide rights-of-way and other real estate as needed in Turkey.

Management expects that the Company will require approximately $150,000,000 in capital over the next twelve months to fund the following anticipated needs. Estimated expenditures include, but are not limited to, approximately $81,000,000 to acquire network rights-of-way, installation of conduit and fiber optic cable, $28,000,000 for optical electronics and software, $10,000,000 for operation support systems and network operation center software, $9,500,000 for Tier IV enterprise data center infrastructure upgrade and improvements, $11,000,000 in working capital and approximately $10,500,000 for financing costs. Actual costs may vary from management's current expectations.

The Company plans to fund its liquidity and capital needs through joint venture arrangements with strategic business partners, vendor financing and the issuance of equity and debt securities. The Company is proceeding with discussions with strategic partners, but has no commitments to provide financing as of the date of this Prospectus.

In June 2000, the Company sold 300 shares of Series B cumulative convertible preferred stock to Robert Crawford, the Company's president, director and principal shareholder, for a purchase price of $1,000 per share. In order to pay certain accounts payable and for use for working capital, in September 2000, Mr. Crawford purchased from the Company 500 additional shares of Series B cumulative convertible preferred stock for a purchase price of $1,000 per share. Each share of the Series B cumulative convertible preferred stock is convertible into 500 shares of common stock commencing July 1, 2001, and is entitled to an annual dividend of $60.

In order to pay certain accounts payable and for use for working capital, in July 2000 the Company agreed to sell 317,500 shares of common stock for a total purchase price of $635,000. In August 2000, the Company closed the placement of these shares, and the Board of Directors authorized the issuance of the 317,500 shares of common stock to satisfy the agreement. The Company further agreed to use its best efforts to register the resale of such shares with the SEC prior to February 2001. These shares are included in the registration statement of which this Prospectus is a part.

In September 2000, the Company closed the private placement of 150,000 shares of common stock for a total purchase price of approximately $442,125. The Company agreed to pay certain fees associated with the placement through the issuance of an additional 3,000 shares of restricted common stock and the payment of $13,700 in cash. The terms of the transaction provide that the Company shall file a registration statement with SEC for the resale of the 150,000 shares by October 5, 2000. For each fifteen day period following October 5, 2000 in which the registration statement is not filed with the SEC, the Company is required to make a payment to the private investor equal to $8,842 payable in cash or common stock based upon the closing OTC bid price of the shares of Company's common stock as of the end of each fifteen day period. As of December 8, 2000, the Company had issued an additional 20,225 shares of common stock to such investors for not filing such registration statement by October 5, 2000. In addition, if the registration statement is not declared effective by the SEC by February 2, 2001, the Company is required to make a payment to the private investor equal to $44,212 payable in cash or common stock based upon the closing OTC bid price of the shares of the Company's common stock as of such date. These shares are included in the registration statement of which this Prospectus is a part.

The Company's liquidity and capital needs are substantial and the Company has no present commitments to fund those needs. As reflected in the Company's financial statements for fiscal year ended June 30, 2000 filed with the Company's Annual Report on Form 10-K, the auditors have expressed substantial doubt about the ability of the Company to continue as a going concern. As stated in note 11 to the unaudited financial statements, as of September 30, 2000, the Company has negative working capital with obligations totaling $15,240,123 due within one year of which approximately $9,000,000 is past due. In addition, the Company has sustained losses totaling $2,971,947 since inception. The inability of the Company to secure additional capital and financing and the inability of the Company to attain and maintain profitable operations would have a material adverse effect on whether the Company would be successful in implementing its proposed business plan and continue as a going concern.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"). SFAS 133 requires companies to recognize all derivatives contracts as either assets or liabilities in the balance sheet and to measure them at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

SFAS 133 is effective for the financial statements for periods beginning after June 15, 2000. The Company has not entered into derivatives contracts either to hedge existing risk or for speculative purposes. Accordingly, the adoption of the new standard did not materially effect the fiscal 2001 financial statements.

The Financial Accounting Standards Board issued Interpretation ("Interpretation") No. 44, "Accounting for Certain Transactions involving Stock Compensation, an Interpretation of APB Opinion No. 25" which is effective July 1, 2000. Interpretation No. 44 clarifies (a) the definition of employee for purposes of applying Opinion 25, (b) the criteria for determining whether a stock compensation plan qualifies as a noncompensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. Adoption of the provisions of the Interpretation did not have a significant impact on our financial statements.

In December 1999, the SEC issued Staff Accounting Bulletin ("SAB") No. 101, -- Revenue Recognition, effective for fiscal years starting January 1, 2000, which outlines the basic criteria that must be met to recognize revenue and provides guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the Securities and Exchange Commission. We believe that adopting SAB No. 101 will not have a material impact on our financial position or results of operations.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities ("SFAS 140"). SFAS 140 revises the standards for accounting for Securitizations and other transfers of financial assets and collateral and is effective for fiscal years ending December 15, 2000. We believe that adopting SFAS 140 will not have a material impact on our financial position or results of operations.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Effective June 7, 2000, the Company retained BDO Seidman, LLP ("BDO") to act as the Company's independent certified public accountant. In this regard, BDO replaced Spicer Jeffries & Co. ("Spicer") which audited the financial statements of Pierce International, Inc., the Company's legal acquiror for the fiscal year ended June 30, 1999. The reports of Spicer for this fiscal year did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to audit scope or accounting principles. However, the report of Spicer for this fiscal year was qualified with respect to uncertainty as to the Company's ability to continue as a going concern. During the Company's two most recent fiscal years and subsequent interim periods, there were no disagreements with Spicer on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Spicer, would have caused it to make reference to such disagreements in its reports.

The Company has authorized Spicer to discuss any matter relating to the Company and its operations with BDO.

The change in the Company's auditors was recommended and approved by the board of directors of the Company. The Company does not have an audit committee.

During the two most recent fiscal years prior to June 7, 2000, the Company did not consult with BDO regarding the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, or any matter that was the subject of a disagreement or reportable event as defined in the regulations of the Securities and Exchange Commission.

The Company filed a Current Report on Form 8-K dated June 15, 2000, reporting the change in accountants. Spicer reviewed the disclosures in the Form 8-K. The Company advised Spicer that it had the opportunity to furnish the Company with a letter addressed to the Securities and Exchange Commission concerning any new information, clarifying the Company's disclosures in the Form 8-K or stating any reason why Spicer did not agree with any statements made by the Company in the Form 8-K. In a letter to the Company dated June 16, 2000, Spicer advised the

Company that it was in agreement with the statements made by the Company concerning that firm.

Quantitative and Qualitative Disclosures about Market Risks

The Company has not entered into any transaction using derivative financial instruments and believes that its exposure to market risk associated with other financial instruments is not material. The Company's cash equivalents are maintained primarily in money market risks maturing in less than three months. Accordingly, the Company does not believe that it has any significant exposure to interest rate risk. The Company currently operates only in the United States and all sales are made in U.S. dollars. Accordingly, the Company does not have any material exposure to foreign currency rate fluctuations.

BUSINESS

Overview

The Company was organized in September 1998 as North American Software Associates, Limited, a Delaware corporation. We were organized to provide a variety of telecommunications services. Effective December 21, 1999, North American Software Associates, Limited was acquired by Pierce International, Inc., a Colorado corporation, in a share exchange transaction, and in March 2000, we moved our state of incorporation to Delaware and changed our name to North American DataCom, Inc.

We intend to provide communications and information technology services with an emphasis on wideband fiber optic and wireless telecommunications services that support enterprise data storage solutions. These services are intended to include Internet access services, on-line critical data storage and retrieval, and data and voice networking. Our business plan envisions offering a wideband fiber optics and wireless telecommunications network that will service primarily Tier 2 markets by supporting wideband data, voice and internet transmission. Tier 2 markets consist of those population centers that are not in the primary 100 largest areas but are uniquely located along railroad rights-of-way where fiber optic transmission facilities can be easily accessed. Our short-term focus is on providing such services to Tier 2 markets in the southeast, primarily from Atlanta to Memphis.

We plan to engage in, and are currently in the process of developing, the following lines of business:

- Enterprise Data Storage and Computing Facility

- Fiber Optic and Broadband Wireless Network

We are currently engaged in the following lines of business:

- Internet Access Service Provider
- Digital and Alpha Paging Services
- Telecommunications Consulting Projects

Enterprise Data Storage. We are in the process of furnishing and equipping a facility in Iuka, Mississippi to position ourselves to provide secure enterprise data storage and Internet access services for corporate, government and other users. In January 1999 we entered into a lease agreement for use of the facility that was originally constructed for the National Aeronautics and Space Administration ("NASA") in 1994 to support the advanced solid rocket motor project. When completed the facility originally housed a fully functional $20 million computer and network operations center and provided information processing and on-line data storage with a high level of security. Budget cuts for the space shuttle caused the closure of this facility in 1996. We believe that this facility, with its existing infrastructure and security features, is ideally suited for providing secure enterprise data storage and access services. Although we currently do not have any agreements with third parties to provide these services, we are proceeding to equip and furnish our facility to position ourselves to deliver these services in the future.

Fiber Optic and Broadband Wireless Network. We are in the process of building a fiber optic and broadband wireless communications network, which will allow for the high-speed transmission of large amounts of data. We intend to market our high-speed data transmission network to businesses, government agencies and institutions that

may prefer optical networks over existing telephone and satellite data transmission systems. In March 2000, we entered into an agreement with Qwest Communications in which we purchased 504 miles of conduit installed along the CSX railroad track from New Orleans, Louisiana to Mobile, Alabama, and from Pensacola, Florida to Jacksonville, Florida. We have not yet installed fiber optic cable within the conduit that we purchased from Qwest Communications. The agreement with Qwest calls for payments of approximately $15 million over the course of the agreement, approximately $9 million of which is currently due or past due. In August 2000, we entered into an agreement with Thoroughbred Technology and Telecommunications to lay fiber conduit between Atlanta, Georgia and Chattanooga, Tennessee and from Chattanooga to Memphis, Tennessee, and we have approximately 100 miles of conduit currently installed out of a total of 525 miles. We have not yet installed fiber optic cable within such conduit. The agreement calls for payments of approximately $29 million over the course of the agreement, approximately $2.9 million of which was due October 15, 2000 with the balance due in specified installments as the conduit is installed. We have received a notice of default under this contract, as we have not made the payment due October 15, 2000 and we are not currently able to make the payment. In addition, we have entered into an agreement with Tishomingo Railroad to provide last mile access to our enterprise data center in Iuka, Mississippi.

Internet Access Service Provider. As of September 30, 2000, we provided Internet access services to approximately 1,500 customers in Mississippi, Tennessee and Alabama. The internet services that we provide to our customers include basic dial-up access to the Internet through standard computer modems, high-speed Internet access and the design and hosting of websites for customers.

As our fiber optic and broadband wireless network expands, we will attempt to market our Internet access provider services to businesses and retail customers along the route of the network.

Digital and Alpha Paging Services. Through our wholly-owned subsidiary, Action Communications, Inc. ("Action"), we provide digital and alpha numeric paging services to nine southeastern states and are expanding our coverage area to include portions of the eastern and southwestern United States. As a specialized mobile radio carrier, Action also provides dispatch, telephone and global position system services.

Telecommunications Consulting Projects. We also propose to engage in telecommunications consulting projects for corporations, governmental agencies and institutions to upgrade their computer systems to function more effectively.

Industry Background

Internet usage is growing rapidly, and businesses are increasingly embracing the Internet as a venue to sell their products and services. Many Internet operations are critical to the businesses and customers using the operations. In order to provide the quality, reliability, availability and redundancy of these critical operations, corporate information technology teams must make significant capital investments in facilities, personnel, equipment and networks which must be maintained and upgraded on a continuous basis. This investment is an inefficient use of resources, and has created the opportunity for businesses like us to offer server hosting, Internet connectivity, remote enterprise data storage and managed and professional telecommunications services to third parties to enable reliable, high performance for critical Internet operations.

The data storage management market has expanded rapidly as more businesses and governmental agencies are outsourcing their data storage needs. This has led to significant growth in the industry of data storage infrastructure services, enterprise storage resource management, data replication product development and an increase in the number of data centers necessary for the growth in the data storage market. Although we are still in our development phase, we believe that our current infrastructure and planned expansion facilities will be well-positioned for servicing the growing need of data storage services.

Products and Services

Enterprise Data Storage. We propose to become a Tier IV data center supporting secure enterprise data hosting and storage services. A Tier IV data center provides for its users site infrastructure capacity and capability to permit any planned activity without disruption to the critical load. We lease a state-of-the-art facility in Iuka, Mississippi that was originally designed and constructed to house the computer engineering and programming center for the NASA advanced solid rocket motor project. We believe that this facility is uniquely designed to provide the physical environment necessary for a Tier IV data center. If completed, this data center will enable us to offer enterprise storage operations, Internet hosting co-location, web-based data storage and general real-time data backup running 24-hours-a-day, 7-days-a-week. The facility is custom designed with raised floors, HVAC temperature control systems with separate cooling zones and full electric power redundancy. We intend to develop and upgrade our current data center in Iuka, Mississippi to support up to 65,000 square feet of raised floor data center services.

Our facility contains a full range of security features. These include 24-hour-a-day secured access with security breach alarms, cipher lock systems and security guards on premises. The facility is housed in a government constructed, nearly tornado-proof building using full redundant primary power from two sources with multiple backup power generators. The facility currently has a 1,000 square foot, temperature controlled telecommunications room adjacent to a 3,200 square foot raised floor, temperature controlled computer room complete with security, UPS power backup and emergency diesel generator backup. The complex has a 50 mega-watt redundant power source provided by a TVA power station for current and additional power requirements which should meet all of our power requirements.

In addition, we provide 24-hour systems management with onsite personnel who are trained in the areas of networks, Internet and transmission systems, and who are available to monitor enterprise storage operations, data center services, network operation controls, and Internet hosting. This physical and technical environment is expected to provide our potential customers the reliability and flexibility necessary to store mission critical web-based information at affordable rates.

In order to upgrade our existing facilities to offer Tier IV services we will need to upgrade various elements of our facilities, including: (i) multiple data entrances, (ii) multiple power supplies, (iii) enhanced physical security for the premises and (iv) expansion of square footage of raised floor space. Currently we have data access to our hosting facility provided by microwave wireless transmission and leased lines from Atlanta and Memphis. As our fiber capacity is completed we expect to be able to provide dual redundant alternative data entrances to our hosting and storage facility.

We plan to construct our enterprise data storage infrastructure around the E-Business Infrastructure Architecture. E-Business Infrastructure Architecture is the combination of hardware and software that is necessary to operate the Tier IV data center. The core components of our data storage infrastructure are expected to be fault tolerant enterprise storage, Hewlett-Packard and Sun Micro servers, and Oracle database software. We have selected a proven network structure and best in class components to build our enterprise storage system. We expect the hardware configuration for data storage to be EMC's Symmetrix open storage solution. The redundant storage architecture and world class support is expected to make our storage solution equal to other business data center providers.

The software that we have chosen for use in our enterprise storage centers provides backups, testing, offline processing and performance measurements to customers that require zero downtime. Our remote storage facility is planned to provide mirroring of data between customer's data storage systems to ensure continuous data availability.

We expect to use our fiber optic backbone for optical data transport and retrieval.

While we are building our fiber network, we have installed a communications tower to provide wireless connectivity, initially at 155 MBPS, from our facility in Iuka, Mississippi into the nationwide Internet and telecommunications system through Atlanta and Memphis. This provides us with an interim capability to test market our enterprise data storage services, web-hosting services, and competitive local exchange carrier (CLEC) and interstate exchange carrier (IXC) telephone services to select markets.

Internet Access Service Provider. We provide Internet access service under the tradename "Freedom 2000." We offer a wide range of Internet access services in the northeastern Mississippi area, including access services to business, government and residential users, web site development, web hosting, and Internet network development.

Digital and Alpha Paging Services. Action provides digital and alpha numeric paging in nine southeastern states and is currently attempting to expand its coverage area to include portions of the eastern and southwestern United States. Action is a specialized mobile radio carrier in northern Mississippi providing dispatch, telephone and global positioning system services to support automated vehicle location services in the coverage area.

Telecommunications Consulting Projects. We anticipate providing telecommunications consulting services to governments, agencies, institutions and business customers. In August 2000 we became a member of the Smart Solutions Group. This group has proposed a complete state-of-the-art healthcare information system for the country of Turkey. Smart Solutions Group includes U.S. corporations such as EMC, Cisco, Oracle, Sun Microsystems and Hewlett-Packard. The Smart Solutions Group has previously provided consultation services in connection with security and healthcare plans in Belgium, Germany, Slovenia and Singapore. We believe that our experience in creating our fiber optic network in the southeastern United States will make us uniquely qualified to consult and advise on construction on a similar system in Turkey. As of September 25, 2000, we had not reached any formal agreements for consulting or other services with Turkey.

Sales and Marketing

We have formed a sales and marketing group with its initial focus on wholesale fiber optic and broadband services. The direct sales group plans on forming strategic partnerships with other businesses offering complementary services to target market sectors for fiber, bandwidth and data storage. We also plan to explore alternative sales and marketing channels focusing on the inter-exchange carriers, competitive local exchange carriers, Internet service providers and data centers. Additional target markets include dotcom companies, service providers and businesses which support small, medium and larger operations that are computing sensitive. We retain a government lobbying firm in Washington, D.C. to advise us on government contracting opportunities.

Fiber Optic and Broadband Wireless Network. When our fiber optics network is complete we expect to market our services by focusing on Tier 2 communities along the route of the network. This will include interconnecting with providers in Atlanta, Chattanooga and Memphis.

Enterprise Data Storage. When our data hosting and storage facilities are complete and operational, we expect to market our services primarily to governments, agencies, educational institutions, medical institutions and larger businesses. Our sales and marketing staff will focus on marketing its data center for dedicated Web hosting and complex custom hosting and professional services. In addition, we intend to offer general co-location and shared Web servers for customers that need multiple service offerings. We will further focus on developing strategic partnerships to offer multiple service offerings, including multiple service site support and dual data center redundancy. It is expected that the services will exploit our network infrastructure for data availability, data protection, scaleability and performance for the medical, financial, government and corporate arenas.

Competition

The markets we currently serve, as an internet service provider and a digital and alpha paging service provider, and the markets we plan to enter, as a data storage provider and fiber optic and wireless network service provider, are intensely competitive, and we expect competition from existing service providers and new market entrants in the future. The principal competitive factors that may affect our ability to compete include ability to deliver services when requested by customers, technical expertise, network capability, reliability and quality of service, access to network resources, including circuits, equipment and interconnection capacity to other networks, price, brand name recognition, network security and financial resources.

There can be no assurance that we will have the resources or expertise to compete successfully in the future.

Current and potential competitors in the market include providers of server hosting services, national foreign and regional ISPs, global, regional and local telecommunications companies and the Regional Bell Operating Companies, and other technology services companies.

Most of our competitors have substantially greater resources, more customers, longer operating histories, greater name recognition, and more established relationships in the industry. As a result, these competitors may be able to develop and expand their network infrastructures and service offerings more quickly, devote greater resources to the marketing and sale of their products and adopt more aggressive pricing policies. In addition, these competitors have entered and will likely continue to enter into business relationships to provide additional services competitive with those that we are proposing to provide.

Some of our competitors may be able to provide customers with additional benefits in connection with the Internet system and network management solutions, including reduced communications costs, which could reduce the overall costs of their services relative to the costs of our services. We may not be able to offset the effects of any price reductions. In addition, we believe that our market is likely to encounter consolidation in the future which could result in increased price and other competition.

Government Regulation

A significant portion of the services that we offer or that we expect to offer are or will be subject to regulation at the federal and/or state levels. The Federal Communications Commission (the "FCC") and state public utility commissions regulate telecommunications carriers, which are companies that offer telecommunications services to the public or to all prospective users on standardized rates and terms. Our paging services and our anticipated data transport services are expected to be regulated services.

The FCC exercises jurisdiction over common carriers and their facilities and services, to the extent that they are providing interstate or international communications. The various state utility commissions retain jurisdiction over telecommunications carriers and their facilities and services to the extent that they are used to provide communications that originate and terminate within the same state. The degree of regulation varies from state to state.

In recent years, the regulation of the telecommunications industry has been in a state of flux as the United States Congress and various state legislatures have passed laws seeking to foster greater competition in telecommunications markets. The FCC and state commissions have adopted many new rules to implement those new laws and to encourage competition. These changes, which are still incomplete, have created new opportunities and challenges for us and our competitors. Certain of these and other existing federal and state regulations are currently the subject of judicial proceedings, legislative hearings and administrative proposals which could change, in varying degrees, the manner in which this industry operates. Neither the outcome of these proceedings nor their impact upon the telecommunications industry can be predicted at this time. Indeed, future federal or state regulations and legislation may be less favorable to us than current regulations and legislation and therefore have a material and adverse impact on our business and financial prospects by undermining our ability to provide telecommunications services at competitive prices.

Federal Regulation and Legislation. We must comply with the requirements of a common carrier under the Communications Act of 1934, as amended, to the extent we provide regulated interstate services. These requirements include an obligation that our charges, terms and conditions for communications services must be "just and reasonable" and that we may not make any "unjust or unreasonable discrimination" in our charges or terms and conditions. The FCC also has jurisdiction to act upon complaints against common carriers for failure to comply with their statutory obligations.

Comprehensive changes to the Communications Act were made by the 1996 Telecommunications Act, enacted on February 8, 1996. It represents a significant milestone in telecommunications policy by establishing competition in local telephone service markets as a national policy. The 1996 Telecommunications Act removes many state regulatory barriers to competition and forecloses state and local governments from creating laws preempting or effectively preempting competition in the telecommunications market.

The 1996 Telecommunications Act places substantial interconnection requirements on the traditional local telephone companies. Traditional local telephone companies are required to provide physical collocation, which allows us and other similar companies and other interconnectors to install and maintain our own network termination equipment in the central offices of traditional local telephone companies, and virtual collocation only if requested or if physical collocation is demonstrated to be technically infeasible. This requirement is intended to enable us, along with other competitive carriers, to deploy our equipment on a relatively convenient and economical basis.

The 1996 Telecommunications Act in some sections is self-executing. The FCC issues regulations interpreting the 1996 Telecommunications Act that impose specific requirements upon which we and our competitors rely. The outcome of various ongoing FCC rulemaking proceedings or judicial appeals of such proceedings could materially affect our business and financial prospects by increasing the cost or decreasing our flexibility in providing telecommunications services. The FCC prescribes rules applicable to interstate communications, including rules implementing the 1996 Telecommunications Act, a responsibility it shares in certain respects with the state regulatory commissions.

The 1996 Telecommunications Act also directs the FCC, in cooperation with state regulators, to establish a universal service fund that will provide subsidies to carriers that provide service to individuals that live in rural, insular, and high-cost areas. A portion of carriers' contributions to the universal service fund also will be used to provide telecommunications-related facilities for schools, libraries and certain rural health care providers. The FCC released its initial order in this context in June 1997, which requires all telecommunications carriers to contribute to the universal service fund. The FCC's implementation of universal service requirements remains subject to judicial and additional FCC review. Additional changes to the universal service regime could increase our costs and could otherwise adversely affect our business.

State Regulation. Some of our services that are not limited to interstate access potentially may be classified as intrastate services subject to state regulation. All of the states where we operate, or intend to operate, require some degree of state regulatory commission approval to provide certain intrastate services and maintain ongoing regulatory supervision. In most states, intrastate tariffs are also required for various intrastate services, although our services are not subject to price or rate of return regulation. Actions by state public utility commissions could cause us to incur substantial legal and administrative expenses and adversely affect our business.

Local Government Regulation. In certain instances, we may be required to obtain various permits and authorizations from municipalities, such as for use of rights-of-way, in which we operate transmission facilities. Subject to litigation are whether various actions of local governments over the activities of telecommunications carriers such as ours, including requiring payment of franchise fees or other surcharges, pose barriers to entry for competitive local exchange carriers that violate the 1996 Telecommunications Act or may be preempted by the FCC. While we are not a party to this litigation, we may be affected by the outcome. If municipal governments impose conditions on granting permits or other authorizations, or if they fail to act in granting such permits or other authorizations, the cost of providing telecommunications and transmission services may increase or negatively impact our ability to expand our network on a timely basis and adversely affect our business.

Employees

As of November 28, 2000, we had 28 full-time and 3 part-time employees. None of our employees is represented by a labor union, and we believe that our employee relations are good. We believe that our future success will depend in part on our continued ability to attract, hire and retain qualified personnel. The competition for personnel is intense, and there can be no assurance that we will be able to identify, attract and retain personnel in the future.

Properties

In January 1999, we entered into a ten-year lease for 25,000 square feet of space in a specialized building in the Tri-State Commerce Park in Iuka, Mississippi, with a current annual rent of approximately $87,500. Annual rent under the lease increases to $100,000 for the year 2001 and increases to $125,000 for years 2002 through 2008. The facility was completed for NASA in 1994 to provide computer engineering and programing for the advanced solid rocket motor project. Budget cuts for the space shuttle caused closure of this facility in 1996. We believe that this facility, with its existing infrastructure and security features, is ideally suited for our present and proposed business operations. The lease may be terminated, with or without cause, upon ninety days written notice by either the lessor or us. In the event of an early termination of the lease, we would need to relocate our core operational facility. The early termination of the lease could adversely affect our operations and result in significant relocation expenses. In such event, we may not be able to locate a similar specialized structure within the Iuka, Mississippi area in which to conduct our data storage operations. The lease also provides us with a right of first refusal to lease an additional 75,000 square feet of space in the building. We are currently negotiating with the lessor of the property for an extension of the lease, modification of the termination provisions of the lease and the option for us to purchase the property.

We also have a right of first refusal which expires in July 2001 to lease an 18,000 square foot building and a 36,000 square foot building in the Iuka, Mississippi area for our operations.

We also lease approximately 3,000 square feet of office space in Denver, Colorado at an annual rent of approximately $36,000, which is used primarily for sales and marketing purposes.

Legal Proceedings

We are not currently involved in any lawsuits.

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MANAGEMENT

Our executive officers and directors as of November 28, 2000 are listed below. Each director listed below will hold office until the next annual meeting of shareholders. Cumulative voting is not permitted in the election of directors.

Name	Age	Position
Robert R. Crawford	61	President, Secretary, Director
Bryan Forman	60	Vice President
David Cray	47	Vice President, Corporate Treasurer
Jerry Buuck	46	Vice President, Sales and Marketing
Ted Roberts III	45	Vice President, Chief Information Officer
Florian Yoste III	57	Vice President, Government and Public Affairs

Robert Crawford has been a director and the President of the Company since August 1998. From 1989 to 1998, Mr. Crawford served as the Chairman and Chief Executive Officer of New York Regional Rail Corporation and its affiliates. In March, 1997, Mr. Crawford filed a voluntary petition for protection of his personal assets under the federal bankruptcy code, but subsequently withdrew the petition in April, 1997 and subsequently satisfied all creditors.

Bryan Forman has been a Vice President of the Company and President of

North American InfoTech, LLC, one of our subsidiaries, since January 2000. During the 19 year period prior to joining the Company, Mr. Forman was employed by Qwest Transmission, Inc. where he served as a Vice President and General Manager.

Jerry Buuck has been Vice President Marketing and Sales of the Company and North American InfoTech, one of our subsidiaries, since January 2000. Mr. Buuck was employed by Qwest Communications Corporation from 1995 to 2000 where he served as Director of Business Development and Product Management.

David Cray has been Vice President, Corporate Treasurer of the Company since April 2000. From 1994 to 2000, Mr. Cray owned and managed an independent financial consulting firm. Previously, Mr. Cray held positions with various broker-dealers and investment banking firms.

Ted Roberts III has been Vice President and Chief Information Officer of the Company since November 1998. Mr. Roberts was an independent information technology consultant from 1995 to November 1998.

Florian H. Yoste III has been Vice President of Government Affairs of the Company since August 1999. From 1993 to 1999, Mr. Yoste served as Senior Special Assistant to Executive Director for the Governor's Office of Economic and Community Development, State of Mississippi.

Some of our other significant employees are summarized below:

Lawrence R. Lonergan has been General Counsel for North American DataCom and North American InfoTech since February 2000. Mr. Lonergan was previously a partner at the law firm of Catafago & Lonergan in New York, where he practiced corporate and commercial litigation and handled various transactional matters.

Gordon D. Evans has been Vice President of Operations of North American InfoTech since January 2000. Mr. Evans' responsibilities include logistics, strategic planning and manpower allocations for the construction of the Company's Fiber Optic Network. Prior to joining the Company, Mr. Evans worked for MCI Worldcom Telecommunications Corporation where he was a performance analyst in MCI's Network Management Center.

Jerry Wilemon has been Senior Systems Engineer for the Company since January 2000. From 1995 to 1999 Mr. Wilemon was an independent consultant for the State of Mississippi, American Equipment and Action Communications, Inc. Mr. Wilemon's professional career includes both domestic and international assignments with Thiokol Corporation between 1994 and 1995, Lockheed Missiles and Space Company between 1990 and 1994, and Morrison Kundsen Corporation between 1979 and 1990, where he was director of material handling systems.

Jerry Duke has been Director of System Engineering for North American InfoTech, a subsidiary of the Company, since January 2000. Prior to joining the Company, Mr. Duke was Director of Field Operations for the entire wireless communications network for Qwest Transmission Inc. from 1985 to 1999.

Robert Elmes, Jr. has been Director of Provisioning for North American InfoTech since January 2000. Mr. Elmes was Provisioning Manager from 1983 to 1999 for Qwest Transmission, Inc.

Robert Mecchi has been Director of Network Operating Center at North American InfoTech since January 2000. Between 1986 and 1999, Mr. Mecchi was Director of Network Control for Qwest Transmission Inc.

Committees of the Board and Meetings

We do not have any audit, compensation or nominating committees of the board of directors. The board of directors took action by written consent or at a meeting eight times during our last fiscal year. All of the directors attended at least 75% or more of the meeting of the board of directors during the periods during which they served, during our last fiscal year.

EXECUTIVE COMPENSATION

The following table provides information concerning the compensation of our chief executive officer for each fiscal year since our formation in September 1998. No other executive officer received total salary and bonus in excess of $100,000 during the last fiscal year.

		Annual Compensation		
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)
Robert R. Crawford(1)	2000	$ 57,000	0	0
	1999	$ 52,500		

(1) In both fiscal 1999 and 2000, $52,500 of Mr. Crawford's salary was paid in the form of shares of common stock at the rate at $1.00 per share. Mr. Crawford did not accrue any long-term compensation in fiscal 1999 or fiscal 2000.

Employment Agreements.

We have entered into employment contracts with David Cray and Ted Roberts. Mr. Cray's contract is for a term of three years commencing April 10, 2000, and Mr. Roberts contract is for a term of three years and two months commencing November 1, 1998. Both contracts provide for base salary of $100,000 per annum plus benefits. Mr. Cray's contract also provided for the grant of options for 250,000 shares of common stock at an exercise price of $3.00 per share. Mr. Robert's contract provided for the grant of common shares equal to 5% of the outstanding stock as of June 30, 1999 and for an option to purchase an additional 5% as of September 30, 1999. Both contracts provide that we may terminate the contract for certain events and provide that the employee will not compete with us during the term of the contract and for three years thereafter in a geographic area of 300 miles in the case of Mr. Cray and 1000 miles in the case of Mr. Roberts. None of our other executive officers are subject to an employment agreement at this time, however, we intend to enter into employment contracts with certain additional executive officers in the near future.

Stock Option Plans.

As of December 8, 2000, we had stock options outstanding totaling 14,484,216 shares with exercise prices ranging from $.0433 to $3.00 per share and expiration dates ranging from December 31, 2001 to December 31, 2004. Approximately 8,442,468 of these options are held by officers and directors. These options were issued pursuant to individual option agreement and are not part of a stock option plan.

Our predecessor, Pierce International, Inc., previously had adopted an Incentive Stock Option Plan which was discontinued in connection with our reorganization with Pierce International, Inc. There are currently no outstanding options under such stock plan. We intend to adopt a stock option plan for our employees, directors and consultants in the future.

Directors

Currently, we have only one director. Directors have not been compensated for the services they provide as directors. In the future, non-employee directors may be reimbursed for expenses incurred in connection with attending board and committee meetings and compensated for their services as board and committee members.

Indemnification and Exculpation Provisions

Our certificate of incorporation provides the Company the right to indemnify of our officers and directors to the fullest extent permitted by Delaware law. In addition, under our certificate of incorporation, no director shall be liable personally to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director; provided that the certificate of incorporation does not eliminate the liability of a director for (1) any breach of the director's duty of loyalty to the Company or its stockholders; (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) acts or omissions in respect of certain unlawful dividend payments or stock redemptions or repurchases; or (4) any transaction from which such director receives improper personal benefit.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On November 30, 1999, our Board of Directors issued 85,000 of our pre-merger common stock (981,091 shares post-merger) and agreed to issue 105,000 shares of our pre-merger common stock (1,211,936 shares post-merger), which has not been completed as of the date of this prospectus, to James White, a former director and officer of the Company, and Robert Crawford, President, sole director and principal stockholder of the Company, respectively, for services each provided to the Company in 1999 and 2000. Additional compensation of $88,830 for fiscal year 2000 services were approved by our Board of Directors for Mr. White and paid by issuing 26,320 shares of pre-merger common stock

(303,792 shares post-merger).

In March 2000, Mr. Crawford, president, sole director and principal stockholder of the Company, guaranteed our obligations under an agreement for the purchase by us of conduit from Qwest Communications for a purchase price of approximately $15,120,000. See "Management's Discussion and Analysis - Liquidity."

In July 2000, North American InfoTech, LLC, one of our subsidiaries, entered into a right of way sublease agreement with Tishomingo Railroad Company, a company which is owned and controlled by the son of Mr. Crawford. The right of way agreement provides conduit access along certain railway lines to our facilities in Iuka, Mississippi. As part of the consideration for the agreement, a two percent membership interest in North American Infotech, valued by management at $0, which is the historical carryover cost basis, was assigned to Tishomingo Railroad Company.

During fiscal 2000, we issued various shares of common stock and Series B convertible preferred stock to Robert R. Crawford, our president, sole director and principal stockholder, for cash and for services. See "Market for Registrant's Common Equity and Related Stockholder Matters" for a description of these transactions.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock as of November 28, 2000 for (i) each of our directors, (ii) each of our executive officers named in the Summary Compensation Table, (iii) each person or group of affiliated persons whom we know beneficially owns more than 5% of the outstanding common stock and (iv) all of our directors and executive officers as a group.

Except as otherwise noted, to the best of our knowledge the persons named in this table have sole voting and investing power with respect to all of the shares of common stock held by them.

Options, warrants, conversion and other rights to acquire shares of our common stock that are exercisable within 60 days of the table date are deemed to be beneficially owned by the persons holding these options or warrants for the purposes of computing percentage ownership of that person, but are not treated as outstanding for the purpose of computing any other person's ownership percentage of the total number of securities outstanding. As of the table date, we had 98,649,783 shares of common stock outstanding.

Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
Robert R. Crawford(1) 751 County Road 989 Iuka, MS 38852	44,740,758	45.39%

Citrus Springs Trust Louis Villaume, Trustee One Lakeside Plaza Suite 602 Lake Charles, LA 70601	17,313,388	17.58%
William H. Durham, MD c/o T. I. Starling 16 Lakeland Drive #501 Jackson, MS 39216	8,156,421	8.28%
All directors and executive officers as a group (6 persons)(1)	50,493,863	51.23%

(1) Includes shares owned of record by Mr. Crawford's spouse.

DESCRIPTION OF SECURITIES

COMMON STOCK

We are authorized to issue up to 150,000,000 shares of common stock, $.0001 par value, of which 98,655,678 shares were issued and outstanding as of December 8, 2000. All outstanding shares of our common stock are fully paid and nonassessable. The following is a summary of the material rights and privileges of our common stock.

VOTING. Holders of our common stock are entitled to cast one vote for each share held at all stockholder meetings for all purposes, including the election of directors. The holders of more than 50% of the voting power of our common stock issued and outstanding and entitled to vote and present in person or by proxy, together with any preferred stock issued and outstanding entitled to vote and present in person or by proxy, constitute a quorum at all meetings of our stockholders. The vote of the holders of a majority of our common stock present and entitled to vote at a meeting, together with any preferred stock present and entitled to vote at a meeting, will decide any question brought before the meeting, except when Delaware law, our Certificate of Incorporation, or our bylaws require a greater vote and except when Delaware law requires a vote of any preferred stock issued and outstanding, voting as a separate class, to approve a matter brought before the meeting. Holders of our common stock do not have cumulative voting for the election of directors.

DIVIDENDS. Holders of our common stock are entitled to dividends when and if declared by the Board of Directors out of funds available for distribution. The payment of any dividends may be limited or prohibited by loan agreement provisions or priority dividends for preferred stock that may be outstanding.

PREEMPTIVE RIGHTS. The holders of our common stock have no preemptive rights to subscribe for any additional shares of any class of our capital stock or for any issue of bonds, notes or other securities convertible into any class of our capital stock.

LIQUIDATION. If we liquidate or dissolve, the holders of each outstanding share of our common stock will be entitled to share equally in our assets legally available for distribution to our stockholders after payment of all liabilities and after distributions to holders of preferred stock legally entitled to be paid distributions prior to the payment of distributions to holders of our common stock.

PREFERRED STOCK

We are authorized to issue up to 10,000,000 shares of preferred stock, par value $.0001 per share, issuable from time to time in one or more series, having such designation, rights, preferences, powers, restrictions and limitations as may be fixed by the Board of Directors.

SERIES B CONVERTIBLE PREFERRED STOCK. In November 2000, we filed with the Delaware Secretary of State a Certificate of Designation establishing the series B convertible preferred stock consisting of 500,000 shares. As of November 28, 2000, 800 shares of our series B convertible preferred stock were issued and outstanding. The following is a summary of the rights, privileges and preferences of the series B convertible preferred stock.

DIVIDENDS. The cumulative non-compounded dividend on the series A convertible preferred stock is 6% per annum based on the stated value of $1,000 per share, payable in July of each year and as otherwise permitted by law and declared by the Board of Directors, or upon the redemption or conversion of the series B convertible preferred stock into common stock. We may not declare or pay any dividends on the common stock unless we first declare and pay all unpaid dividends on the series B convertible preferred stock.

CONVERSION. Each share of the outstanding series B convertible preferred stock is convertible, at the election of the holder thereof, into 500 shares of our common stock.

VOTING. Each share of series B convertible preferred stock entitles the holder to the number of votes equal to the number of shares of series B convertible preferred stock held by such holder, provided that, in the event the preferred dividend is not timely paid, each share of series B convertible preferred stock will entitle the holder to the number of votes equal to the number of shares of common stock into which it is convertible. The holders of the common stock and the series B convertible preferred stock will vote as a single class on all matters on which our stockholders vote, except where otherwise required by law. The holders of the series B convertible preferred stock do not have cumulative voting for the election of directors.

PREEMPTIVE RIGHTS. The holders of the series B convertible preferred stock do not have preemptive rights to subscribe for any additional shares of any class of our capital stock or for any issue of bonds, notes or other securities convertible into any class of our capital stock.

LIQUIDATION RIGHTS. If we liquidate, dissolve or wind-up our business, whether voluntary or otherwise, after we pay our debts and other liabilities, the holders of the series B convertible preferred stock will be entitled to receive from our remaining net assets, before any distribution to the holders of our common stock, the amount of $1,000 per share of series B convertible preferred stock in cash plus payment of all accrued but unpaid dividends. Holders of the series B convertible preferred stock will not be entitled to receive any other payments if we liquidate, dissolve or wind-up our business.

REDEMPTION RIGHTS. The holders of the series B convertible preferred stock do not have any redemption rights.

WARRANTS AND OPTIONS

As of December 8, 2000, we had outstanding options and warrants to purchase an aggregate of 14,484,216 shares of common stock at an average weighted exercise price of $0.33 per share. Such warrants and options expire on various dates from December 31, 2001 to December 31, 2004.

TRANSFER AGENT

The transfer agent for our securities is Florida Atlantic Stock Transfer, Inc., 7130 Nob Hill Road, Tamarac, Florida; telephone 954-726-4954.

SELLING STOCKHOLDERS

The securities offered by this prospectus are shares of common stock held by various purchasers of our common stock.

In April 1999, we issued a warrant to purchase 10,000 shares of pre-merger common stock (115,423 shares post-merger) to Jerry Wilemon, an employee of the Company, for a total exercise price of $10,000 in connection with the sale and issuance of certain other shares of common stock to such investor. The investor exercised his option and purchased 115,423 shares of common stock in August 2000. Under the terms of the option, the investor is entitled to piggy-back registration rights for shares exercised, paid for and purchased under such option, and such shares are being registered for resale pursuant to the Registration Statement of which this Prospectus is a part.

In December 1999, we issued a warrant to purchase 1,000 shares of pre-merger common stock (11,542 shares post-merger) to Jerry Murphy, a private investor, for a total exercise price of $10,000 in connection with the sale and issuance of certain other shares of common stock to such investor. The investor exercised his option and purchased 11,542 shares of common stock in July 2000. Under the terms of the option, the investor is entitled to piggy-back registration rights for shares exercised, paid for and purchased under such option, and such shares are being registered for resale pursuant to the Registration Statement of which this Prospectus is a part.

In December 1999, we agreed to issue 1,687,934 shares of common stock to Lumiere Companies, Inc. in connection with its facilitation of the business combination between Pierce International, Inc. and us. In connection with such issuance, Lumiere Companies is entitled to piggy-back registration rights with respect to such shares and are being registered for resale pursuant to the Registration Statement of which this Prospectus is a part.

In July 2000, we sold 317,500 shares of common stock to James Porter Dean, Escrow Agent, for $635,000. In connection with the sale, we agreed to use our best efforts to file a registration statement with the SEC for the resale of the stock sold to such investor.

In September 2000, we closed a private placement to Cranshire Capital, L.P. and Euram Cap Strat. "A" Fund Limited of 150,000 restricted shares of common stock for a total sale price of $442,125. The placement agent engaged by us to facilitate the transaction received 3,000 restricted shares of common stock and a fee of $8,700. The terms of the transaction provide that we file a registration statement with SEC for the resale of the shares by October 5, 2000. For each fifteen day period following October 5, 2000 in which the registration statement is not filed with the SEC, we are required to make a payment to the private investors equal to $8,842 payable in cash or common stock based upon the closing bid price of the shares of our common stock as of the end of each fifteen day period. As of December 8, 2000, we have issued an additional 16,180 shares of common stock to Cranshire Capital, L.P. and an additional 4,045 shares of common stock to Euram Cap Strat. "A" Fund Limited pursuant to the registration rights agreement with such investors. In addition, if the registration statement is not declared effective by the SEC by February 2, 2001, we are required to make a payment to the private investors equal to $44,212 payable in cash or common stock based upon the closing bid price of the shares of our common stock as of such date.

The proceeds of the foregoing transactions were utilized by us for general working capital purposes. Other than Jerry Wilemon, who has been an employee of the Company since January 2000, no other selling stockholder has held any position or office or had any material relationship with us or any of our predecessors or affiliates within three years of the date of this prospectus.

The following table sets forth, information provided by the selling stockholders with regard to their beneficial ownership of our common stock as of December 8, 2000 and upon completion of this offering. Unless otherwise indicated in the footnotes, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

	Common Shares		
Selling Stockholder(1)	Number of Shares Prior to Sale	Number of Shares Offered	Number of Shares After Sale(1)
Cranshire Capital, L.P. c/o Downsview Capital, Inc. 666 Dundee Road, Suite 1901 Northbrook, IL 60062	136,180	136,180	-0-
Euram Cap Strat. "A" Fund Limited c/o JMJ Capital, Inc. 666 Dundee Road, Suite 1901 Northbrook, IL 60062	34,045	34,045	-0-
James Porter Dean, Escrow Agent P.O. Box 1616 Corinth, MS 38835-1616	347,500	317,500	30,000

Jerry Wilemon 194 Road 209 Burnsville, MS 38833	1,930,000	115,423	1,814,577
James Murphy P.O. Box 33 Booneville, MS 38829-0033	39,750	11,542	28,208
Lumiere Companies, Inc. 1601 Blake Street, Suite 500 Denver, CO 80202	1,687,934	1,687,934	-0-

* Less than 1%.

(1) Because the selling stockholders may offer all, some or none of their common stock, no definitive estimate as to the number of shares thereof that will be held by the selling stockholder after such offering can be provided and the following table has been prepared on the assumption that all shares of common stock offered under this prospectus will be sold.

PLAN OF DISTRIBUTION

The selling stockholders and any of their pledgees, assignees, and successors-in-interest may, from time to time, sell any or all of their shares of common stock on any stock exchange, market, or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

- an exchange distribution in accordance with the rules of the applicable exchange;

- privately negotiated transactions;

- short sales;

- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;

- a combination of any such methods of sale; and

- any other method permitted pursuant to applicable law.

The selling stockholder may also sell shares under Rule 144 pursuant to the Securities Act, if available, rather than under this prospectus.

The selling stockholder may also engage in short sales against the box, puts and calls and other transactions in our securities or in derivatives of our securities and may sell or deliver shares in connection with these trades. The selling stockholder may pledge their shares to their brokers under the margin provisions of customer agreements. If a selling stockholder defaults on a margin loan, the broker may, from time to time, offer and sell the pledged shares.

Broker-dealers engaged by the selling stockholder may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholder (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholder does not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The selling stockholder and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

We are contractually obligated to pay certain fees and expenses of certain of the selling stockholders, and intend to pay certain fees and expenses of the other selling stockholders, which are incident to the registration of the shares, including fees and disbursements of counsel to Cranshire Capital, L.P. and Euram Cap Strat. "A" Fund Limited (not to exceed $5,000).

LEGAL MATTERS

Certain legal matters in connection with the common stock offered hereby will be passed upon on behalf of the Company by Lawrence Lonergan, Esq., New York, New York.

EXPERTS

Our consolidated financial statements at June 30, 2000 and 1999, and for the fiscal year ended June 30, 2000 and the period from inception of the Company (September 1, 1998) through June 30, 1999, included in this prospectus have been audited by BDO Seidman, LLP, independent certified public accountants, to the extent and for the periods set forth in their report (which contain an explanatory paragraph regarding the Company's ability to continue as a going concern) appearing elsewhere herein, and are included in reliance upon such report given upon authority of said firm as experts in auditing and accounting.

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WHERE YOU CAN FIND MORE INFORMATION ABOUT US

We file annual, quarterly and special reports, and other information with the SEC. You may read and copy any document we file with the SEC at the

SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's public reference rooms located at it's regional offices in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0300 for further information on the operation of public reference rooms. You can also obtain copies of this material from the SEC's Internet web site, http://www.sec.gov containing reports, proxy statements and other information regarding registrants that file electronically with the SEC.

Our common stock is quoted on the OTC Electronic Bulletin Board under the symbol "NADA".

This prospectus is a part of a registration statement on Form S-1 filed by us with the SEC under the Securities Act. This prospectus omits certain information contained in the registration statement, and we refer you to the registration statement and to the exhibits to the registration statement for additional information about the common stock and us.

DEALER PROSPECTUS DELIVERY OBLIGATION

Until May 1, 2001 (90 days after the commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

North American DataCom, Inc.
Iuka, Mississippi

We have audited the accompanying consolidated balance sheets of North American DataCom, Inc. and subsidiaries as of June 30, 2000 and 1999, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for the year ended June 30, 2000 and for the period from inception (September 1, 1998) to June 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of North American DataCom, Inc. and subsidiaries at June 30, 2000 and 1999, and the results of their operations and their cash flows for the year ended June 30, 2000 and for the period from inception (September 1, 1998) to June 30, 1999, in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 15 to the financial statements, the Company has suffered recurring losses and has negative working capital that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BDO Seidman, LLP

Memphis, Tennessee
September 18, 2000

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NORTH AMERICAN DATACOM, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	Ju
Current Assets:	
Cash and Equivalents	$
Accounts Receivable, Net of allowance of $2,400 and $0	
Receivable from broker	
Notes Receivable (Note 5), net of long-term maturities	
Inventories	
Employee Advances	
Total Current Assets	
Investments (Note 4)	
Property and Equipment:	
Leasehold Property and Improvements	
Computers and Equipment	
Communications Equipment and Wireless Towers (Note 6)	
Conduit and Optic Fiber Construction In Process	
Other Equipment	
Office Furniture	
Total Property and Equipment	
Less Accumulated Depreciation and Amortization	
Net Property and Equipment	
Other Assets (Notes 7 and 14)	
Total Assets	$

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Trade Note Payable, net of unamortized discount (Note 6)	$
Accounts Payable	
Accrued Expenses	
Deferred Income Tax Liability (Note 14)	
Total Current Liabilities	
Payable To Director	
Notes Payable	
Total Liabilities	
Commitments and Contingencies (Notes 6, 8, 13 and 15)	
Stockholders' Equity (Notes 11 and 12)	
Convertible Preferred Stock, No Par Value; 400,000 shares authorized; 51,212 shares issued and outstanding at June 30, 1999	
Series B Convertible Preferred Stock, $.0001 Par Value; 6% Cumulative; 5,000 shares authorized; 300 shares issued and outstanding at June 30, 2000	
Common Stock, $.0001 Par Value; 150,000,000 Shares Authorized; 97,992,758 and 4,030,000 Shares Issued and Outstanding	
Additional Paid in Capital	
Other accumulated comprehensive income (Note 4)	
Accumulated Deficit	

Total Stockholders' Equity	--
Total Liabilities and Stockholders' Equity	$

See accompanying notes to consolidated financial statements.

NORTH AMERICAN DATACOM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended June 30, 2000	For the period from inception (September 1, 1998) through June 30, 1999
Net Service Revenues	$ 269,649	$ 19,539
Cost of Services	117,924	24,667
Gross Profit (Loss)	151,725	(5,128)
Selling, General and Administrative Expenses	1,744,701	477,612
Operating Loss	(1,592,976)	(482,740)
Other Income (Expense), Net	(214,710)	184,650
Loss before income tax benefit	(1,807,686)	(298,090)
Income tax benefit (Note 14)	--	(990)
Net Loss	$ (1,807,686)	$ (297,100)
Basic and Diluted Loss per Common Share (Note 1)	$ (0.03)	$ (0.01)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	71,725,566	33,193,595

See accompanying notes to consolidated financial statements.

NORTH AMERICAN DATACOM, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	YEAR ENDED JUNE 30, 2000	FOR THE PERIOD FROM INCEPTION (SEPTEMBER 1, 1998 THROUGH JUNE 30, 1999
Net loss	$(1,807,686)	$(297,100)
Net unrealized gain (loss) on investments (Note 4)	(145,700)	46,500
Comprehensive loss	$(1,953,386)	$(250,600)

See accompanying notes to consolidated financial statements.

NORTH AMERICAN DATACOM, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Series B Preferred Stock Shares	Series B Preferred Stock Amount	Convertible Preferred Stock Shares	Convertible Preferred Stock Amount	Common Sto Shares	Common Sto Par
Balances, September 1, 1998 (inception)	--		--	--	--	
Issuance of initial common stock			--	--	500,000	
Issuance of stock for investments			--	--	3,000,000	
Acquisition of Freedom (Note 3)			--	--	50,000	
Exchange of notes for preferred stock			51,212	512,120	--	
Stock issued to employees			--	--	450,000	
Issuance of stock for services			--	--	10,000	
Sale of common stock			--	--	20,000	
Unrealized gain on Investments			--	--	--	
Net loss for period ended June 30, 1999			--	--	--	
Balances, June 30, 1999	--	--	51,212	512,120	4,030,000	
Conversion of preferred stock to common stock			(51,212)	(512,120)	2,020,296	2
Issuance of Series B preferred stock	300	300,000			--	

Exchange of notes for common stock			--	--	164,916	
Issuance of stock for services			--	--	111,320	
Sale of common stock			--	--	175,500	
Acquisition of Action Communications (Note 3)			--	--	150,000	
Stock split (Note 3)					76,801,017	
Acquisition of PRCI (Note 3)			80,000	20,000	861,809	
Issuance of shares for acquisition services			--	--	1,687,934	
Conversion of PRCI preferred stock to common stock			(80,000)	(20,000)	80,000	
Conversion of PRCI notes to common stock			--	--	170,000	
Exercise of warrants to acquire common stock					80,000	
Exercise of warrants to acquire common stock			--	--	11,620,964	
Conversion of debt to stock			--	--	39,002	
Adjustment for change in par value ($.01 to $.0001)			--	--	0	(2
Net unrealized loss on investments			--	--	--	
Net loss for the year ended June 30, 2000	--		--	--	--	
Balances, June 30, 2000	300	$300,000	$ --	$ --	97,992,758	$

	Net Unrealized Gain (Loss) on Investments	Stockholders' Equity
Balances, September 1, 1998 (inception)	$ --	$ --
Issuance of initial common stock	--	500
Issuance of stock for investments	--	500,000
Acquisition of Freedom (Note 3)	--	61,251
Exchange of notes for preferred stock	--	612,120
Stock issued to employees	--	112,500
Issuance of stock for services	--	10,000
Sale of common stock	--	10,000
Unrealized gain on Investments	46,500	46,500
Net loss for period ended June 30, 1999	--	(297,100)
Balances, June 30, 1999	46,500	1,055,771
Conversion of preferred stock to common stock	--	--
Issuance of Series B preferred stock	--	300,000
Exchange of notes for common stock	--	108,104
Issuance of stock for services	--	173,830
Sale of common stock	--	227,500
Acquisition of Action		

Communications (Note 3)	--	345,895
Stock split (Note 3)		--
Acquisition of PRCI (Note 3)	--	--
Issuance of shares for acquisition services	--	101,276
Conversion of PRCI preferred stock to common stock	--	--
Conversion of PRCI notes to common stock	--	10,000
Exercise of warrants to acquire common stock		60,000
Exercise of warrants to acquire common stock	--	342,244
Conversion of debt to stock	--	2,145
Adjustment for change in par value ($.01 to $.0001)	--	1,925
Net unrealized loss on investments	(145,700)	(145,700)
Net loss for the year ended June 30, 2000	--	(1,807,686)
Balances, June 30, 2000	$ (99,200)	$ 775,304

See accompanying notes to consolidated financial statements.

NORTH AMERICAN DATACOM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEAR ENDED JUNE 30, 2000	(S
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for period	$(1,807,686)	
Adjustments to reconcile net loss to cash provided by operations:		
Depreciation and amortization	53,708	
Gain on sale of investments	--	
Benefit for deferred income taxes	--	
Noncash compensation charge	131,830	
Noncash interest charge	161,128	
Noncash organizational expense charge	211,076	
Provision for doubtful accounts	2,400	
Changes in operating assets and liabilities, net of acquisitions:		
Inventories	(438)	
(Increase) in accounts receivable	(33,803)	
(Increase) in notes receivable	(6,258)	
(Increase) in other assets	(38,037)	
Increase in accounts payable and accrued expenses	142,659	
Net cash used in operations	(1,183,421)	

CASH FLOWS FROM INVESTING ACTIVITIES:	
Due from broker	700,000
Purchase of property and equipment	(463,094)
Net cash provided by (used in) investing activities	236,906
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from sale of common stock	522,089
Proceeds from sale of preferred stock	300,000
Proceeds from issuance of convertible notes	108,104
Increase in notes payable	23,917
Net cash provided by financing activities	954,110
INCREASE IN CASH for the period (Note 9)	7,595
Cash and cash equivalents, beginning of period	13,353
Cash and cash equivalents, end of period	$ 20,948

See accompanying notes to consolidated financial statements.

North American DataCom, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies:

Nature of Business

The Company provides Internet access services and digital data and alpha paging services primarily for customers in southern United States.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and transactions are eliminated.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain estimates used by management are particularly susceptible to significant changes in the economic environment. These include estimates of the realization of long-lived assets and deferred tax assets. Each of these estimates, as well as the related amounts reported in the financial statements, are sensitive to near term changes in the factors used to determine them. A significant change in any one of those factors could result in the determination of amounts different from those reported in the consolidated financial statements and the effect of such differences could be material.

Investments

Investments are classified as available-for-sale and are reported at estimated market value, with unrealized gains and losses, net of taxes, reported as a separate component of stockholders' equity.

Realized gains and losses, and declines in value judged to be other than temporary, are included in other income. The cost of securities sold is based on the specific identification method and interest earned is included in other income.

Revenue Recognition

Revenue is recognized when services are rendered.

Taxes on Income

Income taxes are calculated using the liability method specified by Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("SFAS 109"). Under SFAS 109, the Company provides for estimated income taxes payable or refundable on current year income tax returns as well as the estimated future tax effects attributable to temporary differences and carryforwards. Measurement of deferred income taxes is based upon enacted tax laws and tax rates, with the measurement of deferred income tax assets reduced by estimated amounts of tax benefits not likely to be realized.

North American DataCom, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued):

1. Summary of Significant Accounting Policies (Continued):

Earnings per Share

Basic and diluted loss per share of common stock have been computed based upon the weighted average number of shares outstanding during the year ending June 30, 2000 and, after giving effect to the merger stock split, the period ending June 30, 1999. Common stock equivalents consisting of stock options, convertible notes and warrants were not considered in either period, as their effect would be anti-dilutive.

The following details the Company's common stock equivalents (in post-merger shares):

	2000	1999
Stock options	14,577,178	11,620,964
Convertible notes	--	1,903,130
Warrants	--	80,000
Convertible Preferred stock	150,000	2,020,396

	14,727,178	15,624,490

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed when incurred. Depreciation is computed over the estimated useful lives of depreciable assets using the straight-line method. Useful lives for property and equipment are as follows:

	Years
Conduit and optic fiber	25
Communications equipment and wireless towers	3-10
Computers	5
Other Equipment	3-10
Leasehold improvements	Term of Lease (Not to exceed 10 years)

The carrying values of long-lived assets are periodically reviewed by the Company and impairments would be recognized if the expected future operating non-discounted cash flows derived from an asset were less than its carrying value.

Licenses

Licenses relate to the Company's FCC License to provide personal communications and paging services. Generally, amortization begins with the commencement of service to customers and is computed using the straight-line method over an estimated useful life of 15 years.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, consisting of cash and cash equivalents, notes and accounts receivable, accounts payable, trade note payable, and payable to director approximate their respective fair values.

2. The Organization and Business:

Effective December 21, 1999, North American Software Associates, Limited ("NAS") (incorporated in September 1998) merged into Pierce International, Inc. ("PRCI") in exchange for 76,801,017 shares of the PRCI's common stock. The merger has been accounted for as a reverse acquisition, whereby NAS is deemed the acquirer because the shareholders of NAS obtained a controlling interest in the Company as a result of the merger. On March 17, 2000 the Company changed its name to

North American DataCom, Inc. from Pierce International, Inc.

North American DataCom, Inc. and its subsidiaries are developing a major southern United States communications network. This network combines state-of-the-art fiber optics, wireless and satellite technologies with traditional business resources to provide wideband real-time data communication. Accordingly, for periods prior to the merger, the consolidated financial statements present the historic accounts of NADC (formerly NAS) and its subsidiaries. The Company is engaged, or plans to engage, in the following lines of business:

Business Lines

Fiber Optic and Broadband Wireless Network: The Company is building a fiber optic and broadband wireless communications network, which will allow for the high-speed transmission of large amounts of data. It is expected that businesses, government agencies and institutions will use the Company network as a preferred alternative to existing telephone and satellite data transmission systems.

Internet Access: As of June 30, 2000 the Company provides Internet service in Mississippi, Tennessee and Alabama. Internet services provided by the Company include basic dial-up access to the Internet through standard computer modems, high speed Internet access, and the design and hosting of websites for customers.

Remote Data Storage: During fiscal 2000 the Company took delivery of equipment that will allow third parties to store and access data stored in digital form on computer systems maintained and operated by the Company in its facility in Iuka, Mississippi. As of June 30, 2000, the Company did not have any agreements with any third parties regarding the storage of computer data.

Telecommunication Projects and Consulting: The Company plans to assist corporations, government agencies and institutions in the design and installation of their own internal telecommunications networks. The Company plans to use state-of-the-art technology, which will enable its clients to transfer and receive large amounts of data at high speed between both internal and external sources.

At present, the Company operates in one segment, paging and internet access to consumers and small businesses.

North American DataCom, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued):

3. Acquisitions

On April 1999, the Company acquired all of the partnership interests of Freedom 2000 for $8,000 and 50,000 shares of the restricted pre merger common stock of the Company (valued at $61,251). Freedom is an Internet service provider. This transaction has been accounted for as purchase, accordingly, the results of Freedom are included in the Company's consolidated statements of operations from the date of acquisition. The purchase price of $69,251 has been allocated primarily to property and equipment.

On December 3, 1999 the Company acquired all the common stock of Action Communications, Inc. ("Action") for 150,000 shares of pre merger stock

(1,731,339 post merger shares) of the restricted common stock of the Company. Action provides digital and alpha numeric paging to nine southeastern states, and is currently expanding its coverage area to include portions of the eastern and southwestern United States. Action is also a specialized mobile radio carrier providing dispatch, telephone and Global Position System ("GPS") services. This transaction has been accounted for as a purchase, accordingly, the results of operations of Action are included in the Company's consolidated statements of operations from the date of acquisition. The purchase price of $345,895 has been allocated to estimated fair value of the assets acquired and liabilities assumed, as follows:

Property and Equipment	$ 5,000
FCC License	370,000
Current liabilities	(29,105)
	$ 345,895

On December 21, 1999, North American Software Associates, Limited ("NAS") (incorporated in September 1998) merged into Pierce International, Inc. ("PRCI") in exchange for 76,801,017 shares of the PRCI's common stock. The merger has been accounted for as a reverse acquisition, whereby NAS is deemed the acquirer because the shareholders of NAS obtained a controlling interest in the Company as a result of the merger. This has been presented as a stock split with the addition of 861,809 shares of PRCI that were outstanding at the date of merger. As a result of the reverse merger, NAS assumed liabilities of $10,000 in the form of a convertible Note, 80,000 shares of preferred equity with a book value of $20,000 and paid in capital for the 7,515,705 common shares of PRCI outstanding was approximately $850,000. There was a net operating loss carry forward of approximately $880,000. There were no assets and no other liabilities. Expenses incurred for this transaction totaling approximately $211,000 were expensed.

PRCI had 400,000 authorized shares of no par value, Series 1 convertible preferred stock with 80,000 shares outstanding at the date of merger. These Series I Preferred Stock were converted in January 2000 into an identical number of shares of the Company's Common Stock.

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North American DataCom, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued):

4. Investments:

The Company's investments are classified as available-for-sale. The amortized cost, gross unrealized gains (losses) and estimated fair value, less the option price of $.12 per share, for these investments were as follows at June 30, 2000 and June 30, 1999:

June 30, 2000	Cost Basis	Gross Unrealized Gains (Losses)	Estimated Fair Value
Assigned interest in New York Regional Rail Corporation			

Stock Options	$ 250,000	$(160,000)	$ 90,000
June 30, 1999			
New York Regional Rail Corporation Stock	$ 250,000	$ 75,000	$ 325,000

During the fiscal year June 30, 1999, the Company sold 500,000 shares of New York Regional Rail Corporation stock for $700,000. The cost of this investment as determined by the specific identification method was $500,000.

5. Notes Receivable:

Sales of Action Communications' merchandise has created a trade note receivable earning interest at 6% per annum with the final payment due July 2002. Maturities of the receivables at June 30, 2000 are as follows:

Fiscal Year Ending June 30,

2001	$2,920
2002	3,100
2003	238
Total	$6,258

6. Property, Plant and Equipment:

In March 2000, the Company acquired 504 miles of fiber optic conduit for $15.12 million from Qwest. The purchase was price to be paid over a 12 month period ending March 31,2001 and, accordingly, imputed interest of $723,109 was recorded as a discount which is being amortized as an interest charge over the term of the payable. For the period ending June 30, 2000 the interest charge associated with this payable was $180,282. The Company currently is past due in its payments on this obligation by approximately $9,000,000 and is actively negotiating with the vendor for modifications to the repayment terms. In addition, the Company acquired software for $575,000, in exchange for debt which was retired in August of 2000.

7. Other Assets

Other assets consist of the following items as of:

June 30,	2000	1999
FCC License, net of amortization of $14,389	$355,611	$ --
Prepaid expenses	29,093	--
Deferred income tax asset	61,790	990
Notes Receivable, net of current maturities	3,338	--
Total	$449,832	$ 990

North American DataCom, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued):

8. Commitments:

The Company currently leases 25,000 square feet at the former NASA facility from the State of Mississippi. The lease expires in December 2008 and the Company plans to extend the lease for an additional 10 years. Total rentals under this lease for the year ending December 2000 will be approximately $87,500, $100,000 for the year ending December 2001, and $125,000 for each remaining year. This lease has been straight lined for accounting purposes. Accordingly, rent expenses associated with this lease was $112,500 and $56,250 for 2000 and 1999, respectively. The lease may be terminated by either party at any time by giving the other party 90 days written notice.

The Company also leases approximately 3,000 square feet of office space in Denver, Colorado at an annual rent of approximately $36,000, which is used primarily for sales and marketing purposes.

The Company has agreed to sell to the majority shareholder up to 5,000 shares of Series B Preferred Stock at $1,000 per share. As June 30, 2000, 300 such shares were sold. These shares are convertible into 500 shares of common stock for each preferred share commencing July 1, 2001.

The Company has 2 employment agreements with the Vice President of Operations and the corporate Treasurer which expire December 31, 2001 and April 10, 2003. In addition to a base salary, the agreement provides for each employee options to acquire the Company's stock. Compensation expensed in 2000 and 1999 were $122,756 and $100,000, respectively.

On August 15, 2000, the Company entered into an agreement with a third-party contractor to lay fiber optic conduit between Atlanta, Georgia and Chattanooga, Tennessee and from Chattanooga to Memphis, Tennessee. The agreement calls for payments of approximately $29 million over the course of the agreement, approximately $2.9 million of which is due on October 15,2000 with the balance due in specified installments as the conduit is installed.

9. Supplemental Cash Flow Information:

For purposes of the consolidated statements of cash flows, cash and cash equivalents consists of cash on hand, demand deposit accounts and short-term investments in certificates of deposit with maturities of three months or less.

Within the statement of cash flows, $109,800 of costs incurred as part of the stock issuances has been netted against the $631,889 of proceeds received.

Noncash investing and financing activities

In September 1998, the Company agreed with Robert Crawford, a Director and President of the Company, to exchange 1,500,000 shares of common stock for the assignment of 250,000 shares of New York Regional Rail Corporation ("NYRR") common shares. In addition, the Company issued to him a $250,000 convertible note payable for 250,000 additional NYRR common shares and warrants to purchase additional common shares at $.25 per share.

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North American DataCom, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued):

9. Supplemental Cash Flow Information (Continued):

Non cash investing and financing activities (Continued)

In June 1999, outstanding long-term debt obligations of $350,000 held by shareholders were converted by the holders into shares of Series A Preferred Stock. In November 1999, the Preferred shares were converted into 2,020,296 pre-merger common shares of the Company. The Preferred shareholders and certain note holders also held options, expiring in 2000 and 2001, to acquire approximately 1,263,750 pre merger common shares for $563,750. (See Notes 11 and 12)

In June 1999, the Company sold 500,000 shares of NYRR Common stock for $700,000 and realized a gain of $200,000. The cash from this sale was not received by the Company until July 2000.

Other noncash equity transactions during the fiscal year June 30, 2000 were:

June 30, 2000	No. of Shares	Dollar Amount
Issuance of stock for services	111,320	$173,830
Acquisition of Action Communications	150,000	345,895
Issuance of shares for services	1,687,934	101,276
Conversion of notes to common stock	170,000	10,000
Conversion of debt for stock	39,002	2,145

In March 2000, the Company entered into an agreement to purchase approximately $15,120,000 (before discount for imputed interest) of conduit and fiber optic cable from an unrelated company with installment payments due over a 12-month period. (See Note 6)

In December 1999, the Company purchased approximately $576,000 of data storage equipment from an unrelated company in exchange for a note payable bearing interest of 18% per annum, due June 30, 2000. This note was paid in full in August 2000.

For the years ending June 30, 2000 and 1999, respectively, no cash was paid for interest and income taxes.

10. Litigation:

The Company is not currently party to litigation.

11. Related Party Payable and Related Party Transactions:

In addition to those items discussed in Note 8, on November 30, 1999, the Company issued 85,000 and agreed to issue 105,000 shares, which has not been completed as of the date of this financial statement, of its pre-merger restricted common stock to James White (former director) and Robert Crawford (director), respectively, for services each provided to the Company in 1999 and 2000. Additional compensation of $88,830 for fiscal year 2000 services were approved by the Board of Directors for Mr. White and paid by issuing 26,320 shares of restricted pre merger common stock.

North American DataCom, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued):

12. Stockholders' Equity:

In June 1999 the Company authorized the exchange of $512,120 of Notes and debt for 51,212 shares of Series A Convertible Preferred stock. These 51,212 shares outstanding as of June 30, 1999 were converted into 2,020,296 shares of the Company's common stock and subsequently exchanged for 23,319,933 shares of restricted common stock as part of its reverse merger with PRCI in December 1999. In March 2000, options attached to the Notes were exercised and payment of $342,244 was received for 11,620,964 of common shares. In addition, $2,145 of debt was converted to 39,002 shares of common stock.

There are no Series A preferred shares outstanding as of June 30, 2000.

As discussed in Notes 2 and 3, the Company completed a reverse acquisition of PRCI in a transaction accounted for in a manner similar to a recapitalization. Shareholders of the Company received approximately 11.54 shares of PRCI common stock for each share of common stock they held in the Company at the date of merger.

In November 1998, and January 1999, the Company entered into employment agreements with five initial employees to issue 450,000 restricted pre merger common shares in exchange for $112,500. (See Note 9)

In February 1999, the Company exchanged 10,000 shares of its pre merger common stock for services rendered, aggregating $10,000.

During the period from March to May 1999, the Company sold 20,000 shares of restricted common stock for a total of $10,000.

During the period from April 1999 to December 3, 1999, the Company sold 175,500 shares of restricted common stock for a total of $227,500 at prices ranging from $0.50 to $5.00 per share. There were options for the purchase of 55,500 shares of pre merger common stock of the Company for $10 per share attached to certain of the sales.

During November 1999, the Company exchanged 164,916 shares of restricted common stock for $74,000 of convertible notes and $34,104 of advances made from a director.

During December 1999, the Company exchanged 1,687,934 shares of restricted common stock for services rendered, aggregating $101,276 for services rendered in facilitating the PRCI merger.

In January 2000, the 80,000 preferred shares were converted into 80,000 shares of common stock of the Company. Also in January 2000, the warrants attached to these preferred shares were exercised with payment of $60,000, and 80,000 restricted common shares were issued.

In February 2000 a $10,000 convertible note of PRCI was converted into 170,000 shares of common stock.

In May 2000 the Company exchanged 111,320 pre merger (1,284,883 post merger shares) shares of common stock for $173,830 of services provided to the Company by James White in the period January 1999 to March 2000. The Board approved this exchange in November 1999.

North American DataCom, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued):

12. Stockholders' Equity (Continued):

In May 2000 the Board authorized 500,000 shares of Series B Senior Preferred Stock. In June 2000 the Company authorized the sale of up to 5,000 shares of Series B convertible preferred stock for $1,000 per share to a principal shareholder. Each share is convertible into 500 shares of Rule 144 restricted common stock of the Company. Each share carries a $60 dividend payable in July annually with these dividends accumulating if not paid and has a right upon liquidation to be redeemed before any common shareholders. If dividends are not current the holders will have 500 voting rights for each share held. There are no redemption rights for retiring this issue. As of June 30, 2000, 300 shares were purchased for $300,000 and through September 20, 2000 a total of $800,000 was purchased.

13. Stock Option Plan:

As of June 30, 2000 the Company had common stock options outstanding totaling 14,577,178 shares as follows:

	Number of shares	Price per share	Expiration Dates
Officers and Directors	8,442,468	$.0433 to $3.00	12/31/01 - 12/31/04
Employees	1,036,690	$.087 - $3.00	12/31/01 - 12/31/04
Sub-total	9,479,158		
Investors and consultants	5,098,020	$.087 - $.866	12/31/01
Total	14,577,178		

In 1987 PRCI adopted an Incentive Stock Option Plan under which options granted are intended to qualify as "incentive stock options" under Section 422A of the Internal Revenue code of 1954, as amended. Pursuant to the Plan, options to purchase up to 400,000 shares of the Company's Common Stock may be granted to employees of the Company. The Board of Directors administers this Plan. During the fiscal year June 30, 2000, the plan was abandoned.

All stock options issued to employees have an exercise price not less than the fair market value of the Company's common stock on the date of grant, and in accordance with accounting for such options utilizing the intrinsic value method there is no related compensation expense recorded in the Company's financial statements. Had compensation cost for stock-based compensation been determined based on the fair value at the grant dates consistent with the method of SFAS 123, the Company's net income (loss) and earnings (loss) per share would have been reduced to the pro forma amounts presented below for the years ended:

	June 30 2000	June 30 1999
Net income (loss)		
As reported	$(1,807,686)	$ (297,100)
Pro forma	(2,089,031)	(378,791)
Earnings (loss) per share of common stock:		
As reported	$ (.03)	$ (.01)
Pro forma	$ (.03)	$ (.01)

The fair value of option grants is estimated on the date of grant utilizing the Black-Scholes option-pricing model with the following weighted average assumptions for grants in 1999 and 2000: average expected life of option of 2.67 years for 1999 and 2.75 years for 2000, expected volatility of 64% for both years, average risk free interest rate of 5.72% for 1999 and 6.41% for 2000. The weighted average fair value at date of grants is $0.03 per option for 1999 and $3.77 per option for 2000.

The following options were outstanding as of June 30, 2000 and 1999. Options generally vest over four years.

	Period ended			
	June 30, 2000		June 30, 1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of period	20,889,124	$0.16	-0-	$ --
Options granted	250,000	5.00	20,889,124	0.16
Options exercised	(11,659,966)	0.03	-0-	--
Options outstanding, end of period	9,479,158	$0.33	20,889,124	$0.16
Option price range at end of period	$0.09 to $5.00		$0.03 to $0.50	
Weighted average fair value of options granted during period	$ 3.77		$ 0.03	
Options exercisable, end of period	5,098,020	$0.51	4,386,058	$0.51

The following options are outstanding to officers, directors, and employees:

Range of Exercise Price	Number Outstanding at 6/30/2000	Weighted-average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 6/30/2000	Weighted-average Exercise Price
0.08	3,347,255	2 to 4 years	0.03	--	--

0.43	4,616,903	3.25	0.43	--	--
0.50	1,265,000	3.25 to 5	--	--	--
6.00	250,000	2.75	3.77	--	--
	9,479,158			--	

The following options are outstanding to investors:

Range of Exercise Price	Number Outstanding at 6/30/2000	Weighted-average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 6/30/2000	Weighted-average Exercise Price
0.08	380,894	1.5	0.03	380,894	0.09
0.26	1,898,826	1.5	0.25	1,898,926	0.25
0.43	807,968	1.5	0.43	807,958	0.43
0.87	2,010,242	1.5	0.67	2,010,242	0.87
	5,098,020			5,098,020	

North American DataCom, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued):

14. Federal Income Tax Benefit:

The components of income tax expense (benefit) are as follows:

June 30,	2000	1999
Deferred:		
Federal	$ 0	$ (830)
State	0	(160)
	$ 0	$ (990)

Net deferred income tax assets arose from the following:

June 30,	2000	1999
Deferred income tax assets:		
Allowance for doubtful accounts	$ 1,000	$ --

Unrealized loss on sale of investments	60,800	--
Net operating loss benefit	1,825,000	111,400
Organization cost	39,100	7,490
Less valuation allowance	(1,788,110)	(111,400)
Total deferred income tax assets	137,790	7,490
Deferred income tax liabilities:		
Depreciation	(76,000)	(6,500)
Unrealized gain on sale of investments	--	(28,500)
Total deferred income tax liabilities	(76,000)	(35,000)
Net deferred income tax asset (liability)	61,790	(27,510)
Less deferred income tax (asset) liability reflected in stockholders' equity	(60,800)	28,500
Long-term net deferred income tax asset	$ 990	$ 990

At June 30, 2000, the Company had a net operating loss carryforward of $1,696,607 that expires 2020. An allowance had been established for the deferred tax asset related to the net operating loss.

The effective tax rate on income before taxes on income is different from the maximum federal statutory tax rate. The following summary reconciles taxes at the maximum federal statutory rate with the effective rate:

June 30,	2000	1999
Income tax benefit at maximum statutory rate	(34.0)%	(34.0)%
State income taxes, net of federal tax benefit	--	--
Increase in valuation allowance	31.1	38.0
Other items	2.9	(4.0)
Income tax expense (benefit), at effective rate	0%	0%

North American DataCom, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued):

14. Federal Income Tax Benefit (Continued):

The Company acquired a net operating loss of $880,000, which is subject to certain restrictions under the Internal Revenue Service Code. The loss carryforward expires 2003 through 2018.

15. Continuing Operations:

The accompanying financial statements have been prepared on a going concern basis, which contemplates continuity of operations and realization of assets and satisfaction of liabilities in the normal course of business. At June 30, 2000, the Company has negative working capital with obligations totaling $15,451,759 due within one year of which approximately $9,000,000 is past due (Note 6). In addition, losses totaling $2,102,861 have been generated since inception. These matters raise substantial doubt about the company's ability to continue on as a going concern. The continuation of the Company as a going concern is dependent upon the Company raising additional capital, and attaining and maintaining profitable operations. The Company has identified potential sources of capital and potential joint venture and/or strategic partners and believes that they will be able to secure the necessary capital to put their business plan into operation.

16. Subsequent Events:

In July 2000, the Company sold 317,500 shares of common stock to an investor for $635,000.

In September 2000, the Company sold an additional 500 shares of Series B preferred stock to a principal shareholder for $500,000.

In September 2000, the Company sold 150,000 shares of its common stock to a group of investors for $442,125.

17. Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"). SFAS 133 requires companies to recognize all derivatives contracts as either assets or liabilities in the balance sheet and to measure them at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (I) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change. SFAS 133 amends the guidance in SFAS No. 52, Foreign Currency Translation, to permit special accounting for a hedge currency forecasted transaction with a derivative. It also supersedes SFAS No. 80, Accounting for Future Contracts, SFAS No. 105, Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk, and SFAS No. 119, Disclosure about Derivative Financial Instruments. In addition, it amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to include in SFAS No. 107 the disclosure provisions about concentrations of credit risk from SFAS No. 105.

SFAS 133 is effective for the financial statements for periods beginning after June 15, 2000. Historically, the Company has not entered into derivatives contracts either to hedge existing risk or for speculative purposes. Accordingly, the adoption of the new standard did not have a material effect on its fiscal 2001 financial statements.

The Financial Accounting Standards Board issued Interpretation ("Interpretation") No. 44, "Accounting for Certain Transactions involving Stock Compensation, an Interpretation of APB Opinion No. 25" which is effective July 1, 2000. Interpretation No. 44 clarifies (a) the definition of employee for purposes of applying Opinion 25, (b) the criteria for determining whether a stock compensation plan qualifies as a noncompensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. Adoption of the provisions of the Interpretation are not expected to have a significant impact on our financial statements.

In December 1999, the SEC issued Staff Accounting Bulletin ("SAB") No. 101, -- Revenue Recognition, which outlines the basic criteria that must be met to recognize revenue and provides guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the Securities and Exchange Commission. SAB No. 101 is effective for fiscal years beginning after December 31, 1999. The adoption of SAB No. 101 did not have a material impact on our financial position or results of operations.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities ("SFAS 140"). SFAS 140 revises the standards for accounting for Securitizations and other transfers of financial assets and collateral and is effective for fiscal years ending December 15, 2000. We believe that adopting SFAS 140 will not have a material impact on our financial position or results of operations.

NORTH AMERICAN DATACOM, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) SEPTEMBER 30, 2000	J
ASSETS		
Current Assets:		
Cash and Equivalents	$ 176,823	$
Accounts Receivable, Net of allowance of $2,400 at September 30 and June 30, 2000	37,905	
Notes Receivable, net of long-term liabilities	2,920	
Advance to Affiliate (Note 5)	200,000	
Inventories	1,988	
Employee Advances	2,555	
Total Current Assets	422,191	
Investments (Note 3)	60,000	
Property and Equipment:		
Leasehold Property and Improvements	15,960	
Computers and Equipment	722,156	
Communications Equipment and Wireless Towers	470,560	
Conduit and Optic Fiber (Notes 4 and 7)	14,432,996	1
Other Equipment	81,458	
Office Furniture	3,231	
Total Property and Equipment	15,726,361	1
Less Accumulated Depreciation and Amortization	(48,323)	

Net Property and Equipment	15,678,038	1
Other Assets (Note 6)	579,154	
Total Assets	$ 16,739,383	$ 1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade Notes Payable, net of unamortized discount (Note 4)	$ 14,759,436	$ 1
Accounts Payable	235,277	
Accrued Expenses	245,410	
Total Current Liabilities	15,240,123	1
Payable to Director	23,917	
Total Liabilities	15,264,040	1
Commitments and Contingencies		
Stockholders' Equity		
Convertible Preferred Stock, No Par Value; 400,000 shares authorized	--	
Series B Convertible Preferred Stock, $.0001 Par Value; 6% Cumulative; 5,000 shares authorized; 800 shares issued and outstanding as of September 30, 2000 (Note 8)	800,000	
Common Stock, $.0001 Par Value; 150,000,000 Shares Authorized; 98,588,223 and 97,992,758 Shares Issued and Outstanding (Note 8)	9,858	
Additional Paid in Capital	3,766,632	
Other accumulated comprehensive income	(129,200)	
Retained Earnings (Accumulated Deficit)	(2,971,947)	(
Total Stockholders' Equity	1,475,343	
Total Liabilities and Stockholders' Equity	$ 16,739,383	$ 1

See accompanying notes to consolidated financial statements (unaudited).

NORTH AMERICAN DATACOM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	FOR THE THREE MONTHS ENDED	
	SEPTEMBER 30, 2000	SEPTEMBER 30, 1999

Net Service Revenues	$ 69,432	$ 23,995
Cost of Services	48,014	10,378
Gross Profit	21,418	13,617
Selling, General and Administrative Expenses	715,864	197,179
Operating Loss	(694,446)	(183,562)
Other Income (Expense), Net	(174,640)	3,823
Loss before income tax expense (benefit)	(869,086)	(179,739)
Income tax expense (benefit)	--	--
Net Loss	$ (869,086)	$ (179,739)
Basic and Diluted Loss per Common Share (Note 1)	$ (0.01)	$ 0.00
Weighted Average Number of Common Shares Outstanding - Basic and Diluted (Note 1)	91,393,141	46,515,268

See accompanying notes to consolidated financial statements (unaudited).

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NORTH AMERICAN DATACOM, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
UNAUDITED

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
Net loss	$(869,086)	$(179,739)
Net unrealized loss on investments (Note 4)	(30,000)	--
Comprehensive loss	$(899,086)	$(179,739)

See accompanying notes to consolidated financial statements (unaudited).

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NORTH AMERICAN DATACOM, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

	Series B Preferred Stock		Convertible Preferred Stock		Comm
	Shares	Amount	Shares	Amount	Shares
BALANCES, JUNE 30, 1999	--	$ --	51,212	$ 512,120	4,030,000
BALANCES, SEPTEMBER 30, 1999	--	$ --	51,212	$ 512,120	4,030,000
BALANCES, JUNE 30, 2000	300	$300,000	--	$ --	97,992,758
Issuance of Series B preferred stock	500	500,000	--	--	--
Sale of common stock	--	--	--	--	317,500
Sale of common stock	--	--	--	--	150,000
Exercise of stock options to acquire common stock	--	--	--	--	11,542
Exercise of stock options to acquire common stock	--	--	--	--	115,423
Issuance of shares for services	--	--	--	--	1,000
Net unrealized loss from investments	--	--	--	--	--
Net loss for the period ended September 30, 2000	--	--	--	--	--
BALANCES, SEPTEMBER 30, 2000	800	$800,000	--	$ --	98,588,223

	Accumulated Deficit	Net Unrealized Gain (Loss) on Investments	Stockholders' Equity
BALANCES, JUNE 30, 1999	$ (297,100)	$ 46,500	$ 1,055,771
Net loss for the period ended September 30, 1999	(179,739)	--	(179,739)
BALANCES, SEPTEMBER 30, 1999	$ (476,839)	$ 46,500	$ 876,032
BALANCES, JUNE 30, 2000	$(2,102,861)	$ (99,200)	$ 775,304
Issuance of Series B preferred stock	--	--	500,000
Sale of common stock	--	--	635,000
Sale of common stock	--	--	442,125
Exercise of stock options to acquire common stock	--	--	10,000
Exercise of stock options to acquire common stock	--	--	10,000
Issuance of shares for services	--	--	2,000
Net unrealized loss from investments	--	(30,000)	(30,000)
Net loss for the period ended September 30, 2000	(869,086)	--	(869,086)
BALANCES, SEPTEMBER 30, 2000	$(2,971,947)	$(129,200)	$ 1,475,343

NORTH AMERICAN DATACOM, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
UNAUDITED

	FOR THE THREE MONTHS	
	SEPTEMBER 30, 2000	SEPTEM 19
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (869,086)	$(17
Adjustments to reconcile net loss to cash provided by operations:		
Depreciation and amortization	18,545	
Noncash interest charge	182,263	
Noncash promotional expense charge	2,000	
Changes in operating assets and liabilities, net of acquisitions:		
Inventory	(1,550)	
(Increase) decrease in accounts receivable and trade receivables	99,943	
(Increase) decrease in other assets	(135,489)	(2
Increase (decrease) in accounts payable and accrued expenses	181,101	
Net cash used in operations	(522,273)	(20
CASH FLOWS FROM INVESTING ACTIVITIES:		
Due from broker	--	70
Purchase of property and equipment	(143,977)	(1
Investment in NYRR	--	
Advance to Affiliate-Turkey	(200,000)	
Net cash provided by (used in) investing activities	(343,977)	68
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock	1,097,125	
Proceeds from sale of preferred stock	500,000	
Proceeds from issuance of convertible notes	--	
Proceeds (Payments) from Notes Payable	(575,000)	5
Net cash provided by financing activities	1,022,125	5
INCREASE IN CASH for the period (Note 8)	155,875	53
CASH, beginning of period	20,948	1
CASH, end of period	$ 176,823	$ 54

See accompanying notes to consolidated financial statements (unaudited).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In management's opinion, the information and amounts furnished in this report reflect all adjustments which are necessary for the fair presentation of the financial position and results of operations for the periods presented. All accruals are of a normal and recurring nature. These financial statements should be read in conjunctions with the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2000.

NATURE OF BUSINESS

The Company intends to provide communications and information technology services with an emphasis on wideband fiber optic and wireless telecommunications services that support enterprise data storage solutions, primary for customers in southern United States.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions are eliminated.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain estimates used by management are particularly susceptible to significant changes in the economic environment. These include estimates of the realization of long-lived assets and deferred tax assets. Each of these estimates, as well as the related amounts reported in the financial statements, are sensitive to near term changes in the factors used to determine them. A significant change in any one of those factors could result in the determination of amounts different from those reported in the consolidated financial statements and the effect of such differences could be material.

INVESTMENTS

Investments are classified as available-for-sale and are reported at estimated market value, with unrealized gains and losses, net of taxes, reported as a separate component of stockholders' equity.

Realized gains and losses, and declines in value judged to be other than temporary, are included in other income. The cost of securities sold is based on the specific identification method and interest earned is included in other income.

REVENUE RECOGNITION

Revenue is recognized when services are rendered.

TAXES ON INCOME

Income taxes are calculated using the liability method specified by Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("SFAS 109"). Under SFAS 109, the Company provides for estimated income taxes payable or refundable on current year income tax returns as well as the estimated future tax effects attributable to temporary differences and carryforwards. Measurement of deferred income taxes is based upon enacted tax laws and tax rates, with the measurement of deferred income tax assets reduced by estimated amounts of tax benefits not likely to be realized.

EARNINGS PER SHARE

Basic and diluted loss per share of common stock have been computed based upon the weighted average number of shares outstanding during the quarter ending September 30, 2000 and, after giving effect to the merger stock split, the quarter ending September 30, 1999. Common stock equivalents consisting of stock options, convertible notes and warrants were not considered in either period, as their effect would be anti-dilutive.

The following details the Company's common stock equivalents (in post-merger shares):

	QUARTER ENDING SEPT. 30, 2000	QUARTER ENDING SEPT. 30, 1999
Stock options	14,611,178	11,659,966
Convertible notes	--	1,903,130
Warrants	--	80,000
Convertible Preferred stock	400,000	23,318,779
	15,011,178	36,961,875

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed when incurred. Depreciation is computed over the estimated useful lives of depreciable assets using the straight-line method. Useful lives for property and equipment are as follows:

	YEARS
Conduit and optic fiber	25
Communications equipment and wireless towers	3-10

Computers	5
Other Equipment	3-10
Leasehold improvements	Term of lease (Not to exceed 10 years)

The carrying values of long-lived assets are periodically reviewed by the Company and impairments would be recognized if the expected future operating non-discounted cash flows derived from an asset were less than its carrying value.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments, consisting of cash and cash equivalents, notes and accounts receivable, accounts payable, trade note payable, and payable to director approximate their respective fair values.

BUSINESS LINES

Fiber Optic and Broadband Wireless Network: The Company is building a fiber optic and broadband wireless communications network, which will allow for the high-speed transmission of large amounts of data. It is expected that businesses, government agencies and institutions will use the Company network as a preferred alternative to existing telephone and satellite data transmission systems.

Internet Access: As of September 30, 2000 the Company provides Internet service in Mississippi, Tennessee and Alabama. Internet services provided by the Company include basic dial-up access to the Internet through standard computer modems, high speed Internet access, and the design and hosting of websites for customers.

Remote Data Storage: During fiscal 2000 the Company took delivery of equipment that will allow third parties to store and access data stored in digital form on computer systems maintained and operated by the Company in its facility in Iuka, Mississippi. As of September 30, 2000, the Company did not have any agreements with any third parties regarding the storage of computer data.

Telecommunication Projects and Consulting: The Company plans to assist corporations, government agencies and institutions in the design and installation of their own internal telecommunications networks. The Company plans to use state-of-the-art technology, which will enable its clients to transfer and receive large amounts of data at high speed between both internal and external sources.

At present, the Company operates in one segment, paging and internet access to consumers and small businesses.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"). SFAS 133 requires companies to recognize all derivatives contracts as either assets or liabilities in the balance sheet and to measure them at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (I) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

SFAS 133 is effective for the financial statements for periods beginning after June 15, 2000. The Company has not entered into derivatives contracts either to hedge existing risk or for speculative purposes. Accordingly, the Company's adoption of the new standard on July 1, 2000 did not have a material effect its financial statements.

The Financial Accounting Standards Board issued Interpretation ("Interpretation") No. 44, "Accounting for Certain Transactions involving Stock Compensation, an Interpretation of APB Opinion No. 25" which is effective July 1, 2000. Interpretation No. 44 clarifies (a) the definition of employee for purposes of

applying Opinion 25, (b) the criteria for determining whether a stock compensation plan qualifies as a noncompensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. Adoption of the provisions of the Interpretation has not had a significant impact on our financial statements.

In December 1999, the SEC issued Staff Accounting Bulletin ("SAB") No. 101, -- Revenue Recognition, which outlines the basic criteria that must be met to recognize revenue and provides guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the Securities and Exchange Commission. We believe that adopting the provisions of SAB No. 101 has not had a material impact on our financial position or results of operations.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities ("SFAS 140"). SFAS 140 revises the standards for accounting for Securitizations and other transfers of financial assets and collateral and is effective for fiscal years ending December 15, 2000. We believe that adopting SFAS 140 will not have a material impact on our financial position or results of operations.

3. INVESTMENTS:

The Company's investments are classified as available-for-sale. The amortized cost, gross unrealized gains (losses) and estimated fair value, less the option price of $.12 per share, for these investments were as follows at September 30, 2000 and June 30, 2000:

September 30, 2000	Cost Basis	Gross Unrealized Gains (Losses)	Estimated Fair Value
New York Regional Rail Corporation			

Stock Options	$ 250,000	$(190,000)	$ 60,000
June 30, 2000			
New York Regional Rail Corporation Stock Options	$ 250,000	$(160,000)	$ 90,000

4. PROPERTY, PLANT AND EQUIPMENT:

In March 2000, the Company acquired 504 miles of fiber optic conduit for $15.12 million from Qwest. The purchase price was to be paid over a 12 month period ending March 31, 2001 and, accordingly, imputed interest of $723,109 was recorded as a discount which is being amortized as an interest charge over the term of the payable. For the quarterly period ending September 30, 2000 the interest charge associated with this payable was $182,263. The Company currently is past due in its payments on this obligation by approximately $9,000,000 and is actively negotiating with the vendor for modifications to the repayment terms.

On August 15, 2000, the Company entered into an agreement with a third-party contractor to lay fiber optic conduit between Atlanta, Georgia and Chattanooga, Tennessee and from Chattanooga to Memphis, Tennessee. The agreement calls for payments of approximately $29 million over the course of the agreement, approximately $2.9 million of which was due on October 15, 2000 with the balance due in specified installments as the conduit is installed. The Company has received a notice of default under this contract, as they have not made this payment. If they are not able to obtain financing or raise funds to satisfy these obligations, they may lose the ability to continue to lay fiber optic cable and be subject to claims for contract breach.

5. ADVANCES TO AFFILIATES

In July, the Company advanced $200,000 to Global Fiber Optic and Wireless Communications, Ltd. ("Global") in anticipation of developing a joint venture to develop internet and information technology services for Turkey. The Company and Global plan to each have a fifty percent interest in any joint venture formed. The Company will be required to provide electronic and communications technologies, while Global will provide rights-of-way and other real estate as needed in Turkey.

6. OTHER ASSETS

Other assets consist of the following items as of:

	SEPTEMBER 30, 2000	JUNE 30, 2000
FCC License, net of amortization of $20,556 and $14,389, respectively	$349,444	$355,611
Prepaid expenses	164,582	29,093

Deferred income tax asset	61,790	61,790
Notes receivable, net of current maturities	3,338	3,338
Total	$579,154	$449,832

7. MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY

In July 2000, the Company acquired 12 miles of right-of-way from the Tishomingo Railroad, a company owned by the son of the President of NADC, for an acquisition price consisting of a two percent ownership interest in North American InfoTech, LLC ("NAIT"), a subsidiary of the Company valued at $0, which is the historical carryover cost basis. NAIT had no significant operations during the quarter ended September 30, 2000.

8. STOCKHOLDERS' EQUITY:

In May 2000, the Board authorized 500,000 shares of Series B Preferred Stock. In June 2000, the Company authorized the sale of up to 5,000 shares of Series B convertible preferred stock for $1,000 per share to a principal shareholder. Each share is convertible into 500 shares of Rule 144 restricted common stock of the Company. Each share carries a $60 dividend payable in July annually with these dividends accumulating if not paid and has a right upon liquidation to be redeemed before any common shareholders. If dividends are not current the holders will have 500 voting rights for each share held. There are no redemption rights for retiring this issue. In September 2000, the Company sold 500 shares of Series B Preferred Stock to a principal shareholder for $500,000.

In July 2000, $10,000 of stock options were exercised for 11,542 shares of common stock.

In July 2000, the Company awarded 1,000 shares of its common stock to three individuals for non-cash prize from a logo contest held for local-area students.

In August 2000, the Company sold 317,500 shares of common stock to an investor for $635,000.

In August 2000, $10,000 of stock options were exercised for 115,423 shares of common stock.

In September 2000, the Company sold 150,000 shares of its common stock to a group of investors for $442,125.

9. SUBSEQUENT EVENTS:

In October, November and December 2000, the Company issued 20,225 shares of common stock to a group of investors pursuant to the terms of an agreement previously entered into by the Company and such investors. No additional consideration was paid to the Company for such shares.

During October 2000, the Company issued 30,000 shares of common stock to an investor for costs associated with a previous sale of securities to such investor. Also, in October 2000, the Company issued 3,000 shares of common stock valued at $8,850 for a placement fee arising from previous sale of common stock by the Company.

10. LIQUIDITY:

The accompanying financial statements have been prepared on a going concern basis, which contemplates continuity of operations and realization of assets and satisfaction of liabilities in the normal course of business. At September 30, 2000, the Company has negative working capital with obligations totaling $15,240,123 due within one year of which approximately $9,000,000 is past due (Note 6). In addition, losses totaling $2,971,947 have been generated since inception. These matters raise substantial doubt about the company's ability to continue on as a going concern. The continuation of the Company as a going concern is dependent upon the Company raising additional capital, and attaining and maintaining profitable operations. The Company has identified potential sources of capital and potential joint venture and/or strategic partners and believes that they will be able to secure the necessary capital to put their business plan into operation.

ACTION COMMUNICATIONS, INC.

INDEX TO FINANCIAL STATEMENTS

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Action Communications, Inc.
Burnsville, Mississippi

We have audited the accompanying balance sheet of Action Communications, Inc. as of November 30, 1999, and the related statements of operations, capital deficit, and cash flows for the eleven months 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audit provides 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 Action Communications, Inc. at November 30, 1999, and the results of its operations and its cash flows for the eleven months then ended in conformity with generally accepted accounting principles.

/s/ BDO Seidman, LLP

December 6, 2000
Memphis, Tennessee

ACTION COMMUNICATIONS, INC.

BALANCE SHEET

	November 30, 1999
ASSETS (Note 6)	
CURRENT ASSETS	
Cash and cash equivalents	$ 7,635
Accounts receivable	3,698
Consignment inventory (Note 1)	5,641
Inventory	6,682
TOTAL CURRENT ASSETS	23,656
PROPERTY AND EQUIPMENT	
Leasehold improvements (Note 5)	1,190
Equipment (Note 2)	107,394
TOTAL PROPERTY AND EQUIPMENT	108,584
ACCUMULATED DEPRECIATION	(107,523)

NET PROPERTY AND EQUIPMENT	1,061
TOTAL ASSETS	$ 24,717
LIABILITIES AND CAPITAL DEFICIT (Note 6)	
CURRENT LIABILITIES	
Accounts payable	$ 7,836
Accrued interest payable	1,454
Accrued taxes	51
Due to stockholders	809
Note payable to bank (Note 2)	34,033
TOTAL CURRENT LIABILITIES	44,183
COMMITMENTS AND CONTINGENCIES (Note 5)	
CAPITAL DEFICIT	
Common stock, $5 par value, 900 shares authorized, issued and outstanding	4,500
Additional paid-in capital (Note 3)	150,133
Deficit	(140,066)
Stock subscription receivable	(34,033)
CAPITAL DEFICIT	(19,466)
TOTAL LIABILITIES AND CAPITAL DEFICIT	$ 24,717

See accompanying summary of accounting policies and notes to financial statements.

ACTION COMMUNICATIONS, INC.

STATEMENT OF OPERATIONS
ELEVEN MONTHS ENDED NOVEMBER 30, 1999

INCOME	
Revenue - sale of products	$ 54,233
Revenue - service	35,422
TOTAL	89,655

COST OF GOODS SOLD	
Direct costs - sale of products	56,172
Direct costs - service	12,541
TOTAL COST OF GOODS SOLD	68,713
GROSS PROFIT	20,942
OPERATING EXPENSES (includes interest expense of $2,857)	25,791
NET LOSS	$ (4,849)

See accompanying summary of accounting policies and notes to financial statements.

ACTION COMMUNICATIONS, INC.

STATEMENT OF CAPITAL DEFICIT
ELEVEN MONTHS ENDED NOVEMBER 30, 1999

	Common Stock- No Par		Additional Paid-in	Stock Sub-scription
	Shares	Amount	Capital	Receivable
BALANCE, December 31, 1998	300	$1,500	$ 13,500	$ --
Contribution of due to share-holder to paid-in capital (Note 3)	--	--	102,600	--
Issuance of stock (Note 4)	600	3,000	34,033	(34,033)
Net loss for period	--	--	--	--
BALANCE, November 30, 1999	900	$4,500	$150,133	$(34,033)

See accompanying summary of accounting policies and notes to financial statements.

ACTION COMMUNICATIONS, INC.

STATEMENT OF CASH FLOWS
ELEVEN MONTHS ENDED NOVEMBER 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (4,849)
Depreciation	3,521
Changes in operating assets and liabilities:	
Accounts receivable	(3,576)
Consignment inventory	1,500
Inventory	(890)
Accounts payable	7,836
Accrued expenses	(495)
Net cash provided by operating activities	3,047
CASH FLOWS FROM INVESTING ACTIVITIES - purchase of property and equipment	(922)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on note payable to bank	(967)
Proceeds from sale of stock	3,000
Net cash provided by financing activities	2,033
NET INCREASE IN CASH AND CASH EQUIVALENTS (Note 3)	4,158
CASH AND CASH EQUIVALENTS, at beginning of period	3,477
CASH AND CASH EQUIVALENTS, at end of period	$ 7,635

See accompanying summary of accounting policies and notes to financial statements.

ACTION COMMUNICATIONS, INC.

SUMMARY OF ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Action Communications, Inc. (the "Company") provides digital and alpha numeric paging equipment and services in southwestern United States. In addition, the Company is a specialized mobile radio carrier in northern Mississippi providing dispatch, telephone and global positioning system services and equipment to support automated vehicle location services in the coverage area. The above services are authorized by several FCC licenses for paging and specialized mobile radio held by the Company expiring June 2000 and January 2007, respectively.

USE OF ESTIMATES

The preparation of the Company's 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INVENTORIES

Inventories and inventories held on consignment (Note 1) are valued at the lower of cost (first-in, first-out) or market.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost. Depreciation is computed using the straight-line method for financial reporting purposes over the following estimated useful lives:

	Ye
Leasehold improvements	1
Equipment	1

ACTION COMMUNICATIONS, INC.

SUMMARY OF ACCOUNTING POLICIES (Continued)

	For income tax purposes, depreciation is computed using accelerated methods.
	The carrying values of long-lived assets are periodically reviewed by the Company and impairments would be recognized if the expected future operating non-discounted cash flows derived from an asset were less than its carrying value.
REVENUE RECOGNITION POLICY	The Company records revenues from communications services furnished over the contract period ranging from one month to one year. Revenue from the sale of products is recognized as the goods are furnished or delivered.
INCOME TAXES	The Company follows the provisions of SFAS No. 109, "Accounting for Income Taxes" ("FAS 109"), which requires recognition of estimated income taxes payable or refundable on income tax returns for the current year and for the estimated future tax effects attributable to temporary differences and carryforwards. Measurement of deferred income tax is based on enacted tax laws including tax rates, with the measurement of deferred income tax assets being reduced by available tax benefits not expected to be realized.
	With the consent of the stockholders, the Company elected to be taxed as an S corporation pursuant to the Internal Revenue Code and is therefore not subject to federal and Mississippi state income taxes.

ACTION COMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

1. INVENTORY HELD ON CONSIGNMENT	The Company has entered into an agreement to hold inventory on consignment with a local distributor. Revenue is recognized when the product is ultimately sold to the end user. The amount of consignment inventory outstanding at November 30, 1999 was $5,641.
2. NOTES PAYABLE	As of November 30, 1999, the Company had a loan outstanding to First American Bank due June 13, 2000 secured by equipment. The balance, accruing interest

at 8.25% per annum, of $34,033 was retired in December, 1999.

3. SUPPLEMENTAL CASH FLOW INFORMATION

For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposit accounts and short-term investments with maturities of three months or less.

Non-cash financing activities included conversion of amount due to stockholders of $102,600 to additional paid-in capital.

Cash paid for interest for the eleven months ending November 30, 1999 was $2,857.

4. RELATED PARTY TRANSACTIONS

During November 1999, the Company sold 600 shares of stock ratably to the existing stockholders for $37,033, $3,000 of which was paid in cash and the balance of $34,033 was recorded as a stock subscription receivable. This outstanding balance was paid in full in December 1999.

5. COMMITMENTS

The Company has entered into a month-to-month lease paying $75 per month for the lease of a small building that is attached to their transmitting tower. The lease is cancelable by either party by providing written notice 30 days prior to cancellation.

6. SUBSEQUENT EVENTS

On December 3, 1999, North American DataCom, Inc. acquired all the common stock of Action

ion, stock compensation expense, restructuring charges, realized gains on private
operations. EBITDA is not a financial measurement prepared in accordance with generally accepted

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Accordingly, EBITDA should not be considered as a substitute for net earnings (loss) or other income or cash flow data prepared in accordance with GAAP. Because EBITDA excludes some, but not all, items that affect net earnings and may vary among companies, the EBITDA presented by the Company may not be comparable to similarly titled measures of other companies. A reconciliation of the differences between EBITDA and net income, a financial measurement prepared in accordance with GAAP, is set forth below. The Company did not provide Parent with this reconciliation in connection with Parent s due diligence review of the Company. This reconciliation is included in this document pursuant to SEC requirements.

	2008	2009	2010
Net income	$ 15,923	$ 46,512	$ 73,446
Net interest income	(4,065)	(10,506)	(18,847)
Income tax expense	19,462	38,055	60,092
Depreciation and amortization of intangible assets	37,280	35,979	36,162
Stock compensation expense	20,000	22,000	25,000
Restructuring charges	5,071		
Realized gain on privately-held investment	(990)		
Stockholder proposals and stock option investigation related costs, net	103		
Loss from discontinued operations	22		
EBITDA	$ 92,806	$ 132,040	$ 175,853

Interest income projections assume earnings of 5% on weighted average cash balances. The projections for interest expense assume no incremental borrowing from amounts outstanding at March 31, 2008 and assume interest at 8% per annum.

The projections assume annual depreciation and amortization expense at levels relatively consistent year-to-year, reflecting increased depreciation expense for new equipment and reductions for asset retirements and reductions in amortization expense associated with intangible assets which reach the end of their estimated useful lives. The projections do not assume the capitalization of any newly-acquired intangible assets in 2009 and 2010.

Non-cash stock compensation expense is projected to increase by 11%, 10% and 14% in 2008, 2009 and 2010, respectively. These projections are based on various assumptions used in the determination of expense associated with the Company s share-based awards. The Company uses the Black-Scholes pricing model to value stock-based awards and requires various estimates, including, but not limited to, assumptions as to the volatility of the Company s stock and the estimated term of stock options.

The projections assume an effective tax rate of 55% in 2008 and a reduction to 45% in both 2009 and 2010, reflecting certain tax planning strategies which have commenced and are planned to commence in 2008.

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Item 9. Exhibits

Exhibit No.	Description
(a)(1)	Offer to Purchase, dated May 23, 2008 (incorporated by reference to Exhibit (a)(1)(A) to the Schedule TO).
(a)(2)	Letter of Transmittal (including Guidelines for Certification of Taxpayer Identification Number (TIN) on Substitute Form W-9) (incorporated by reference to Exhibit (a)(1)(B) to the Schedule TO).
(a)(3)	Notice of Guaranteed Delivery (incorporated by reference to Exhibit (a)(1)(C) to the Schedule TO).
(a)(4)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees (incorporated by reference to Exhibit (a)(1)(D) to the Schedule TO).
(a)(5)	Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees (incorporated by reference to Exhibit (a)(1)(E) to the Schedule TO).
(a)(6)	Summary Advertisement, dated May 23, 2008 (incorporated by reference to Exhibit (a)(5)(A) to the Schedule TO).
(a)(7)	Joint Press Release issued by the Company and Parent on May 15, 2008 (incorporated by reference to Exhibit 99.1 to the Company s 8-K filed on May 15, 2008).
(a)(8)	Information Statement Pursuant to Section 14(f) of the Securities Exchange Act of 1934 and Rule 14f-1 thereunder (incorporated by reference to Annex I attached to this Schedule 14D-9).*
(a)(9)	Letter to Stockholders from the Chief Executive Officer of CNET Networks, Inc., dated May 23, 2008.*
(a)(10)	Opinion of Morgan Stanley & Co. Incorporated to the Board of Directors of CNET Networks, Inc., dated May 15, 2008 (incorporated by reference to Annex II attached to this Schedule 14D-9).*
(a)(11)	First Amended Derivative and Class Action Complaint titled *In re CNET Networks Inc. Derivative Shareholder Action*, Master File No. CGC-06-452728, in the Superior Court of the State of California, San Francisco County, dated May 19, 2008.
(e)(1)	Agreement and Plan of Merger, dated as of May 15, 2008, among CNET Networks, Inc., a Delaware corporation, CBS Corporation, a Delaware corporation, and Ten Acquisition Corp., a Delaware corporation (incorporated by reference to Exhibit 2.1 to the 8-K filed on May 15, 2008).
(e)(2)	Amended and Restated Employment Agreement, dated as of May 15, 2008, by and among CNET Networks, Inc., CBS Corporation and Neil Ashe.
(e)(3)	Employment Agreement, dated as of May 15, 2008, by and among CNET Networks, Inc., CBS Corporation and Zander Lurie.
(e)(4)	Form of Severance Agreement between CNET Networks, Inc. and certain executive officers (comprised of Zander Lurie, Joseph Gillespie and Andy Sherman) (incorporated by reference to Exhibit 10.15 to the Company s Annual Report on Form 10-K filed on February 27, 2008).
(e)(5)	CNET Networks 2008 Annual Incentive Plan for Executive Employees (incorporated by reference to Exhibit 10.12 to the Company s Annual Report on Form 10-K filed on February 27, 2008).
(e)(6)	Form of Stock Option Agreement between CNET Networks and non-employee directors (incorporated by reference to Exhibit 10.11 to the Company s Annual Report on Form 10-K, filed on March 16, 2006)
(e)(7)	Form of Amendment to Stock Option Agreement between CNET Networks, Inc. and executive officers (incorporated by reference to Exhibit 10.5 to the Company s Current Report on Form 8-K, filed on December 26, 2006).

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Exhibit No.	**Description**
(e)(8)	Form of Amendment to Stock Option Agreement and Stock Option Repayment Agreement between the Company and non-employee directors (incorporated by reference to Exhibit 10.6 to the Company s Current Report on Form 8-K, filed on December 26, 2006).
(g)	None.
Annex I	Information Statement.*
Annex II	Opinion of Morgan Stanley & Co. Incorporated, dated May 15, 2008.*
Annex III	Delaware Appraisal Statute (DGCL Section 262).*

* Included with copy of Schedule 14D-9 mailed to stockholders.

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SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

CNET Networks, Inc.

Date: May 23, 2008

/s/ Neil M. Ashe
Name: **Neil M. Ashe**
Title: **Chief Executive Officer**

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ANNEX I

CNET NETWORKS, INC.

235 Second Street

San Francisco, California 94105

(415) 344-2000

INFORMATION STATEMENT PURSUANT TO SECTION 14(f) OF

THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 14f-1 THEREUNDER

NO VOTE OR OTHER ACTION OF SECURITY HOLDERS IS REQUIRED IN CONNECTION

WITH THIS INFORMATION STATEMENT

This Information Statement is being mailed on or about May 23, 2008 to holders of record of common stock, par value $0.0001 per share, of the Company (the Common Stock) as a part of the Solicitation/Recommendation Statement on Schedule 14D-9 (the Schedule 14D-9) of CNET Networks, Inc. (CNET or the Company) with respect to the tender offer by Ten Acquisition Corp., a Delaware corporation (Offeror), a wholly owned subsidiary of CBS Corporation, a Delaware corporation (Parent), for all of the issued and outstanding shares of Common Stock. Capitalized terms used and not otherwise defined herein shall have the meaning set forth in the Schedule 14D-9. Unless the context indicates otherwise, in this Information Statement, we use the terms us, we and our to refer to the Company. You are receiving this Information Statement in connection with the possible election of persons designated by Parent to at least a majority of the seats on the board of directors of the Company (the Company Board). Such designation is to be made pursuant to an Agreement and Plan of Merger, dated as of May 15, 2008, as such may be amended from time to time (the Merger Agreement), among Parent, Offeror and the Company.

Pursuant to the Merger Agreement, Offeror commenced a cash tender offer on May 23, 2008, to purchase all of the issued and outstanding shares of Common Stock at a purchase price of $11.50 per share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated May 23, 2008 (as amended or supplemented from time to time, the Offer to Purchase) and the related Letter of Transmittal (the offer reflected by such Offer to Purchase and Letter of Transmittal, together with any amendments or supplements thereto, collectively constitute the Offer). Unless extended in accordance with the terms and conditions of the Merger Agreement, the Offer is scheduled to expire at 12:00 midnight, New York City time, on June 20, 2008, at which time if all conditions to the Offer have been satisfied or waived, Offeror will purchase all shares of Common Stock validly tendered pursuant to the Offer and not properly withdrawn.

The Merger Agreement provides that Offeror may, without the consent of CNET, (i) extend the Offer for one or more periods if, on the initial expiration date or any extended expiration date, any condition of the Offer is not satisfied and the Merger Agreement has not been terminated in accordance with its terms, and (ii) elect to provide for a subsequent offering period (and one or more extensions thereof) in accordance with Rule 14d-11 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), following the time for acceptance of the tendered Shares (Acceptance Time). In addition, on the initial expiration date or any subsequent date as of which the Offer is scheduled to expire, if certain conditions have not been satisfied, then, to the extent requested in writing by CNET no less than two (2) business days prior to the applicable expiration date, Offeror must extend the Offer for one (1) or more periods ending no later than September 15, 2008, to permit such conditions of the Offer to be satisfied; provided, that no individual extension will be for a period of more than 10 business days and that Offeror will not be required to extend the Offer to a date beyond the date which is 20 business days after the date on which the specified regulatory condition is satisfied. Also, if CNET shall have so requested in writing no less than two business days prior to the initial expiration date, Offeror must extend the Offer for the period of time stated in CNET s written request (which period shall not exceed 10 business days beyond the initial expiration date), notwithstanding the satisfaction or waiver of all of the conditions of the Offer on or prior to the initial expiration date. Further, if immediately following the

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Acceptance Time, Offeror (together with CBS and their respective subsidiaries and affiliates) own more than 80% but less than 90% of the Shares outstanding at that time (which shares beneficially owned shall include shares tendered in the Offer and not withdrawn), to the extent reasonably requested by CNET, Offeror will provide for a subsequent offering period of at least 10 business days. Under the Merger Agreement, Offeror also will extend the Offer for any period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission (SEC) or the staff thereof or Nasdaq Global Market applicable to the Offer, provided that Offeror will not be required to extend the Offer beyond September 15, 2008. Copies of the Offer to Purchase and the accompanying Letter of Transmittal have been mailed with the Schedule 14D-9 to CNET stockholders and are filed as exhibits to the Schedule 14D-9 filed by the Company with the Securities and Exchange Commission (the SEC) on May 23, 2008.

The Merger Agreement provides that upon the payment by Parent or Offeror for all shares of Common Stock tendered pursuant to the Offer which represent at least a majority of the shares of Common Stock outstanding, and at all times thereafter, Parent will be entitled to designate a number of the Company s directors, rounded up to the next whole number, equal to the percentage of shares of Common Stock beneficially owned relative to the total number of outstanding shares of Common Stock. Under the terms of the Merger Agreement, the Company will take all actions reasonably necessary to effect the election of said directors to the Company Board, including using commercially reasonable efforts to secure the resignation of directors, promptly filling vacancies or newly created directorships on the Company Board, increasing the size of the Company Board and/or amending the Company s bylaws. The Company Board, upon Parent s request following such time as Parent or Offeror owns shares of Common Stock representing at least a majority of the shares of Common Stock outstanding pursuant to the Offer, and at all times thereafter, will cause the number of Parent s designees (rounded up to the next whole number), subject to compliance with Section 14(f) of the Exchange, to constitute the same percentage as is on the Company Board of (i) each committee of the Company Board, (ii) each Company Board (or similar body) of each subsidiary of the Company and (iii) each committee (or similar body) of each such board, in each case, to the extent permitted by applicable law and the Marketplace Rules for NASDAQ-listed companies (the NASDAQ Marketplace Rules). However, until the Merger occurs, the Company Board will include at least three (3) of the Company s current directors (the Continuing Directors). Notwithstanding the foregoing sentence, at all times from the election of Parent s designees through the date of the completion of the Merger, Parent s designees shall constitute a majority of the Company Board. In addition, after Parent s designees are elected or appointed to the Company Board and prior to the completion of the Merger, approval by a majority of the Continuing Directors will be required to (i) amend or terminate the Merger Agreement on behalf of the Company; (ii) approve any extensions of time for the performance of any of the obligations or other acts of Parent or Offeror pursuant to the Merger Agreement; (iii) waive compliance with any covenant of Parent of Offeror or any condition to any obligation of the Company or any waiver of any right of the Company under the Merger Agreement; and (iv) authorize any other consent or action by the Company or the Company Board with respect to the Merger Agreement, the Offer or the merger or any transaction contemplated thereby or in connection therewith. As a result, Offeror will have the ability to designate a majority of the Company Board following consummation of the Offer. In addition, in the event that the Offeror s designees are appointed or elected to the Company Board, prior to the Effective Time, such Company Board shall have at least such number of directors as may be required by the NASDAQ Marketplace Rules or the federal securities laws who are considered independent directors within the meaning of such rules and such laws (the Independent Directors). Notwithstanding the foregoing sentence, at all times from the election of Parent s designees through the date of the completion of the Merger, Parent s designees shall constitute a majority of the Company Board. In the event that the number of Independent Directors is reduced below the requisite number for any reason whatsoever, any remaining Independent Directors (or Independent Director, if there shall be only one remaining) shall be entitled to designate persons to fill such vacancies who shall be deemed to be Independent Directors for purposes of the Merger Agreement or, if no Independent Directors then remain, the other directors shall designate such number of directors as may be required by the NASDAQ Marketplace Rules or the federal securities laws to fill such vacancies who shall not be stockholders or affiliates of Parent or Offeror, and such persons shall be deemed to be Independent Directors for purposes of the Merger Agreement.

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This Information Statement is required by Section 14(f) of the Exchange Act and Rule 14f-1 thereunder in connection with the appointment of Offeror s designees to the Company Board.

You are urged to read this Information Statement carefully. You are not, however, required to take any action.

The information contained in this Information Statement (including information herein incorporated by reference) concerning Parent, Offeror and Offeror s designees has been furnished to the Company by Parent, and the Company assumes no responsibility for the accuracy or completeness of such information.

OFFEROR DESIGNEES

Parent has informed the Company that it will choose its designees for the Company Board from the list of persons set forth below. In the event that additional designees of Parent are required in order to constitute a majority of the Company Board, such additional designees will be selected by Parent from among the directors and executive officers of Parent and Offeror contained in Schedule I of the Offer to Purchase, which is incorporated herein by reference. The following table, prepared from information furnished to the Company by Parent, sets forth, with respect to each individual who may be designated by Parent as one of its designees, the name, age of the individual as of May 23, 2008, present principal occupation and employment history during the past five (5) years. Parent has informed the Company that each such individual (unless otherwise specified) is a U.S. citizen, and has consented to act as a director of the Company if so appointed or elected. Unless otherwise indicated below, the business address of each such person is 51 West 52nd Street, New York, New York 10019.

Name	Age	Position (s)
Louis J. Briskman	59	Mr. Briskman has been Executive Vice President and General Counsel of Parent since the separation of former Viacom Inc. into CBS Corporation and new Viacom Inc. which was completed on December 31, 2005 (the Separation). Previously, since September 2005, he served as Executive Vice President and General Counsel of the businesses that comprise Parent after the Separation. Prior to that, Mr. Briskman served as Senior Vice President and General Counsel of Aetna Inc. since April 2004 and as Executive Vice President and General Counsel for CBS Television from 2000 to 2002. From 1993 to 2000, Mr. Briskman served as General Counsel of the former CBS Corporation and its predecessor, Westinghouse Electric Corporation. He joined Westinghouse Electric Corporation in 1975 and became its General Counsel in 1993 after serving as General Counsel of its Group W division beginning in 1983.
Joseph R. Ianniello	40	Mr. Ianniello has been Senior Vice President, Chief Development Officer and Treasurer of CBS Corporation since May 22, 2008. Prior to that, he served as Senior Vice President, Finance and Treasurer of CBS Corporation since the Separation. Prior to the Separation, he served as Senior Vice President and Treasurer of the former Viacom Inc. since July 2005, as Vice President, Corporate Development of the former Viacom Inc. from 2000 to 2005 and as Director, Financial Planning of the former CBS Corporation from 1997 to 2000.
Leslie Moonves	58	Mr. Moonves has been President and Chief Executive Officer and a Director of Parent since the Separation. Previously, Mr. Moonves served as Co-President and Co-Chief Operating Officer of the former Viacom Inc. since 2004. Prior to that, Mr. Moonves served as Chairman and Chief Executive Officer of CBS Broadcasting since 2003 and as its President and Chief Executive Officer since 1998. Mr. Moonves joined the former CBS Corporation in 1995 as President, CBS Entertainment. Prior to that, Mr. Moonves was President of Warner Bros. Television since July 1993.

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Name	Age	Position (s)
Fredric G. Reynolds	57	Mr. Reynolds has been Executive Vice President and Chief Financial Officer of Parent since the Separation. Previously, Mr. Reynolds served as Executive Vice President and Chief Financial Officer of the businesses that comprise Parent after the Separation and President of the CBS Television Stations Group since 2001. Prior to that, Mr. Reynolds served as Executive Vice President and Chief Financial Officer of Viacom Inc. prior to the Separation from 2000 to 2001 and served as Executive Vice President and Chief Financial Officer of the former CBS Corporation and its predecessor, Westinghouse Electric Corporation, from 1994 to 2000. Mr. Reynolds was Chief Financial Officer of CBS Inc. from April 1996 to 1997.

Parent has informed the Company that, to the best of its knowledge, none of the individuals listed below has, during the past five years, (i) been convicted in a criminal proceeding (excluding traffic violations or misdemeanors), (ii) been a party to any judicial or administrative proceeding that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, U.S. federal or state securities laws, or a finding of any violation of U.S. federal or state securities laws, (iii) filed a petition under federal bankruptcy laws or any state insolvency laws or has had a receiver appointed for the person s property, or (iv) been subject to any judgment, decree or final order enjoining the person from engaging in any type of business practice.

None of Parent s designees is a director of, or holds any position with the Company. Parent has advised the Company that, to its knowledge, except as disclosed in the Offer to Purchase, none of its designees or any of his or her immediate family members beneficially owns any securities (or rights to acquire any securities) of the Company or has been involved in any transactions with the Company or any of its directors, executive officers or affiliates that are required to be disclosed pursuant to the rules of the SEC. Parent has advised the Company that to its knowledge, none of its designees or any of his or her immediate family members has any family relationship with any director, executive officer or key employee of the Company.

CERTAIN INFORMATION CONCERNING THE COMPANY

The authorized capital stock of the Company consists of 400,000,000 shares of Common Stock, par value $0.0001, and 5,000,000 shares of Preferred Stock, par value $0.01. As of May 21, 2008, there were 153,174,786 shares of Common Stock outstanding and no shares of Preferred Stock outstanding.

The Common Stock is the only class of voting securities of the Company outstanding that is entitled to vote at a meeting of shareholders of the Company. Each share of Common Stock entitles the record holder to one vote on all matters submitted to a vote of the shareholders.

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DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth the names, ages and positions of the Company s executive officers and directors as of May 23, 2008:

Name	Age	Position with Company In 2007
Neil M. Ashe[(1)]	40	Chief Executive Officer and Director
Alexander Zander J. Lurie[(2)]	34	Chief Financial Officer
Joseph Gillespie	47	Executive Vice President, CNET business unit
Andy Sherman	41	Senior Vice President, General Counsel and Corporate Secretary
John C. Bud Colligan[(3)]	53	Director
Peter L. S. Currie[(4)]	51	Director
Susanne D. Lyons[(1),(5)]	51	Director
Jarl Mohn[(3)]	56	Chairman of our Board of Directors; Director
Betsey Nelson[(4)]	47	Director
Eric P. Robison[(1)]	48	Director
Mark C. Rosenthal[(3),(5)]	56	Director

(1) Class I Director (term expires in 2009).
(2) Mr. Lurie was appointed Chief Financial Officer, as of March 7, 2008.
(3) Class II Director (term expires in 2010).
(4) Class III Director (term expires at 2008 Annual Meeting).
(5) Appointed to our Board of Directors on April 24, 2007.

The following are brief biographies of each current director and executive officer of the Company (including present principal occupation or employment, and material occupations, positions, offices or employment) during the past five years. Unless otherwise indicated, to the knowledge of the Company, no current director or executive officer of the Company has been convicted in a criminal proceeding during the last five (5) years and no director or executive officer of the Company was a party to any judicial or administrative proceeding during the last five (5) years (except for any matters that were discussed without sanction or settlement) that resulted in judgment, decree or final order enjoining the person from future violations of , or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

NEIL M. ASHE joined CNET Networks as Senior Vice President of Strategy and Development in May 2002. He later served as Executive Vice President, overseeing our Community, Business, International and Channel divisions, as well as Corporate Strategy and Development, from October 2005 until October 2006, when he was appointed Director and Chief Executive Officer. Prior to joining the Company, Mr. Ashe founded and served as chief executive officer of several start-up companies and held senior positions in private equity and investment banking.

ALEXANDER ZANDER J. LURIE joined CNET Networks as Senior Vice President of Strategy and Development in January 2006 and was appointed Chief Financial Officer, effective as of March 7, 2008. Prior to joining the Company, Mr. Lurie was an investment banker at JPMorgan, an investment banking firm, in its Technology, Media & Telecom group in New York and San Francisco, from 1999 to 2003 as an associate and from 2003 to 2006 as a vice president, in which capacity he led the group s efforts in the Internet sector. Mr. Lurie currently is the Chairman of the Board of CoachArt, a nonprofit organization which he founded in 2001.

JOSEPH GILLESPIE joined CNET Networks as Chief Marketing Officer in July 2004. In December 2005, he became Executive Vice President of CNET Networks in charge of our CNET business unit. Prior to joining the Company, Mr. Gillespie served as Acting Chief Executive Officer of TechTV, a cable and satellite channel

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based in San Francisco, from December 2003 through June 2004. Prior to that assignment, from 1999 to December 2003, he served as Chief Operating Officer and Executive Vice President of TechTV. Before working at TechTV, Mr. Gillespie was an Executive Vice President of corporate sales and marketing for Ziff-Davis Inc. Mr. Gillespie spent his early career in sports media with companies including CBS Sports, National Broadcasting Company and Sports Information Database, Inc.

ANDY SHERMAN joined CNET Networks as Senior Vice President, General Counsel and Corporate Secretary in June 2007. Prior to joining the Company , Mr. Sherman served as Vice President of Legal at Sybase, Inc. from November 2006 to May 2007, and as Vice President, General Counsel and Secretary at Mobile 365, Inc. from October 2005 to November 2006, which was acquired by Sybase, Inc. in November 2006. From January 2000 to October 2005, Mr. Sherman served as Senior Vice President, General Counsel and Secretary at Epiphany, Inc. He joined Epiphany from PeopleSoft, where he led PeopleSoft s international legal function. Prior to PeopleSoft, Mr. Sherman was in private practice focusing on the representation of emerging technology companies with the law firm Gray Cary Ware & Freidenrich.

JOHN C. BUD COLLIGAN became a director of CNET Networks in 1996. Mr. Colligan focuses on software and consumer internet investments at Accel Partners, a venture capital firm, which he joined in 1998. Prior to Accel, he co-founded Macromedia Inc. in 1992 through a merger of Authorware Inc. and Macromind-Paracomp. Mr. Colligan headed Authorware as President and CEO from 1989 to 1992. At Macromedia, he served as CEO from 1992 to 1997, and as Chairman until July 1998. Prior to Macromedia, Mr. Colligan worked at Apple, Inc. s Macintosh Division from 1983 to 1985 in various product management and marketing roles. From 1985 to 1988, Mr. Colligan headed Apple s higher education marketing.

PETER L. S. CURRIE became a director of CNET Networks in December 2005. Currently, Mr. Currie is President of Currie Capital LLC, a private investment firm. Before founding Currie Capital, Mr. Currie was a managing member of General Atlantic LLC, a worldwide private equity investment company, where he continues to serve as special advisor. Prior to joining General Atlantic Partners, he was a partner and co-founder of The Barksdale Group, an early stage venture capital firm. From April 1995 until March 1999, Mr. Currie was Executive Vice President and Chief Administrative Officer of Netscape Communications Corporation and also served as Netscape s Chief Financial Officer. Between April 1989 and March 1995, Mr. Currie held various management positions at McCaw Cellular Communications, Inc. (predecessor company to AT&T Wireless), including Executive Vice President and Chief Financial Officer and Executive Vice President of Corporate Development. Prior to joining McCaw, Mr. Currie was a Principal at Morgan Stanley & Co. Incorporated. Mr. Currie currently serves on the board of directors of Clearwire Corp., Safeco Insurance Companies and Sun Microsystems, Inc.

SUSANNE D. LYONS became a director of CNET Networks in April 2007. Ms. Lyons was the Executive Vice President and Chief Marketing Officer of Visa U.S.A. until September 2007, where she was responsible for all aspects of brand, advertising, sponsorships and marketing services. Before joining Visa in 2004, Ms. Lyons held senior marketing and general management roles at Charles Schwab & Co. and Fidelity Investments. In her ten-year career at Charles Schwab & Co., she held various marketing and general management positions, including Executive Vice President and Chief Marketing Officer from January 2000 to May 2001, as well as enterprise president of retail client services from March 1997 to January 2000. Ms. Lyons came to Schwab after ten years at Fidelity Investments, where she held positions in mutual funds and brokerage marketing, product development and business strategy.

JARL MOHN, also known as Lee Masters, became a director of CNET Networks in December 2003 and has served as the Chairman of our Board of Directors since October 2006. Mr. Mohn was the founding President of Liberty Digital Inc., a publicly traded subsidiary of Liberty Media Group involved in interactive television, cable television networks and Internet enterprises, and served as its Chief Executive Officer from June 1999 to March 2002. Prior to founding Liberty Digital, he was President and Chief Executive Officer of E! Entertainment Television. From 1986 to 1989, Mr. Mohn was Executive Vice President and General Manager of MTV and

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VH1. His professional career also includes 20 years in radio. Mr. Mohn currently serves on the board of directors of E.W. Scripps Company and XM Satellite Radio, Inc.

BETSEY NELSON became a director of CNET Networks in 2003. Ms. Nelson most recently was Executive Vice President, Chief Financial Officer and Secretary of Macromedia Inc., a position she had held from November 1997 through the company s sale to Adobe Systems Incorporated in December 2005. In that capacity, Ms. Nelson was responsible for leading the company s business functions, including finance, human resources, legal, mergers and acquisitions, and information technology. Prior to joining Macromedia in 1996, Ms. Nelson spent eight years at Hewlett-Packard, where she held a variety of positions in both finance and corporate development. Ms. Nelson currently serves on the board of directors of Autodesk, Inc. and SuccessFactors, Inc.

ERIC P. ROBISON became a director of CNET Networks in December 1994. Mr. Robison is currently President of lynda.com, an online software education company, which he joined in February 2008. He is also President of IdeaTrek, Inc., a consulting firm he started, where from 2000 through 2007 his focus was working with management teams as a business advisor and strategic planning consultant. From January 1994 until January 2002, Mr. Robison managed and advised numerous technology and entertainment initiatives at Vulcan, Inc., a venture capital firm, and one of his titles was Vice President of Business Development and Project Development. Prior to joining Vulcan, Mr. Robison was co-founder and Vice President of The Stanton Robison Group, Inc., a business development, marketing and advertising consulting firm. Mr. Robison also served in marketing management positions with Ashton-Tate, Inc., El Pollo Loco, McCann Erickson and Doyle Dane Bernbach. Mr. Robison currently serves on the board of directors of Cumulus Media, Inc.

MARK C. ROSENTHAL became a director of CNET Networks in April 2007. Mr. Rosenthal is currently President of Media Platforms and Vice Chairman of Spot Runner, a technology-driven advertising services company. From June 2005 to December 2006, Mr. Rosenthal served as Chairman and CEO of Interpublic Media, a division of the Interpublic Group, overseeing all worldwide media operations. From July 1996 to July 2004, Mr. Rosenthal served as President and Chief Operating Officer of MTV Networks, a division of Viacom International Inc. Prior to becoming President and Chief Operating Officer of MTV Networks in 1996, Mr. Rosenthal rose through positions of increasing responsibility in the affiliate sales and marketing organization at MTV Networks and its predecessor company, Warner Amex Satellite Entertainment Company, ultimately supervising the sales, distribution and marketing for all of MTV Networks domestic television networks. Mr. Rosenthal joined Warner Amex Satellite Entertainment Company in 1982. Mr. Rosenthal began his career in media in 1980 at CBS Cable. Mr. Rosenthal currently serves on the board of directors of Current Media, Inc

THE COMPANY BOARD AND BOARD COMMITTEES

The Company Board is composed of eight members. The Board of Directors has adopted Governance Guidelines outlining its duties. These guidelines may be viewed at http://ir.cnetnetworks.com. During the year ended December 31, 2007, the Board of Directors met regularly to review the Company s strategy and business plans, as well as significant developments affecting the Company and to act on matters requiring Board approval. During 2007, the Board of Directors held 12 meetings. Board members are requested to attend all board and committee meetings, to come to meetings prepared having read any materials provided to the Board prior to the meeting, and to participate actively in the meetings. In 2007, each director attended at least 75% of all Board and applicable committee meetings. The Company Board has established three standing committees: an audit committee (the Audit Committee), a compensation committee (the Compensation Committee) and a governance and nominating committee (the Governance and Nominating Committee) to devote attention to specific subjects and to assist the Board of Directors in the discharge of its responsibilities. The functions of these standing committees and their current members are described below.

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Committee Name

Director Name	Audit	Compensation	Governance and Nominating
John C. Bud Colligan			X
Peter L. S. Currie	X		
Susanne D. Lyons		X	
Jarl Mohn		X(2)	X(3)
Betsey Nelson	X(1)		
Eric P. Robison	X		X
Mark C. Rosenthal		X	

(1) Audit Committee Chair
(2) Compensation Committee Chair
(3) Governance and Nominating Committee Chair

Other than Neil M. Ashe, our current Chief Executive Officer, all current directors, including all members of the Audit Committee, are independent as defined by the NASDAQ Marketplace Rules. The Governance and Nominating Committee and the Board considered Susanne D. Lyon s prior position with Visa U.S.A. as Executive Vice President and Chief Marketing Officer until September 2007. Visa U.S.A. purchases online advertising on our websites through its agency in such agency s discretion from time to time. The Governance and Nominating Committee and the Board determined that Ms. Lyon s prior relationship with Visa U.S.A. did not adversely impact Ms. Lyon s independence. Non-employee directors do not receive any fees or compensation from the Company other than compensation received in their capacities as directors. There are no family relationships among any of our directors or executive officers.

Communication with the Board of Directors

Any stockholder wishing to ask a question or to direct a comment to any member of the Board of Directors should write to the Corporate Secretary of CNET Networks, Inc., 235 Second Street, San Francisco, CA 94105. Each letter should include the stockholder s name, postal address, email address and telephone number. The Corporate Secretary will forward all such correspondence, to the extent the subject matter is appropriate, to the relevant Board members.

Audit Committee

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee held nine meetings in 2007.

The Audit Committee s responsibilities are set forth in the Audit Committee Charter which is available at *http://ir.cnetnetworks.com*. In fulfilling these responsibilities, the Audit Committee:

1. Reviews and monitors the integrity of our quarterly and annual financial statements;

2. Appoints the independent auditor and monitors its qualifications, independence and performance;

3. Reviews the results of management s and the independent auditor s assessment of our internal control over financial reporting and meets with management to consider the adequacy of internal control and changes to internal control;

4. Prepares the Audit Committee report included in this Information Statement under the heading Audit Committee Report ;

5. Meets with the independent auditor and appropriate financial personnel;

6. Pre-approves all audit and permissible non-audit services to be rendered by our independent auditor;

7. Considers factors impacting the independence of our independent auditor;

8. Reviews SEC filings, including all annual and periodic reports, and discusses earnings press releases;

9. Ensures that management has established a process for employees and others to confidentially or anonymously report concerns or complaints regarding accounting, internal control or auditing matters;

10. Reviews matters related to the Company s systems for complying with laws and regulations that are significant to the Company s business and reviews the results of management s investigation and follow-up of any instances of non-compliance;

11. Reviews and, if appropriate, approves any related party transactions as described in Item 404 of Regulation S-K; and

12. May retain independent counsel, accountants or others to advise the Audit Committee as the Audit Committee may deem appropriate.

The Company Board has determined that Betsey Nelson and Peter L. S. Currie meet the criteria for an audit committee financial expert under applicable SEC rules. All members of the Audit Committee have been determined to be financially literate.

Audit Committee Report

This Audit Committee Report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Information Statement into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed soliciting material or filed under such Acts.

The Audit Committee is comprised entirely of independent directors who meet the independence and experience requirements of the NASDAQ Marketplace Rules and the Securities and Exchange Commission. The charter of the Audit Committee specifies that the Audit Committee s purpose is to assist the Company Board with its oversight responsibilities regarding:

- the qualifications, independence and performance of the Company s independent registered public accounting firm;
- the integrity of the Company s financial statements and other disclosures;
- the performance of the Company s responsibilities relating to the financial accounting process and internal audit function; and
- the Company s compliance with legal, regulatory and policy requirements.

The full-text version of the Audit Committee charter is located on the Company s website at *http://ir.cnetnetworks.com*.

The Audit Committee s members are not professional accountants or auditors and it is not their duty to replace or duplicate the activities of the Company s management or independent registered public accounting firm. The Audit Committee relies upon the information presented by management and the Company s independent registered public accounting firm, without additional independent verification, in carrying out its oversight responsibilities. Management is responsible for preparing the Company s financial statements and for establishing and maintaining adequate internal control over financial reporting. PricewaterhouseCoopers (PWC), the Company s independent registered public accounting firm for the year ended December 31, 2007, was responsible for reviewing and, on an annual basis, performing an independent audit of the Company s consolidated financial statements in accordance with generally accepted accounting principles. For the year

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ended December 31, 2007, PWC also had the responsibility to express an opinion on the Company s conformity of the annual financial statements with accounting principles generally accepted in the United States of America as well as the effectiveness of the Company s internal control over financial reporting.

The Audit Committee met regularly with management and PWC and KPMG LLP (KPMG), our former independent registered public accounting firm, throughout 2007 during such periods as PWC or KPMG were our auditors, respectively. The Audit Committee also met separately with PWC, KPMG and management to ensure that each of these groups had separate and private access to the Audit Committee. The Audit Committee members have direct access to management and the audit team of our independent accountants.

Oversight of Independent Registered Public Accounting Firm

The Audit Committee appoints the independent registered public accounting firm and reviews its performance and independence from management.

The Audit Committee has received the written disclosures and the letter from PWC required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and reported that it is independent under applicable standards in connection with its audit opinion for the Company s 2007 financial statements. The Audit Committee has discussed with PWC its independence.

Monitoring of Integrity of Financial Statements

Prior to the release of each of the Company s quarterly and annual financial results for 2007, the Audit Committee reviewed the financial statements and met to discuss the financial statements with management and the independent registered public accounting firm. In preparing these statements, the Audit Committee discussed with management the significant accounting policies utilized by the Company, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. With respect to the annual financial statements for 2007, the Audit Committee discussed with PWC the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee also met separately with PWC to review the results of its examination and the overall quality of the Company s accounting and financial reporting. Management has represented to the Audit Committee that the Company s consolidated financial statements were prepared in accordance with generally accepted accounting principles.

Based on its discussions with management and PWC, its review of management s representations and the report of PWC, the Audit Committee recommended that the Company Board include the audited consolidated financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission.

AUDIT COMMITTEE

Betsey Nelson, Chair

Eric P. Robison

Peter L. S. Currie

Compensation Committee

The Compensation Committee held ten meetings in 2007.

The Compensation Committee s responsibilities are set forth in the Compensation Committee Charter which is available on our website at *http://ir.cnetnetworks.com*. In fulfilling these responsibilities, the Compensation Committee:

1. Establishes our annual executive incentive programs;

2. Reviews and approves our policies regarding the use and implementation of equity compensation plans;

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3. Reviews the performance and determines the compensation of the Chief Executive Officer and for other executive officers;

4. Works with the Chief Executive Officer to review the performance of the other executive officers and determines their compensation in consultation with the Chief Executive Officer;

5. Works with the Chief Executive Officer on the professional development of the other named executive officers;

6. Works with the Chief Executive Officer to establish a succession plan for senior management;

7. May obtain advice and seek assistance from internal and external legal, accounting and other advisors as the Compensation Committee may deem appropriate; and

8. Prepares the Compensation Committee report which is included in this Information Statement under the heading Compensation Committee Report.

Please see the Compensation Discussion and Analysis section of this Information Statement for information regarding the consideration and determination of executive compensation.

Governance and Nominating Committee

Nominations for election to the Board of Directors are made by the Governance and Nominating Committee. This Committee is responsible for selecting individuals as director nominees who have the highest personal and professional integrity, have demonstrated exceptional ability and judgment and are most effective, in conjunction with other members of the Board, in collectively serving the long-term interests of our stockholders. In evaluating whether an individual is suitable to serve as a director, the Committee will consider many factors, including an understanding of our business, a general understanding of finance, education and professional background.

The Governance and Nominating Committee will consider nominees for inclusion in the Company s proxy materials recommended by any stockholder who has been a beneficial owner of at least $1,000 of common stock for at least one year, provided that the nomination is set forth in a written recommendation and mailed by certified mail, within the prescribed time, to the Corporate Secretary of the Company. Each submission must include the number of shares of common stock beneficially owned by the nominating stockholder, a statement of the qualifications of the nominee, a consent signed by the nominee evidencing a willingness to serve as a director, if elected, and a commitment by the nominee to meet personally with the Governance and Nominating Committee or the Company Board. Other than these submission requirements, the Governance and Nominating Committee applies the same criteria in evaluating nominees recommended by stockholders.

The Governance and Nominating Committee held three meetings in 2007.

The Governance and Nominating Committee s responsibilities are set forth in the Governance and Nominating Committee Charter which is available on our website at *http://ir.cnetnetworks.com*. In fulfilling these responsibilities, the Governance and Nominating Committee:

1. Reviews and makes recommendations to the Company Board with respect to the responsibilities and functions of the Company Board and Company Board committees;

2. Makes recommendations to the Company Board concerning the composition of the Company Board, including identifying and recommending director candidates to fill vacancies on, or to be elected or re-elected to, the Company Board;

3. Considers and evaluates the names and qualifications of any director candidates for the Company Board submitted by stockholders in accordance with the procedures set forth in our bylaws;

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4. Reviews the Company Board s committee structure and recommends to the Company Board for its approval directors to serve as members of each Company Board committee;

5. Oversees Company Board and committee self-evaluations;

6. Formulates and reviews the Company Board s Governance Guidelines on a periodic basis and recommends changes as appropriate;

7. Reviews the Outside Director Compensation Plan and makes recommendations to the Company Board; and

8. May retain any search firm to assist in identifying director candidates, and outside legal and other advisors as the Governance and Nominating Committee may deem appropriate.

Compensation Committee Interlocks and Insider Participation

None of the Compensation Committee members, Jarl Mohn, Susanne D. Lyons or Mark C. Rosenthal, is or has been a Company officer or employee. None of our executive officers served during 2007 on the board of directors or compensation committee or on any similar committee of any company that has one or more executive officers serving as a member of our Company Board or Compensation Committee.

DIRECTOR COMPENSATION

The following table sets forth information with respect to the compensation earned by each of our non-employee directors during the year ended December 31, 2007.

2007 Director Compensation

Name of Director	Fees Earned Or Paid in Cash[(1)]	Option Awards[(2) (3)]	Total
John C. Bud Colligan[(4)]	$ 36,000	$ 145,124	$ 181,124
Peter L. S. Currie[(5)]	$ 34,000	$ 301,312	$ 335,312
Susanne D. Lyons[(6)]	$ 23,343	$ 116,678	$ 140,021
Jarl Mohn[(7)]	$ 49,500	$ 328,926	$ 378,426
Betsey Nelson[(8)]	$ 44,500	$ 180,950	$ 225,450
Eric P. Robison[(9)]	$ 40,000	$ 145,124	$ 185,124
Mark C. Rosenthal[(6)]	$ 22,843	$ 116,678	$ 139,521
Shelby W. Bonnie[(10)]			

(1) Amounts shown consist of the amounts described below under Annual Cash Retainer and Meeting Fees, which reflects a pro-rated amount for length of service if less than a full year for directors. The fees earned by Mr. Colligan include $2,500 for serving as the Chair of the Compensation Committee during the first half of 2007. The fees earned by Mr. Mohn include an aggregate of $15,000 for serving as Chairman of the Board and for serving as Chair of the Compensation Committee and Governance and Nominating Committee during the second half of 2007. The fees earned by Ms. Nelson include $8,000 for serving as the Chair of the Audit Committee. The fees earned by Mr. Robison include $2,500 for serving as the Chair of the Governance and Nominating Committee during the first half of 2007.

(2) In accordance with the terms of our Outside Director Compensation Plan, each director received an annual option grant on June 22, 2007 to purchase 20,000 shares at an exercise price of $8.60, the closing sales price of our common stock on that date. The grant date fair value of this grant was $4.75 per share, computed in accordance with Financial Accounting Standards Board Statement 123R, Share-Based Payments (FAS 123R). The amounts shown exclude the impact of estimated forfeitures related to service-based vesting

conditions. Please see Note 9 to the consolidated financial statements included in our original Annual Report on Form 10-K for the fiscal year ended December 31, 2007 for the assumptions made in determining the valuation of option awards.

(3) As of December 31, 2007, each non-employee director had the following aggregate number of shares underlying options outstanding:

Name of Director	Aggregate Number of Shares Underlying Options
John C. Bud Colligan	185,000
Peter L. S. Currie	100,000
Susanne D. Lyons	80,000
Jarl Mohn	155,000
Betsey Nelson	105,000
Eric P. Robison	178,334
Mark C. Rosenthal	80,000
Shelby W. Bonnie	

(4) On December 22, 2006, Mr. Colligan agreed to amend the exercise price of certain stock options held by him at that time, the modified price of which was determined on January 29, 2007. The stock options were granted with per share exercise prices below the fair market value of a share of our common stock on the date of grant whether or not vested as of December 31, 2004. Under this agreement, there was no incremental fair value to any modified option awards as of the modification date, computed in accordance with FAS 123R.

(5) On December 22, 2006, Mr. Currie agreed to amend the exercise price of certain stock options held by him at that time, the modified price of which was determined on January 29, 2007. The stock options were granted with per share exercise prices below the fair market value of a share of our common stock on the date of grant whether or not vested as of December 31, 2004. Under this agreement, there was no incremental fair value to any modified option awards as of the modification date, computed in accordance with FAS 123R.

(6) On April 24, 2007, Ms. Lyons and Mr. Rosenthal each received a new director option grant to purchase 60,000 shares at an exercise price of $8.85, the closing sales price of our common stock on that date. The grant date fair value of these grants was $4.69 per share, computed in accordance with FAS 123R.

(7) On December 22, 2006, Mr. Mohn agreed to amend the exercise price of certain stock options held by him at that time, the modified price of which was determined on January 29, 2007. The stock options were granted with per share exercise prices below the fair market value of a share of our common stock on the date of grant whether or not vested as of December 31, 2004. Under this agreement, there was no incremental fair value to any modified option awards as of the modification date, computed in accordance with FAS 123R. In addition to the annual option grant to directors, Mr. Mohn received an option grant on June 22, 2007 to purchase 20,000 shares in connection with his service as Chairman of the Board of Directors. The grant date fair value of this grant was $4.75 per share, computed in accordance with FAS 123R.

(8) On December 22, 2006, Ms. Nelson agreed to amend the exercise price of certain stock options held by her at that time, the modified price of which was determined on January 29, 2007. The stock options were granted with per share exercise prices below the fair market value of a share of our common stock on the date of grant whether or not vested as of December 31, 2004. Under this agreement, there was no incremental fair value to any modified option awards as of the modification date, computed in accordance with FAS 123R.

(9) On December 22, 2006, Mr. Robison agreed to amend the exercise price of certain stock options, the modified price of which was determined on January 29, 2007. The stock options were granted with per share exercise prices below the fair market value of a share of our common stock on the date of grant whether or not vested as of December 31, 2004. Under this agreement, there was no incremental fair value to any modified option awards as of the modification date, computed in accordance with FAS 123R.

(10) Mr. Bonnie resigned from the Board on March 22, 2007.

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Outside Director Compensation Plan

As of December 31, 2007, each non-employee director received the compensation described below.

Annual Cash Retainer

An annual retainer of $15,000 payable in cash in equal installments on a quarterly basis, pro-rated for length of service if less than a full quarter; and

An annual retainer of $10,000 for the Chairman of the Board of Directors, $8,000 for the Chair of the Audit Committee and $5,000 for the Chair of each other committee, payable in cash in equal installments on a quarterly basis, pro-rated for length of service if less than a full quarter.

Meeting Fees

A fee equal to $2,000 for each Board meeting attended in-person and $500 for each Board meeting attended via telephone; and

A fee equal to $1,000 for each committee meeting attended either in person or via telephone, provided that no fees are paid with respect to committee meetings held in conjunction with Board meetings.

Option Grants

An annual option grant to purchase 20,000 shares to all directors made automatically on the date of our annual stockholder meeting;

An annual option grant to purchase 20,000 shares to any non-executive Chairman of the Board of Directors, made on the same date as the annual director grant referenced above; and

A one-time option grant to purchase 60,000 shares made on the effective date that a director joins our Board of Directors.

All of the options granted to directors under the Outside Director Compensation Plan are immediately exercisable on the date of grant, but any common stock issued upon exercise of the option remains subject to repurchase by the Company at the original cost. With respect to the one-time initial option grant to new outside directors, the Company s repurchase right lapses and the optionee s rights vest 1/3 on the first anniversary of the effective date of grant and thereafter at a rate of 1/36 per month beginning on the first day of the first month following the first annual vesting, for so long as the optionee remains a director of the Company. With respect to the annual option grant to outside directors, the Company s repurchase right lapses and the optionee s rights vest in 12 equal monthly installments beginning on the first day of the first month after the effective date of the grant. In addition, all of these option grants will become fully vested upon any sale of the Company including through a merger, recapitalization, reorganization, asset sale, tender offer or similar event, where less than 51% of the voting power and equity interest in the surviving or acquiring entity (or its parent) is beneficially owned by the stockholders.

Directors are entitled to reimbursement of fees incurred in connection with travel to and from meetings. In addition, we reimburse directors for fees paid to attend director education events.

STOCK OWNERSHIP OF

PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table shows the number of shares of common stock beneficially owned as of the close of business on March 31, 2008 (unless otherwise indicated) by:

Each named executive officer;

Each director;

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Each person whom we know beneficially owns more than 5% of the common stock (based solely, in each case, on Schedule 13D and 13G filings on file as of May 21, 2008); and

The directors and executive officers as a group.

Unless otherwise indicated below, the address for each listed director and named executive officer is CNET Networks, Inc., 235 Second Street, San Francisco, California 94105.

Beneficial Ownership

Name and Address of Beneficial Owner	Amount and Nature of Ownership[1]	Percentage of Common Stock Outstanding
JANA Partners LLC[2]	22,664,337	14.88%
T. Rowe Price Associates, Inc.[3]	14,585,471	9.5%
TCS Capital GP, LLC[4]	11,953,487	7.85%
Maverick Capital, Ltd.[5]	11,836,999	7.77%
Legg Mason Capital Management, Inc.[6]	11,812,299	7.75%
BlackRock, Inc.[7]	11,178,284	7.34%
Shelby W. Bonnie[8]	9,569,426	6.28%
Lehman Brothers Holdings Inc.[9]	9,264,777	6.08%
Neil M. Ashe[10]	1,406,019	*
George E. Mazzotta[11]	385,416	*
Zander J. Lurie[12]	71,069	*
Joseph Gillespie[13]	330,727	*
Andy Sherman		
Barry D. Briggs		
John C. Bud Colligan[14][21]	215,100	*
Peter L. S. Currie[15][21]	100,000	*
Susanne D. Lyons[16][21]	80,000	*
Jarl Mohn[17][21]	155,400	*
Betsey Nelson[18][21]	115,000	*
Eric P. Robison[19][21]	183,334	*
Mark C. Rosenthal[20][21]	80,000	*
All executive officers and directors as a group (13 persons)	3,122,065	2.01%

* Less than one (1) percent

(1) Beneficial ownership is determined in accordance with SEC rules and includes options and warrants that are exercisable within 60 days of March 31, 2008. Percentages for each beneficial owner are based on 152,334,875 shares outstanding as of the close of business on March 31, 2008. Shares issuable upon exercise of outstanding options and warrants are not deemed outstanding for purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder s name.

(2) Based upon information contained in Schedule 13Ds filed with the SEC on January 15, 2008. Consists of 15,481,159 shares held by JANA Partners LLC (JANA Partners), 2,583,979 shares held by Spark Management Partners, L.L.C. (Spark), 1,000,000 shares held by Velocity Interactive Management, LLC (Velocity), 129,199 shares held by Alex Interactive Media, LLC (AIM), 3,136,402 shares held by Castlerigg Master Investments Ltd. (Castlerigg Master Investments) and 333,598 shares held by CGS, Ltd. (CGS and together with JANA Partners, Spark, Velocity, AIM, and Castlerigg Master Investments, the Dissident Group). JANA Partners has sole voting and dispositive powers over 15,481,159 shares, which powers are exercised by the JANA Partners Principals, and shared voting and dispositive power over

1,000,000 shares, which power is shared with Velocity and shared voting and dispositive power over 114,333 shares, which power is shared with AIM. Spark has sole voting and dispositive powers over 2,583,979 shares, which powers are exercised by the Spark Principals, and shared voting and dispositive powers over 14,866 shares, which is shared with AIM. Each of Castlerigg Master Investments, Sandell Asset Management Corp. (SAMC), Castlerigg International Limited (Castlerigg International), Castlerigg International Holdings Limited (Castlerigg Holdings) and Thomas E. Sandell (Sandell) has shared voting and dispositive power over 3,136,402 of the shares held by Castlerigg Master Investments. Each of CGS, Castlerigg GS Holdings, Ltd. (CGSH), Castlerigg Global Select Fund Limited (Castlerigg Global Select), SAMC and Sandell had shared voting and dispositive power over 333,598 of the shares held by CGS. JANA Partners entered into certain agreements with Spark, Velocity and AIM relating to the respective parties investments in and activities relating to CNET Networks. By virtue of such agreements and the agreement dated January 4, 2008 between JANA Partners and SAMC on behalf of its funds, accounts, or other affiliated entities, the Dissident Group may be deemed to beneficially own all of the 22,664,337 shares listed above. Each of the members of the Dissident Group expressly disclaims beneficial ownership of the shares beneficially owned by the other members of the Dissident Group.

(3) Based upon information contained in a Schedule 13G/A filed with the SEC on May 9, 2008. The address for T. Rowe Price Associates, Inc. (Price Associates) is 100 East Pratt Street, Baltimore, Maryland 21202. Price Associates has sole dispositive power over the 14,585,471 shares listed above and sole voting power over 2,242,666 of the shares listed above. T. Rowe Price Mid-Cap Growth Fund, Inc. has sole voting power over 4,000,000 of the shares listed. These securities are owned by various individuals and institutional investors which Price Associates serves as an investment advisor with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Exchange Act, Price Associates may be deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

(4) Based upon information contained in a Schedule 13G filed with the SEC on February 14, 2008. The address for TCS Capital GP, LLC (TCS GP) is 888 Seventh Avenue, Suite 1504, New York, New York, 10019. TCS GP is the beneficial owner of, and has sole voting and dispositive power over, the 11,953,487 shares listed above by virtue of being the general partner of each of TCS Capital, L.P., TCS Capital II, L.P. and TCS Capital Investments, L.P., which hold 681,000, 3,728,800 and 7,543,687 of such shares, respectively. By virtue of his position as principal of TCS GP, Eric Semler is the beneficial owner of, and has sole voting and dispositive power over, the 11,953,487 shares listed above.

(5) Based upon information contained in a Schedule 13G filed with the SEC on February 14, 2008. The address for Maverick Capital, Ltd. is 300 Crescent Court, 18th Floor, Dallas, Texas 75201. Maverick Capital, Ltd. is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940 and, as such, may be deemed to have beneficial ownership of the 11,836,999 shares listed above through the investment discretion it exercises over its clients accounts. Maverick Capital Management, LLC is the general partner of Maverick Capital, Ltd. Mr. Lee S. Ainslie III is the manager of Maverick Capital Management, LLC and is granted sole investment discretion pursuant to Maverick Capital Management, LLC s regulations. By virtue of his position as manager of Maverick Capital Management, LLC, Mr. Ainslie may be deemed to have the sole voting and dispositive power over all of 11,836,999 of the shares listed above.

(6) Based upon information contained in a Schedule 13G filed with the SEC on February 14, 2008. The address for Legg Mason Capital Management, Inc. is 100 Light Street, Baltimore, Maryland 21202. Legg Mason Capital Management, Inc. has shared voting and dispositive power over the 11,812,299 of the shares listed above. Legg Mason Special Investment Trust, Inc., an investment company registered under the Investment Company Act of 1940 and managed by Legg Mason Capital Management, Inc., held 10,500,000 of the shares listed above and had shared voting and dispositive power over 10,500,000 of the shares listed above.

(7) Based upon information contained in a Schedule 13G filed with the SEC on February 8, 2008. The address for BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022. BlackRock, Inc. is the beneficial owner of the 11,178,284 shares listed above through its control of the following entities: BlackRock Advisors LLC, BlackRock Investment Management LLC, and BlackRock (Channel Islands) Ltd. BlackRock, Inc. had shared voting and dispositive power over the 11,178,284 of the shares listed above.

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(8) Based upon information provided by Mr. Bonnie or his representatives. The address for Mr. Bonnie is 53 N. Park Avenue, Suite 53, Rockville Centre, NY 11570. Includes 9,029,719 shares held by Mr. Bonnie; 480,907 shares held by trusts for Mr. Bonnie and members of his immediate family s benefit, as to which Mr. Bonnie disclaims beneficial ownership; and 58,800 shares held by a partnership controlled by Mr. Bonnie, as to which Mr. Bonnie disclaims beneficial ownership.

(9) Based upon information contained in a Schedule 13G filed with the SEC on January 3, 2008. The address for Lehman Brothers Holdings Inc. (Holdings) is 745 Seventh Avenue, New York, New York 10019. Holdings is the beneficial owner of, and has the sole voting and dispositive power over, the 9,264,777 shares listed above by virtue of its direct or indirect ownership of each of Lehman Brothers Inc. (LBI), Lehman Brothers Special Financing Inc. (LBSF) and Lehman Brothers OTC Derivatives Inc. (LOTC). LOTC directly owns 358,813 of such shares and is wholly owned by Holdings. LBSF directly owns 8,867,543 of such shares and is wholly owned by LBI. LBI directly owns 38,421 of such shares, 37,500 of which are shares issuable upon the exercise of call options. LBI is wholly owned by Holdings and is a beneficial owner of the shares owned by LBSF.

(10) Includes 1,381,019 shares subject to options held by Mr. Ashe that are exercisable within 60 days of March 31, 2008.

(11) Includes 385,416 shares subject to options held by Mr. Mazzotta that are exercisable within 60 days of March 31, 2008.

(12) Includes 65,103 shares subject to options held by Mr. Lurie that are exercisable within 60 days of March 31, 2008.

(13) Includes 330,727 shares subject to options held by Mr. Gillespie that are exercisable within 60 days of March 31, 2008.

(14) Includes 185,000 shares subject to options held by Mr. Colligan that are exercisable within 60 days of March 31, 2008.

(15) Includes 100,000 shares subject to options held by Mr. Currie that are exercisable within 60 days of March 31, 2008.

(16) Includes 80,000 shares subject to options held by Ms. Lyons that are exercisable within 60 days of March 31, 2008.

(17) Includes 155,000 shares subject to options held by Mr. Mohn that are exercisable within 60 days of March 31, 2008. Also includes 200 shares held by trust for Mr. Mohn (the Trust) and 200 shares held by Alternate Liberty Investment Company, which is owned by the Trust, as to which Mr. Mohn disclaims beneficial ownership.

(18) Includes 105,000 shares subject to options held by Ms. Nelson that are exercisable within 60 days of March 31, 2008.

(19) Includes 178,334 shares subject to options held by Mr. Robison that are exercisable within 60 days of March 31, 2008.

(20) Includes 80,000 shares subject to options held by Mr. Rosenthal that are exercisable within 60 days of March 31, 2008.

(21) As of May 30, 2008, each non-employee director will hold unvested options to purchase, if exercised, the following number of shares of common stock that are subject to repurchase by us at cost as described under Board of Directors and Governance Director Compensation Outside Director Compensation Plan :

Name of Director	Number of Shares of Common Stock underlying Options Subject to Repurchase
John C. Bud Colligan	1,980
Peter L. S. Currie	13,334
Susanne D. Lyons	40,001
Jarl Mohn	3,647
Betsey Nelson	1,980
Eric P. Robison	1,980
Mark C. Rosenthal	40,001

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Executive Compensation

Compensation Committee Report

This Compensation Committee Report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Information Statement into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed soliciting material or filed under such Acts.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth below in this Information Statement with management. Based on its review and discussions, the Compensation Committee recommended to the Company Board that the Compensation Discussion and Analysis be included in this Information Statement.

COMPENSATION COMMITTEE
Jarl Mohn, Chair
Susanne D. Lyons
Mark C. Rosenthal

Compensation Discussion and Analysis

Overview

The Compensation Committee is responsible for overseeing our executive compensation programs. As part of that responsibility, the Compensation Committee determines all compensation for the Chief Executive Officer, the Chief Financial Officer, and the other executives named in this Information Statement, which we sometimes refer to collectively as our named executive officers. Our goals are to design compensation programs that attract, retain and motivate highly qualified executives; align employee financial interests with long-term stockholder value creation; reward exceptional performance; and create incentives for corporate financial performance by tying a significant portion of variable-cash compensation to corporate financial performance. We also believe that our variable cash compensation programs should result in financial consequences for both successful and unsuccessful corporate and individual performance.

The objectives of our compensation programs are to:

- Encourage and reward the achievement of revenue and adjusted EBITDA (operating income before depreciation, amortization, asset impairment, stock-based compensation expense and other non-cash or non-recurring charges as determined by the Committee) targets;
- Promote the accomplishment of the Company s strategic priorities that drive stockholder value;
- Promote shared accountability across the Company for overall corporate goals;
- Recognize the impact that an executive officer may have on our financial and other performance as a result of his or her role and responsibilities and related contributions; and
- Provide compensation programs consistent with those of our peer companies and industry practices.

For more information about the Compensation Committee, its members and its responsibilities, please see the Board of Directors and Governance section of this Information Statement.

Role of Committee, Consultants and Management

The Compensation Committee has the ultimate authority to make compensation-related decisions for the Company s executive officers, set incentive targets and make other compensation-related decisions as authorized and required by its charter. The Compensation Committee considers recommendations from compensation consultants, as well as the Chief Executive Officer in making such decisions.

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In May 2007, we engaged Jackson Hole Group, a consulting firm to provide the Compensation Committee with advice regarding compensation of our executive officers, other than our Chief Executive Officer and former Chief Financial Officer. Although Jackson Hole Group was not engaged directly by the Compensation Committee, it reported directly to the Compensation Committee with respect to executive compensation. Jackson Hole Group has provided other services to the Company in the past, including management recruiting and management transition services and other consulting.

In August 2007, the Compensation Committee engaged Frederic W. Cook & Co. (FW Cook), an independent compensation consulting firm, to provide the Compensation Committee with advice regarding the compensation of our executive officers. FW Cook reports directly to the Compensation Committee and provides no other services to the Company unless approved by the Compensation Committee.

The Chief Executive Officer makes recommendations to the Compensation Committee regarding compensation of new and existing executives (other than his own compensation), including the financial performance targets to be used to determine incentive compensation. The Chief Executive Officer is not present during discussions at Compensation Committee meetings regarding his compensation.

Compensation Review and Approval Process

The Compensation Committee conducts an annual executive compensation review for our named executive officers, typically in the summer. As part of that process, the Compensation Committee evaluates the Company s operating performance and the achievement of individual performance goals. The Compensation Committee determines whether changes to the compensation packages of any of the named executive officers are warranted. In addition, the Compensation Committee may review named executive officer compensation periodically throughout the year to ensure that our compensation programs are competitive. The most recent compensation review of the named executive officers, other than our Chief Executive Officer and former Chief Financial Officer, occurred in June 2007, resulting in increases to base salary, target bonuses and awards of stock options as described below. The compensation of our Chief Executive Officer and former Chief Financial Officer was not reviewed with the other named executive officers in June 2007. The Chief Executive Officer s compensation was determined in October 2006 in connection with his promotion to Chief Executive Officer. The compensation of our former Chief Financial Officer was determined in December 2006 in connection with the executive agreement entered into with our former Chief Financial Officer at that time. The compensation of our Chief Executive Officer and former Chief Financial Officer was most recently reviewed in December 2007 and their total cash compensation was not changed.

During its review, the Compensation Committee analyzes our financial goals and performance and the Chief Executive Officer s performance. In addition, the Chief Executive Officer evaluates the performance of each named executive officer and the Compensation Committee reviews these evaluations. In determining the compensation for each named executive officer, the Compensation Committee examines all components of compensation (as further described below), both individually and in the aggregate. We strive to create compensation packages for named executive officers that deliver base salary and total cash compensation that are between the 50th percentile and the 75th percentile based on the compensation practices of certain peer group companies with which we compete for executive talent. We believe this range allows us to remain competitive in the recruitment and retention of talent. To that end, each of our named executive officers was within that range for 2007, other than Mr. Ashe, our Chief Executive Officer, who was slightly below the 50th percentile.

To assist the Compensation Committee in its comparison of named executive officer cash compensation to that of our peers and to ensure that the compensation packages for named executive officers are competitive, in its June 2007 compensation review, the Compensation Committee utilized an analysis prepared by Jackson Hole Group. The analysis prepared by Jackson Hole Group was based on data obtained from the Radford Executive Survey, which publishes quarterly survey results regarding executive compensation in the general technology industry. Such data took into consideration companies with similar revenue, geographic location, industry and

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lines of business. In August 2007, the Compensation Committee asked that FW Cook assist it with evaluating our historical peer group. Based on FW Cook s analysis, the Compensation Committee modified its historical peer group to include other U.S.-based, publicly traded media and technology companies with revenue and market capitalization within a range of approximately one-fourth to four times our revenue and market capitalization.

Beginning in December 2007, and taking into account the advice of FW Cook, the Compensation Committee redefined the peer group companies as follows:

Akamai Technologies, Inc.	Netflix, Inc.
Drugstore.com, Inc.	Priceline.com Incorporated
Earthlink, Inc.	RealNetworks, Inc.
Gemstar TV Guide International, Inc.	Salesforce.com, Inc.
Getty Images, Inc.	TheStreet.com, Inc.
GSI Commerce, Inc.	Tivo Inc.
IDC	United Online, Inc.
InfoSpace, Inc.	ValueClick, Inc.
Move, Inc.	WebMD Health Corp.

The relative difference between the Chief Executive Officer s total compensation and the total compensation of our other named executive officers is based on his responsibilities, experience and contributions to the overall success of the Company, and is consistent with such differences found among our peer companies.

Compensation Elements and Benefits

For 2007, the primary compensation elements for the named executive officers were (i) base salaries, (ii) performance-based cash bonuses and (iii) long-term equity compensation in the form of stock options. We do not use formulas in determining the mix of compensation elements. However, we have maintained a compensation structure that ties a significant portion of variable-cash compensation to corporate financial performance.

The named executive officers are entitled to the severance and change in control benefits described under Employment Contracts, Termination of Employment and Change in Control Arrangements. The named executive officers do not generally receive any benefits other than those available to all other U.S. employees. We do not have any deferred compensation programs or pension plans.

Base Salaries

The achievement of short-term goals is rewarded through salaries and through annual performance bonuses as discussed below. Base salaries for our named executive officers are intended to provide a fixed amount of compensation for performing day-to-day responsibilities. Salaries are reviewed annually against the most recent comparative peer group data and our overall performance. We also consider each named executive officer s attainment of individual objectives during the preceding year, scope of responsibilities and experience levels.

Performance-Based Cash Bonuses

In December 2006, the Compensation Committee, on behalf of the Company Board, established the 2007 Annual Incentive Plan, which we refer to as the 2007 AIP. The 2007 AIP is designed to reward named executive

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officers for the achievement of corporate and/or specific business unit financial targets, as well as for named executive officers (other than the Chief Executive Officer and former Chief Financial Officer), individual performance goals. Similar to base salaries, we determined a target bonus opportunity under the 2007 AIP for each named executive officer based on our evaluation of the most recent comparative peer group data and our overall performance. We believe that a significant percentage of an executive s total potential compensation should be variable, at risk pay that is tied to performance. Consistent with this objective, incentive bonuses for the named executive officers, other than the Chief Executive Officer, are generally at least 50% of the named executive officer s base salary.

Prior to any bonuses being paid under the 2007 AIP, certain threshold levels of performance were required to be achieved. If the thresholds were met, then payments would have been made twice each year. Under the 2007 AIP, the first payment would have been up to 25% of the financial target opportunity and would generally have been paid in the third quarter based on performance for the first half of the year. The remaining 75% of the financial payment would generally have been paid in the first quarter of the following year based on full year results for the prior year. With respect to any individual performance component of the 2007 AIP, the two potential payments were weighted evenly based on achievement of individual goals for the first or second half of the year. However, even if corporate, business unit and individual performance goals had been met, the Compensation Committee retained discretion to reduce, but not increase, any bonus that would otherwise be payable under the 2007 AIP.

The objectives of the 2007 AIP were:

(1) to align cash compensation to the market s view of value creation through the establishment of revenue objectives (2007 Revenue Objectives) and adjusted EBITDA objectives (2007 Adjusted EBITDA Objectives);

(2) to develop leadership and promote shared accountability across the organization for overall corporate goals; and

(3) to ensure that rewards were appropriate for the level of individual performance and relative to increases in the Company s financial performance.

In determining the 2007 Revenue Objectives, the Compensation Committee excluded the impact resulting from differences in foreign exchange rates used to budget international revenue as compared to foreign exchange rates used to convert actual revenues. The Compensation Committee excluded from the determination of 2007 Adjusted EBITDA Objectives the impact of asset impairments, expenses associated with our stock option investigation and related matters, certain foreign transactional taxes, the impact resulting from differences in foreign exchange rates used to budget international expenses as compared to foreign exchange rates used to convert actual expenses and costs associated with exiting businesses. The Compensation Committee excluded these amounts because they represent non-recurring and other items that are not indicative of our operating performance.

In establishing 2007 Revenue Objectives, 2007 Adjusted EBITDA Objectives, business unit goals and individual performance goals, we believed that such goals could not be easily achieved and would therefore reflect strong performance by our named executive officers. Historically, the ability to achieve the corporate financial goals under our incentive plans has been difficult. For the three-year period ended December 31, 2007, we achieved 100% of the target corporate financial goals under such plans in one year and achieved the threshold for payment of bonuses based on corporate financial goals under such plans in two years. This historical experience is consistent with our objectives that the corporate financial goals be difficult to achieve and represent variable at risk compensation for our executives.

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The target bonus opportunities (each, a 2007 Target) for each of the named executive officers were comprised of different components and weighted as follows:

Named Executive Officer	Corporate Revenue	Corporate Adjusted EBITDA	Business Unit Revenue	Business Unit Adjusted EBITDA	Individual Performance	Total
Neil M. Ashe	60%	40%				100%
George E. Mazzotta	60%	40%				100%
Joseph Gillespie	25%	15%	25%	15%	20%	100%
Zander J. Lurie	50%	30%			20%	100%
Andy Sherman	50%	30%			20%	100%

In 2007, the performance of the Chief Executive Officer and former Chief Financial Officer were measured entirely on corporate financial performance in order to align their performance more directly with our overall corporate performance. The performance of the other named executive officers were measured based on a combination of corporate financial performance, business unit performance (in the case of Mr. Gillespie) and individual performance. The individual performance components of the 2007 AIP were based on goals determined by each named executive officer and approved by the Chief Executive Officer. These goals consisted of initiatives over which each named executive officer had direct responsibility and which were critical to the success of the named executive officer s business unit or corporate function and advanced our overall strategic priorities. We believe that incentive payments based in part on individual performance are appropriate as they reward performance over which the named executive officer has direct control.

The threshold for payment based on corporate financial performance under the 2007 AIP was 95.5% of the 2007 Revenue Objectives and 90% of the 2007 Adjusted EBITDA Objectives, which would have resulted in minimum bonus payments of 25% of 2007 Targets. The threshold for payment based on business unit performance for Mr. Gillespie under the 2007 AIP was 97% of the 2007 revenue objective for his business unit and 98% of the 2007 adjusted EBITDA objective for his business unit. The minimum thresholds under the 2007 AIP were designed to represent substantial achievement of the stated goals which warranted a partial funding under the 2007 AIP, although at less than the level that would have been funded had 100% of the target been met. If minimum thresholds had been met, payouts would have been between 25% and 300% of the financial component of a participant s 2007 Target. We believe that payouts in excess of targets provide an appropriate incentive and reward mechanism for financial results in excess of planned levels. With respect to the individual performance component of the 2007 AIP, there was no minimum financial target required for payout.

In 2007, we did not achieve the 2007 Revenue Objectives and 2007 Adjusted EBITDA Objectives required for payment under the 2007 AIP, nor did Mr. Gillespie s business unit achieve its 2007 revenue and adjusted EBITDA objectives. As such, no payments were made to any named executive officer based on corporate or business unit performance. However, after reviewing the Chief Executive Officer s evaluations of the individual performance and contributions of Messrs. Gillespie and Lurie, the Committee determined to award Messrs. Gillespie and Lurie bonus payments under the 2007 AIP based on their achievement of individual performance objectives. Mr. Sherman was entitled to a guaranteed payment under the 2007 AIP under the terms of his offer letter. Messrs. Ashe and Mazzotta did not receive payments under the 2007 AIP because their 2007 Targets were based solely on corporate performance targets that were not achieved. Mr. Mazzotta received a $150,000 retention bonus in December 2007 under the terms of an executive agreement entered into in December 2006. Barry Briggs, our former President and Chief Operating Officer, was not eligible for a 2007 AIP payment because his employment with the Company terminated in January 2007, as discussed below.

2008 Annual Incentive Plan. In December 2007, the Compensation Committee established a 2008 Annual Incentive Plan, which we refer to as the 2008 AIP. The objectives of the 2008 AIP are consistent with those of the 2007 AIP. The 2008 AIP differs from the 2007 AIP in that it places greater weight on business unit financial performance in the case of Mr. Gillespie and introduces an individual performance component for the Chief Executive Officer and Chief Financial Officer, consistent with the remainder of the executive team.

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The 2008 AIP includes the following components for each of the named executive officers:

Named Executive Officer	Corporate Revenue	Corporate Adjusted EBITDA	Business Unit Revenue	Business Unit Adjusted EBITDA	Individual Performance	Total
Neil M. Ashe	48%	32%			20%	100%
George E. Mazzotta*	48%	32%			20%	100%
Joseph Gillespie	18%	12%	30%	20%	20%	100%
Zander J. Lurie	48%	32%			20%	100%
Andy Sherman	48%	32%			20%	100%

* Mr. Mazzotta resigned from the Company effective March 7, 2008 and is not eligible for any payments under the 2008 AIP.

The thresholds for payment based on corporate financial performance and business unit performance under the 2008 AIP were established taking into consideration historical and potential performance. The maximum financial payment under the 2008 AIP is capped at 200% of 2008 target bonus opportunities (as compared to 300% under the 2007 AIP), which we believe is more consistent with peer group practices. In establishing revenue and adjusted EBITDA objectives, business unit goals and individual performance goals for purposes of the 2008 AIP, we believed that such goals could not be easily achieved and would therefore, if achieved, reflect strong performance by our named executive officers.

Equity Compensation Grants and Awards Based Upon Performance

In connection with our annual and periodic compensation reviews, named executive officers have received an annual stock option award based upon their historical performance and anticipated future contributions. These awards are in ranges consistent with practices at peer companies. We believe that stock options are an important part of overall total compensation because they align the interests of named executive officers and other employees with those of stockholders and create incentives to maximize long-term stockholder value. In addition, they permit us to attract, retain and motivate outstanding and highly skilled individuals in an industry where individuals with experience in online media are in high demand and in a geographic region where many of our competitors have devoted significant resources to attracting, hiring and retaining talented employees.

In determining the total numbers of stock options to be granted annually to all recipients, including those to named executive officers, we review and evaluate:

option usage relative to market and peer company practices;

the number of stock options outstanding an