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5B TECHNOLOGIES CORP

Form 8-K/A

October 30, 2001

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K/A

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 16, 2001

5B Technologies Corporation

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

0-27190

(State or Other Jurisdiction
of Incorporation)

(Commission
File Number)

100 Sunnyside Boulevard, Woodbury, NY 11797

(Address of Principal Executive Offices)

Registrant's telephone number, (516) 677-6100

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

On August 20, 2001, the registrant, 5B Technologies Corporation (the "Company" or "Registrant"), filed a Quarterly Report on Form 10-Q with the Securities and Exchange Commission, reporting the completion of the acquisition of certain assets of Knowledge Strategies Group, Inc. ("KSG"), a privately held New York City based e-commerce web site development and hosting company. This report amends the information provided in the Section titled "Subsequent Events" in such Form 10-Q, and provides such information as would normally be found in Item 7 on Form 8-K.

INFORMATION TO BE INCLUDED IN THE REPORT

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

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On July 30, 2001, The Company executed a definitive agreement to acquire certain assets of KSG. On August 16, 2001, the Company acquired the operating assets of KSG in exchange for 150,000 shares of the Company's common stock and the assumption by the Company of certain indebtedness of KSG, including KSG's indebtedness to the Connecticut Bank of Commerce ("CBC"). The Company issued to CBC 140,193 shares of common stock and shares of the Company's Series C, Series D and Series E Convertible Preferred Stock (the "CBC Preferred Stock") in satisfaction of the Company's obligations with respect to such CBC indebtedness. The CBC Preferred Stock is convertible into an aggregate of 648,486 shares of the Company's common stock; provided, however, that to the extent such CBC Preferred Stock will be converted into shares of common stock that exceed 19.9% of the Company's outstanding common stock (calculated as of the date of issuance of the CBC Preferred Stock), the Company must first obtain the approval of the Company's stockholders prior to such issuance. The Company has undertaken to obtain such stockholder approval at the annual meeting of stockholders scheduled for 2002. Additionally, the Company has granted certain registration rights with respect to the shares of common stock issuable upon conversion of the CBC Preferred Stock and has undertaken to register the 140,193 shares of common stock issued to CBC within 120 business days of the date of issuance. The terms of the CBC Preferred Stock also contain certain anti-dilution protections, including those related to issuances of securities by the Company below the market price per share. In connection with the KSG transaction, CBC has amended its credit arrangement with the Company by making such arrangement less restrictive with respect to the mezzanine facility.

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

- (a) Financial Statements of Businesses Acquired (included herein):
 - (i) Independent Auditor's Report;
 - (ii) Balance Sheet as of December 31, 2000;
 - (iii) Statement of Operations and Retained Earnings (Deficit) for the Year Ended December 31, 2000;
 - (iv) Statement of Cash Flows for the Year Ended December 31, 2000;
 - (v) Notes to Financial Statements;
 - (vi) Report on Supplementary Information; and
 - (vii) Supplementary Information.
- (b) Unaudited PRO FORMA Condensed Financial Information (included herein):
 - (i) PRO FORMA Condensed Balance Sheet as of December 31, 2000; and
 - (ii) PRO FORMA Condensed Statement of Operations for the Year Ended December 31, 2000.
- (c) Exhibits included herein:

None
- (d) Exhibits previously filed on August 20, 2001:

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- 3.5 - Certificate of Designations of Series C, Series D and Series E 6% Convertible Preferred Stock of the Company.
- 10.19 - Asset Purchase Agreement dated as of July 30, 2001, by and among the Company, Knowledge Acquisition Corporation, KSG, Cynthia Hollen, Douglas Carlson and Michael Thompson.
- 10.20 - Amendment No. 1 to Asset Purchase Agreement, dated as of August 16, 2001, by and among the Company, Knowledge Acquisition Corporation, KSG, Cynthia Hollen, Douglas Carlson and Michael Thompson.
- 10.21 - First Amendment to Credit Agreement, dated as of August 16, 2001, by and among 5B Technologies Group, Inc., and CBC.
- 10.22 - Security Agreement, dated as of August 16, 2001, by and among Knowledge Acquisition Corporation and CBC.
- 10.23 - Amended and Restated Registration Rights Agreement, dated as of August 16, 2001, by and among the Company and CBC.

SIGNATURES

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

5B TECHNOLOGIES CORPORATION

Date: October 30, 2001

By: /s/ Glenn Nortman

Glenn Nortman, Chief Executive Officer

KNOWLEDGE STRATEGIES GROUP, INC.

FINANCIAL STATEMENTS

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YEAR ENDED DECEMBER 31, 2000

KNOWLEDGE STRATEGIES GROUP, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2000

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[LETTERHEAD OF DIAMANT, KATZ, KAHN & COMPANY LLP]

To the Board of Directors and
Stockholders
Knowledge Strategies Group, Inc.
New York, New York

We have audited the accompanying balance sheet of Knowledge Strategies Group, Inc. as of December 31, 2000, and the related statements of operations and retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 Knowledge Strategies Group, Inc. as of December 31, 2000, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

DIAMANT, KATZ, KAHN & COMPANY LLP

October 19, 2001
New York, New York

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KNOWLEDGE STRATEGIES GROUP, INC.,
BALANCE SHEET
DECEMBER 31, 2000

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ASSETS	
CURRENT ASSETS	
Cash	\$ 7,876
Accounts receivable	633,638
Prepaid expenses	42,445

Total Current Assets	683,959
PROPERTY AND EQUIPMENT, NET	262,261
OTHER ASSETS	
Intangibles, net	46,667
Security deposits	50,780

	\$ 1,043,667
	=====
LIABILITIES AND STOCKHOLDERS' DEFICIENCY	
CURRENT LIABILITIES	
Loans payable - bank	\$ 2,043,412
Accounts payable and accrued expenses	590,868
Capitalized lease obligations, current maturities	16,003

Total Current Liabilities	2,650,283

LONG-TERM LIABILITIES	
Capitalized lease obligations, net of current maturities	18,837

STOCKHOLDERS' DEFICIENCY	
Common stock	12,632
Retained earnings (deficit)	(1,638,085)

	(1,625,453)

	\$ 1,043,667
	=====

See Notes to financial statements.

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KNOWLEDGE STRATEGIES GROUP, INC.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)
YEAR ENDED DECEMBER 31, 2000

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Revenues	\$ 8,040,723
Operating expenses	9,982,631 -----
Loss from operations	(1,941,908)
OTHER EXPENSE	
Interest	149,014 -----
Loss before provision for income taxes	(2,090,922)
Provision for income taxes	6,618 -----
NET LOSS	(2,097,540)
Retained earnings - beginning	459,455 -----
RETAINED EARNINGS (DEFICIT) - ENDING	\$ (1,638,085) =====

See Notes to financial statements.

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KNOWLEDGE STRATEGIES GROUP, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2000

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (2,097,540)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation	110,761
Amortization	3,333
Deferred rent expense	(6,470)
(Increase) decrease in:	
Accounts receivable	428,102
Prepaid expenses	(42,445)
Increase (decrease) in:	
Accounts payable and accrued expenses	156,385
Income taxes payable	(138,250)
Customer deposits	(32,000)

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Net Cash Used by Operating Activities	(1,618,124)

CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment for cash	(140,716)
Purchase of intangibles for cash	(50,000)
Security deposits paid	(36,255)

Net Cash Used by Investing Activities	(226,971)

CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds of bank loan	1,860,627
Proceeds from sale of common stock	32
Repayments of capital leases	(17,145)

Net Cash Provided by Financing Activities	1,843,514

NET DECREASE IN CASH	(1,581)
Cash - beginning of year	9,457

CASH - END OF YEAR	\$ 7,876
=====	

SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid during the year for:	
Interest	\$ 149,014
Income taxes	\$ 150,247

NON CASH INVESTING ACTIVITIES

Equipment acquired for capital lease	\$ 32,292
--------------------------------------	-----------

See notes to financial statements.

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KNOWLEDGE STRATEGIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Knowledge Strategies Group, Inc. was incorporated on March 31, 1995 in the State of New York. The Company amended its articles of incorporation to change its name from Knowledge Strategies, Inc. to Knowledge Strategies Group, Inc. on May 4, 2000. The Company is engaged primarily in the business of internet and new media consulting and business development services. Revenues are

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generated through various internet consulting services including web-site development, electronic commerce and technology consulting, and web-site hosting. A summary of the Company's accounting policies that affect the more significant elements of the financial statements is stated below.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed utilizing the straight-line method based on estimated useful lives of three to ten years. Routine maintenance and repairs are expensed as incurred.

INCOME TAXES

The Company with the consent of its stockholders, has elected to be treated as an "S" corporation for Federal and New York State income tax purposes. The stockholders of an S Corporation are taxed individually on their proportionate share of the Company's taxable income. Therefore, no provision or liability for these income taxes has been included in the financial statements.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

INTANGIBLE ASSETS

Intangible assets are being amortized using the straight-line method over 5 years.

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KNOWLEDGE STRATEGIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

NOTE 2 - PROPERTY AND EQUIPMENT

The major classes of property and equipment, at cost, on December 31, 2000 were as follows:

Furniture and fixtures	\$	141,096
Computer equipment		349,309

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Leasehold Improvements	5,856

	496,261
Less: Accumulated depreciation	233,998

	\$ 262,263
	=====

Property and equipment include gross assets acquired under capital leases of \$99,012.

NOTE 3 - INTANGIBLES

In August 2000, the Company acquired certain trademarks from eOSK.com, Inc. for \$50,000 and a warrant to purchase 1,037,500 shares of the Company's \$.001 common stock at its par value. The warrant expires August 25, 2005.

NOTE 4 - LOANS PAYABLE - BANK

The Company has lines of credit aggregating \$2,100,000 from Connecticut Bank of Commerce. The note requires interest to be paid monthly at the bank's prime interest rate (9.75% at December 31, 2000) plus 2%, and matured March 1, 2001. The amount available under the credit line is limited to 80% of eligible accounts receivable. An additional 2% interest will be charged on over advanced funds. Borrowing against the line is secured by the assets of the Company and is guaranteed by the Company's common stockholders and officers. The loan contains certain restrictions and covenants which, at December 31, 2000, the Company was unable to meet. The Company is in a workout arrangement with the bank - See Note 12. At December 31, 2000 the company owed the bank \$1,650,841 under the credit line and \$392,603 on the over advanced line. During the year ended December 31, 2000 interest in the amount of \$100,456 was charged to operations.

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KNOWLEDGE STRATEGIES GROUP, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (Continued)

NOTE 5 - CAPITAL LEASES

The Company leases equipment under capital leases expiring 2003. The assets and liabilities under capital leases are recorded at

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the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over their respective estimated useful lives.

The following is a summary of property held under capital leases at December 31, 2000:

Equipment	\$	99,012
Less: Accumulated depreciation		57,515

Net equipment held under capital leases	\$	41,497
		=====

Minimum future lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2000 are as follows:

YEAR ENDING DECEMBER 31,		
2001	\$	24,767
2002		19,746
2003		3,506

Total minimum lease payments		48,019
Less: Amount representing interest		13,179

Present value of net minimum lease payments		34,840
Less: Current maturities		16,003

Capital lease obligations, non current portion	\$	18,837
		=====

NOTE 6 - COMMON STOCK

The Company's common stock is comprised of the following:

Class A \$.001 par value, 26,000,000 shares authorized, 12,600,000 issued and outstanding	12,600
Class B, non-voting, \$.001 par value, 4,000,000 shares authorized, 31,759 shares issued and outstanding	32

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KNOWLEDGE STRATEGIES GROUP, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (Continued)

NOTE 7 - COMMITMENTS

LEASES

Future minimum annual rental payments under leases for premises located in New York City expiring through 2003, without regard to increases in real estate taxes and other costs are as follows:

DECEMBER 31, -----	900 BROADWAY -----	1755 5TH AVENUE -----	TOTAL -----
2001	\$ 58,487	\$ 66,120	\$ 124,607
2002	60,827	66,120	126,947
2003	26,000	66,120	96,120

Total rent charged to operations for the year ended December 31, 2000 amounted to \$249,097.

OTHER COMMITMENTS

In August 2000, the Company entered into a two year consulting agreement for services to be provided at \$160,000 per annum plus \$70,000 per month for the first four months of the agreement. For the period ended December 31, 2000, approximately \$300,000 has been included in contractor services.

NOTE 8 - CONCENTRATION OF CREDIT RISK

Approximately 49% of 2000 net revenue and 81% of accounts receivable as of December 31, 2000 were from one client.

NOTE 9 - RELATED PARTY TRANSACTIONS

An entity related through common ownership, Kstrat Ventures Inc. ("Kstrat"), provides for services to emerging companies and, in turn, engages the Company to perform these services. Revenue from Kstrat during the year ended December 31, 2000 totaled \$521,668. At December 31, 2000, the balance of \$211,529 due from Kstrat has been written off as uncollectible.

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KNOWLEDGE STRATEGIES GROUP, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (Continued)

NOTE 10 - INCOME TAXES

The provision for income taxes consists of payments for prior years under accruals.

The Company has available approximately \$2,000,000 of New York City net operating loss carryforwards available to reduce future taxable income expiring in 2015.

Deferred tax liabilities (assets) are comprised as follows:

Deferred tax assets	
Net operating loss carryforward	\$ (180,000)
Deferred tax assets valuation allowance	180,000

Net Deferred Tax Assets	\$ -
	=====

NOTE 11 - GOING CONCERN

As shown in the accompanying financial statements, the Company has incurred losses from operations, and as of December 31, 2000, the Company's current liabilities exceeded its current assets by approximately \$1,966,000 and its total liabilities exceeded its total assets by approximately \$1,625,000. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management has instituted a cost reduction program that included a reduction in labor and fringe costs. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. See Note 12.

NOTE 12 - SUBSEQUENT EVENT

On August 15, 2001, the Company sold all accounts receivable less than 90 days old, property and equipment and all intangible assets to 5 B Technologies Corporation for 150,000 shares of that company's common stock and the assumption of the bank loan and lease obligations. Certain of the Company's stockholders entered into consulting agreements with the purchaser.

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[LETTERHEAD OF DIAMANT, KATZ, KAHN & COMPANY LLP]

To the Board of Directors
and Stockholders of
Knowledge Strategies Group, Inc.
New York, New York

Our report on our audit of the financial statements of Knowledge Strategies Group, Inc. for the year ended December 31, 2000, appears on page 1. That audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information presented on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

DIAMANT, KATZ, KAHN & COMPANY LLP

October 19, 2001
New York, New York

SUPPLEMENTARY INFORMATION

KNOWLEDGE STRATEGIES GROUP, INC.
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2000

OPERATING EXPENSES

Officers' salary	\$ 384,068
Employee salaries	4,859,056
Payroll taxes and related benefits	763,147
Contractor services	597,328
Commissions	230,373
Computer expenses	123,402
Bad debt expense	1,047,593
Rent	281,168
Telecommunications	128,874

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Online access and services	167,260
Recruiting	77,897
Marketing and promotion	121,744
Professional fees	409,970
Travel and entertainment	416,495
Office expense	88,749
Office cleaning and maintenance	47,944
Education, seminars and subscriptions	39,030
Postage and delivery services	24,735
Printing and reproduction	28,111
Equipment leasing	12,066
Miscellaneous	9,410
Insurance	4,493
Contributions	5,624
Depreciation	110,761
Amortization	3,333

	\$ 9,982,631
	=====

See accountants' report on supplementary information.

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5B TECHNOLOGIES CORPORATION AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

The following unaudited pro forma condensed consolidated financial statements give effect to the acquisition by 5B Technologies corporation, ("5B" or the "Company"), of Knowledge Strategies Group, Inc., ("KSG"), using the purchase method of accounting, and are based on estimates and assumptions set forth below and in the notes to such financial statements, which include pro forma adjustments. These pro forma financial statements are based on the historical financial statements of 5B adjusting to give effect to the acquisition of KSG, which was consummated on July 30, 2001.

The pro forma condensed consolidated statement of operations for the year ended December 31, 2000 gives affect to the acquisition as if it had occurred at the beginning of 2000. Such statements are based on historical statements of operations of KSG for the year ended December 31, 2000.

The pro forma condensed consolidated balance sheet for the year ended December 31, 2000 combines 5B and KSG's balance sheets at December 31, 2000.

The pro forma adjustments are based on estimates, available information, valuations and certain assumptions that management deemed

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appropriate. Final purchase accounting adjustments may differ from pro forma adjustments presented herein. The unaudited pro forma condensed consolidated financial information does not profess to represent the Company's results of operations had the above transaction, in fact, occurred on these dates or to project the Company's combined results of operations for any date or period. The pro forma condensed consolidated financial information should be read in conjunction with the Company's and KSG's historical financial statements and notes thereto.

Certain amounts in the 2000 financial statements have been reclassified to conform with the 2000 presentation. Such reclassifications had no effect on net earnings as previously reported.

On May 14, 2001, 5B Technologies Corporation, ("5B" or the "Company"), sold its legal staffing business, which was maintained through a wholly owned subsidiary, Deltaforce Personnel Services, Inc., ("DeltaGroup"). Accordingly, DeltaGroup has been presented as a discontinued operation. The Pro Forma Condensed Consolidated Financial Statements have been restated to conform to such presentation.

5B TECHNOLOGIES CORPORATION AND SUBSIDIARIES

 PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2000

	5B Technologies Corporation	Knowledge Strategies Group, Inc.	Pro Forma Adjusted
ASSETS	(RESTATED)	(UNAUDITED)	()
Current assets:			
Cash and cash equivalents	\$ 1,156,436	\$ 7,876	\$
Investments available for sale	499,778	-	
Accounts receivable, net	1,501,523	633,638	()
Note receivable for services provided	427,590	-	
Other current assets	64,385	42,445	
Total current assets	3,649,712	683,959	()
Goodwill & other intangibles, net	939,900	46,667	
Developed software	-	-	1, ()
Net assets of discontinued operations	1,247,094	-	
Other assets	509,610	313,041	()
TOTAL ASSETS	\$ 6,346,316	\$ 1,043,667	\$ ()
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Notes payable	\$ 850,159	\$ 2,043,412	\$ (2,)

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Accounts payable and accrued expenses	1,461,581	606,871	(
Unearned sales revenue	174,527	-	
<hr/>			
Total current liabilities	2,486,267	2,650,283	(2,
<hr/>			
Notes payable	11,928	18,837	
<hr/>			
TOTAL LIABILITIES	2,498,195	2,669,120	(2,
<hr/>			
REDEEMABLE PREFERRED STOCK	1,250,000	-	
<hr/>			
STOCKHOLDERS' EQUITY:			
Preferred stock	-	-	
Common stock	86,601	12,632	
Additional paid-in capital	14,525,450	-	
Stock subscription receivable	(812,500)	-	
Accumulated deficit	(11,150,825)	(1,638,085)	1,
Treasury stock at cost, 24,500 shares	(50,605)	-	
<hr/>			
TOTAL STOCKHOLDERS' EQUITY	2,598,121	(1,625,453)	2,
<hr/>			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,346,316	\$ 1,043,667	\$ (

See accompanying notes.

5B TECHNOLOGIES CORPORATION AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

DECEMBER 31, 2000

	5B Technologies Corporation	Knowledge Strategies Group, Inc.	P Ad
	(RESTATED)	(UNAUDITED)	(U
Net sales	\$ 14,438,759	\$ 8,040,723	
Cost of sales	11,128,705	-	
<hr/>			
Gross profit	3,310,054	8,040,723	
<hr/>			
Expenses:			

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Selling	1,209,390	-	
General and administrative expenses	3,483,857	9,982,631	\$ (

Total expenses	4,693,247	9,982,631	(

(Loss) from operations	(1,383,193)	(1,941,908)	(
Other income (expense)	86,169	(149,014)	

(Loss) before provision for income taxes and discontinued operations	(1,297,024)	(2,090,922)	(
(Benefit) provision for state and local taxes	(10,820)	6,618	

(Loss) from continuing operations	(1,286,204)	(2,097,540)	(
Discontinued operations:			
(Loss) from discontinued operations	(436,432)	-	
(Loss) on disposal of discontinued operations	(856,198)	-	

Net (loss)	\$ (2,578,834)	\$ (2,097,540)	\$

Preferred dividends and increase in carrying value of redeemable preferred stock	(428,035)	-	

Net (loss) attributable to common shareholders	\$ (3,006,869)	\$ (2,097,540)	\$

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING

Basic	2,162,041
Diluted	2,162,041

BASIC AND DILUTED LOSS PER COMMON SHARE:

Continuing operations	\$ (0.79)

Discontinued operations	\$ (0.60)

Net loss per share	\$ (1.39)

=====	

See accompanying notes.

5B TECHNOLOGIES CORPORATION AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Pro Forma Adjustments

- (a) Reflects assets and liabilities not acquired or assumed by 5B.
- (b) Reflects the capitalization of software developed for sale.

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- (c) Reflects the negative goodwill in connection with the KSG acquisition. Negative goodwill amounted to \$515,405 and was allocated to the acquired assets as follows:

Intangibles	\$ 46,667
Developed software	387,477
Other assets	162,261
Total	\$515,405

- (d) Reflects the acquisition of KSG. 5B issued 150,000 shares of the Company's common stock (valued at \$0.51 per share, the closing price on July 30, 2001) and the assumption by the Company of certain indebtedness of KSG, including KSG's indebtedness to Connecticut Bank of Commerce ("CBC"). The Company issued to CBC 140,193 shares of common stock, (valued at \$0.51 per share, the closing price on July 30, 2001) and shares of the Company's Series C, Series D and Series E Convertible Preferred Stock (the "CBC Preferred Stock") (estimated value of \$709,000, based on a preliminary independent valuation which the Company may change in subsequent filings) in satisfaction of the Company's obligations with respect to such CBC indebtedness. The CBC Preferred Stock is convertible into an aggregate of 648,486 shares of the Company's common stock; provided, however, that to the extent such CBC Preferred Stock will be converted into shares of common stock that exceeds 19.9% of the Company's outstanding common stock (calculated as of the date of issuance of the CBC Preferred Stock), the Company must first obtain the approval of the Company's stockholders prior to such issuance. The Company has undertaken to obtain such stockholder approval at the annual meeting of stockholders scheduled for 2002. Additionally, the Company has granted certain registration rights with respect to the shares of common stock issuable upon conversion of the CBC Preferred Stock and has undertaken to register the 140,193 shares of common stock issued to CBC within 120 business days of the date of issuance. The terms of the CBC Preferred Stock also contains certain anti-dilution protections, including with respect to issuances of securities by the Company below the market price per share.