

Edgar Filing: NUWAVE TECHNOLOGIES INC - Form 8-K/A

NUWAVE TECHNOLOGIES INC  
Form 8-K/A  
November 14, 2005

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 1 TO FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT: AUGUST 31, 2005

NUWAVE TECHNOLOGIES, INC.

-----  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

|   |   |   |
|---|---|---|
| DELAWARE<br>-----<br>(State or other jurisdiction<br>of incorporation)                                    | 0-28606<br>-----<br>(Commission<br>File Number) | 22-3387630<br>-----<br>(IRS Employer<br>Identification No.) |
| 109 NORTH POST OAK LANE, SUITE 422<br>HOUSTON, TEXAS<br>-----<br>(Address of principal executive offices) |   | 77024<br>-----<br>(Zip code)                                |
| Registrant's telephone number, including<br>area code:  |   | (713) 621-2737<br>-----                                     |

NOT APPLICABLE  
-----

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On August 31, 2005 NuWave Technologies, Inc. (the "Company") entered into a merger agreement (the "Agreement") with Strategies Acquisition Corp., a wholly-owned subsidiary of the Company ("SPV"), Corporate Strategies, Inc.

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("Corporate Strategies") and the shareholders of Corporate Strategies listed on Exhibit A therein (collectively, the "Shareholders"), whereby SPV merged with and into Corporate Strategies, with Corporate Strategies remaining as the surviving corporation and continuing its corporate existence under the laws of the State of Delaware and as a wholly-owned subsidiary of the Company (the "Merger"). The separate existence of SPV has ceased.

Pursuant to the terms of the Agreement, the Company issued one (1) share of its common stock ("Common Stock"), par value \$0.001 per share, to each holder of Corporate Strategies Class A common stock in exchange for two (2) shares of Corporate Strategies Class A common stock, par value \$0.001 per share. Second, the Company issued one (1) share of the Company's Series C preferred stock ("Series C Preferred"), par value \$0.01 per share, to each holder of Corporate Strategies Series A preferred stock for one (1) share of Corporate Strategies Series A preferred stock, par value \$0.001 per share.

Third, the Company issued and delivered shares of its Series B convertible preferred stock ("Series B Preferred") to each holder of Corporate Strategies Class B common stock so that effectively upon conversion of the Series B Preferred into common shares, the common shares issued upon conversion shall be equal to ninety-five percent (95%) of the issued and outstanding stock of the Company (calculated on a fully diluted basis as of the date of the Merger, following the issuance of all the Merger Consideration (as such term is defined in the Agreement) and after giving effect to such conversion, but not including any shares of Common Stock issuable upon conversion of any then outstanding Company convertible debentures). Therefore, the Merger Consideration for the Common Stock, Series C Preferred and Series B Preferred was the Corporate Strategies Class A common, Series A preferred and Class B common, respectively. The number of shares issued to the Shareholders in connection with the Merger was based upon a determination by the Company's Board of Directors (the "Board") that the transaction was in the best interest of the Company and its shareholders.

### ITEM 3.02. UNREGISTERED SALES OF EQUITY SECURITIES.

See Item 1.01 above.

### ITEM 5.02. DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS.

Pursuant to the Agreement (see Item 1.01 above), Mr. George D. Kanakis has resigned as the sole officer of the Company, effective August 31, 2005. Mr. Timothy J. Connolly and Mr. A.P. Shukis have replaced him as Chief Executive Officer and as Chief Financial Officer, respectively. Messrs. Kanakis and Gary H. Giannantonio have resigned as the Company's directors. Mr. Fred S. Zeidman has been appointed as the Company's new Chairman and Mr. Connolly has been appointed as the new Vice Chairman of the Board. These changes to the Board became effective on October 27, 2005, or ten (10) days following the Record Date as set forth in that certain Information Statement on Schedule 14-F/A, as filed with the U.S. Securities and Exchange Commission on October 17, 2005.

### ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Provided herewith.

(b) Provided herewith.

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(c) Exhibit No. Description:

| EXHIBIT      | DESCRIPTION  |  |
|--------------|--|--|
| Exhibit 99.1 | Merger Agreement, dated August 31, 2005, by and among NuWave Technologies, Inc., Strategies Acquisition Corp., Corporate Strategies Inc. and the Shareholders listed therein | Incorporated by reference to Exhibit 99.1 to the Company's original Current Report on Form 8-K as filed with the U.S. Secretary and Exchange Commission on September 8, 2005 |

3

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.

NUWAVE TECHNOLOGIES, INC.

Date: November 14, 2005

By: /s/ Timothy J. Connolly

Name: Timothy J. Connolly  
Title: Chief Executive Officer

4

ITEM 9.01 (A) :

CORPORATE STRATEGIES, INC.

FINANCIAL STATEMENTS

TABLE OF CONTENTS

|  | PAGE |
|--|------|
| AUDITED CONSOLIDATED FINANCIAL STATEMENTS:   | ---- |
| Report of Independent Registered Public Accounting Firm  | F-2  |
| Consolidated Balance Sheet as of December 31, 2004   | F-3  |
| Consolidated Statements of Operations<br>For the Years Ended December 31, 2004 and 2003                      | F-4  |
| Consolidated Statements of Changes in Shareholders' Equity<br>For the Years Ended December 31, 2004 and 2003 | F-5  |
| Consolidated Statements of Cash Flows<br>For the Years Ended December 31, 2004 and 2003                      | F-6  |

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|   |      |
|---|------|
| Notes to the Consolidated Financial Statements  | F-7  |
| INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:  |      |
| -----   |      |
| Unaudited Consolidated Balance Sheet as June 30, 2005   | F-21 |
| Unaudited Consolidated Statements of Operations<br>For the Six Months Ended June 30, 2005 and June 30, 2004 | F-22 |
| Unaudited Consolidated Statements of Cash Flows<br>For the Six Months Ended June 30, 2005 and June 30, 2004 | F-23 |
| Notes to the Unaudited Consolidated Financial Statements  | F-24 |

F-1

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FRIM

To the Shareholders  
Corporate Strategies, Inc. and Subsidiaries  
Houston, Texas

We have audited the accompanying consolidated balance sheet of Corporate Strategies, Inc. and Subsidiaries as of December 31, 2004 and the related statements of operations, shareholders' equity, and cash flows for the years ended December 31, 2004 and 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the over-all financial statement presentation. We believe that our audit provides 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 Corporate Strategies, Inc. and Subsidiaries as of December 31, 2004, and the results of its operations and its cash flows for the years ended December 31, 2004 and 2003 in conformity with accounting principles generally accepted in the United States of America.

Thomas Leger & Co., L.L.P.

April 18, 2005  
Houston, Texas

F-2

CORPORATE STRATEGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2004

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ASSETS

|                                     |              |
|-------------------------------------|--------------|
| CURRENT ASSETS                      |              |
| Cash and cash equivalents           | \$ 391,143   |
| Purchased accounts receivable       | 581,274      |
| Other accounts receivable           | 72,403       |
| Minimum lease payments receivable   | 129,468      |
| Notes receivable                    | 88,489       |
| Investment in marketable securities | 841,676      |
| Deferred expenses                   | 96,959       |
| Prepaid expense                     | 45,919       |
|                                     | -----        |
| Total current assets                | 2,247,331    |
|                                     | -----        |
| NONCURRENT ASSETS                   |              |
| Minimum lease payments receivable   | 269,726      |
| Deferred expenses                   | 42,312       |
| Investments                         | 14,819       |
| Intangible assets, net              | 33,367       |
| Fixed assets, net                   | 65,032       |
|                                     | -----        |
| Total noncurrent assets             | 425,256      |
|                                     | -----        |
| TOTAL ASSETS                        | \$ 2,672,587 |
|                                     | =====        |

LIABILITIES AND SHAREHOLDERS' EQUITY

|   |            |
|---|------------|
| CURRENT LIABILITIES   |            |
| Notes payable   | \$ 163,346 |
| Accounts payable  | 204,863    |
| Accrued liabilities   | 76,458     |
| Margin loans  | 392,891    |
| Unearned income   | 70,499     |
| Current tax liability   | 14,055     |
| Deferred tax liability  | 90,523     |
| Due to clients  | 21,461     |
|   | -----      |
| Total current liabilities   | 1,034,096  |
|   | -----      |
| NONCURRENT LIABILITIES  |            |
| Convertible debentures  | 1,300,000  |
| Unearned income   | 68,620     |
| Deferred tax liability  | 15,171     |
|   | -----      |
| Total noncurrent liabilities  | 1,383,791  |
|   | -----      |
| Minority interest   | --         |
|   | -----      |
| COMMITMENTS AND CONTINGENCIES   |            |
| SHAREHOLDERS' EQUITY  |            |
| Preferred Stock, par value \$.001, 1,000,000 shares authorized Series A |            |
| Preferred stock; liquidation preference of \$898,500                    |            |
| redeemable at \$1,500 per share at Company option, cumulative dividends |            |
| of \$120.00 per share per year, non-voting,                             |            |
| par value \$.001, 1,000 shares authorized, 599 shares issued            |            |
| and outstanding   | 1          |
| Common stock  |            |
| Class A, par value \$.001, 145,000,000 shares authorized, 14,880,000    |            |
| shares issued and outstanding   | 14,880     |
| Class B, par value \$.001, 55,000,000 shares authorized, 51,750,000     |            |

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|  |              |
|--|--------------|
| shares issued and outstanding              | 51,750       |
| Additional paid-in capital                 | 1,066,302    |
| Retained deficit                           | (878,233)    |
|  | -----        |
| Total shareholders' equity                 | 254,700      |
|  | -----        |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 2,672,587 |
|  | =====        |

The accompanying notes are an integral part of these consolidated financial statements.

F-3

CORPORATE STRATEGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED  
DECEMBER 31, 2004 AND 2003

|  | 2004         | 2003       |
|--|--------------|------------|
|  | -----        | -----      |
| REVENUE  |              |            |
| Commission income                              | \$ 1,158,589 | \$ 705,033 |
| Discount income                                | 185,226      | 284,263    |
| Consulting revenue                             | 153,270      | 3,540      |
| Marketable securities gain                     | 310,049      | 719,126    |
| Other income                                   | 140,838      | 42,110     |
|  | -----        | -----      |
| Total revenue                                  | 1,947,972    | 1,754,072  |
|  | -----        | -----      |
| GENERAL AND ADMINISTRATIVE EXPENSES            |              |            |
| Salaries and benefits                          | 450,313      | 359,624    |
| Commission and loan processing                 | 723,221      | 320,322    |
| Advertising                                    | 164,732      | 311,899    |
| Business development, travel and entertainment | 100,855      | 86,476     |
| Rent   | 62,426       | 20,360     |
| Depreciation and amortization                  | 32,329       | 22,124     |
| Professional fees                              | 319,855      | 108,193    |
| Bad debt                                       | 388,000      | 154,828    |
| Other  | 246,350      | 112,117    |
|  | -----        | -----      |
| Total general and administrative expenses      | 2,488,081    | 1,495,943  |
|  | -----        | -----      |
| OTHER (INCOME) EXPENSE                         |              |            |
| Minority interest                              | (16,230)     | 4,480      |
| Interest expense                               | 370,894      | 49,054     |
| Interest income                                | (36,433)     | (8,240)    |
|  | -----        | -----      |
| Total other expense                            | 318,231      | 45,294     |
|  | -----        | -----      |
| Income (loss) before income tax                | (858,340)    | 212,835    |
|  | -----        | -----      |
| INCOME TAX PROVISION                           |              |            |
| Current income tax expense                     | 10,000       | 38,474     |
| Deferred income tax expense                    | 33,807       | 42,207     |
|  | -----        | -----      |
| Total income tax provision (benefit)           | 43,807       | 80,681     |

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|  |              |            |
|--|--------------|------------|
| NET INCOME (LOSS)                            | (902,147)    | 132,154    |
| Preferred dividends paid                     | 72,086       | 80,278     |
| INCOME (LOSS) APPLICABLE TO COMMON SHARES    | \$ (974,233) | \$ 51,876  |
| Basic and diluted income (loss) per share    | \$ (0.02)    | \$ 0.00    |
| Basic and diluted average shares outstanding | 57,736,557   | 45,000,000 |

F-4

CORPORATE STRATEGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES  
IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2004 AND 2003

|                               | Preferred Stock |        | Common Stock |           | Additional<br>Paid-in<br>Capital |
|-------------------------------|-----------------|--------|--------------|-----------|----------------------------------|
|                               | Shares          | Amount | Shares       | Amount    |                                  |
| Balance, December 31, 2002    | 766             | \$ 1   | 45,000,000   | \$ 45,000 | \$ 628,788                       |
| Net income                    | --              | --     | --           | --        | --                               |
| Preferred dividends paid      | --              | --     | --           | --        | --                               |
| Balance, December 31, 2003    | 766             | 1      | 45,000,000   | 45,000    | 628,788                          |
| Redemption of preferred stock | (167)           | --     | --           | --        | (145,471)                        |
| Beneficial Conversion Feature | --              | --     | --           | --        | 325,000                          |
| Issuance of common stock      | --              | --     | 21,630,000   | 21,630    | 257,985                          |
| Net loss                      | --              | --     | --           | --        | --                               |
| Preferred dividends paid      | --              | --     | --           | --        | --                               |
| Balance, December 31, 2004    | 599             | \$ 1   | 66,630,000   | \$ 66,630 | \$1,066,302                      |

F-5

CORPORATE STRATEGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

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FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

|   | 2004<br>----- |
|---|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |               |
| Net income (loss)   | \$ (902)      |
| Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities: |               |
| Depreciation and amortization   | 32            |
| Amortization of deferred expenses   | 54            |
| Bad debts   | 388           |
| Impairment of investment  |               |
| Minority interest   | (16)          |
| Non cash interest expense   | 325           |
| Non cash revenues   | (6)           |
| Non cash expense for redemption of preferred stock  | 75            |
| Non cash deferred taxes   | 33            |
| (Increase) decrease in assets:  |               |
| Purchased accounts receivable   | (262)         |
| Other accounts receivable   | (87)          |
| Notes receivable  | (80)          |
| Deferred expenses   | (28)          |
| Prepaid and other   | (17)          |
| Investment in marketable securities   | (684)         |
| Increase (decrease) in liabilities:   |               |
| Accounts payable  | (51)          |
| Accrued liabilities   | 31            |
| Margin loans  | 392           |
| Current tax liability   | (30)          |
| Due to clients  | (62)          |
| Deferred revenue  |               |
|   | -----         |
| Net cash provided by (used in) operating activities   | (899)         |
|   | -----         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |               |
| Purchases of fixed assets   | (78)          |
| Purchase of minimum lease payments receivable   | (253)         |
| Purchase of debentures  | (86)          |
| Redemption (purchase) of investments  | 1             |
|   | -----         |
| Net cash used in investing activities   | (416)         |
|   | -----         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |               |
| Proceeds from note payable  | 279           |
| Principal payments on note payable  | (215)         |
| Net proceeds from sale of convertible debentures  | 1,135         |
| Net proceeds from issuance of common stock  | 270           |
| Purchase of stock from minority interest  | (7)           |
| Proceeds from issuance of stock to minority interest  | 10            |
| Preferred dividends paid  | (72)          |
|   | -----         |
| Net cash provided by (used in) financing activities   | 1,400         |
|   | -----         |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>84</b>     |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>   | <b>306</b>    |
|   | -----         |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <b>\$ 391</b> |
|   | =====         |
| <b>SUPPLEMENTAL INFORMATION</b>   |               |



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|   |    |       |
|---|----|-------|
| Interest paid   | \$ | 44    |
| Taxes paid  |    | 40    |
| Redemption of preferred stock:                                  |    |       |
| Decrease in accounts receivable                                 |    | (221) |
| Decrease in paid-in capital                                     |    | 145   |
| Decrease in paid-in capital:                                    |    |       |
| For change in par value   |    | 10    |
| For cost of registration statement and issuance of common stock |    | 85    |
| Increase in paid-in-capital                                     |    |       |
| Beneficial conversion feature                                   |    | 325   |
| Increase in minority interest                                   |    | 17    |
| Increase in deferred expenses                                   |    | 165   |
| Marketable securities exchanged for debentures                  |    | 248   |
| Common stock issued for services                                |    | 19    |

F-6

CORPORATE STRATEGIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### NATURE OF OPERATIONS AND ORGANIZATION

Corporate Strategies, Inc. (the "Company"), was organized on January 10, 1996 as a Texas limited liability company ("LLC") and began its current operations during 2001. Effective April 1, 2002, the Company incorporated in Delaware with the former members of the Texas limited liability company owning the same equity interest in the Company. As such, the financial statements of the Company are prepared as if the corporation was in existence from inception. The Company is a merchant bank, operating primarily in Texas, that purchases receivables with recourse, and provides strategic consulting and other fee-based corporate finance services, which may include direct investment in clients. Generally, the Company will realize gains or losses on these direct investments in accordance with market demands.

On February 18, 2003, the Company formed Aim American Mortgage, Inc. ("Aim"), incorporated in Texas, for the purpose of engaging in mortgage brokerage activities. The Company owns 85% of Aim. Aim has a buy-sell agreement with the minority interest shareholders. The consolidated financial statements of the Company include the results of the operations of Aim for the period from February 18, 2003 (inception) to December 31, 2003. Aim has been engaged as a mortgage broker involved in the process of originating non-government insured loans in Texas.

On April 23, 2004, Aim formed Aim American Home Loans, Inc. ("AAHL"), incorporated in Texas, for the purpose of engaging in mortgage brokerage activities in the sub-prime loan market. Aim owns 100% of AAHL. The consolidated financial statements of the Company include the results of the operations of AAHL for the period from April 23, 2004 (inception) to December 31, 2004. AAHL has been engaged as a mortgage broker involved in the process of brokering non-government insured loans in Texas.

On October 22, 2004, the Company formed CSI Business Finance, Inc. ("CSIBF"), incorporated in Texas, for the purpose of engaging in equipment leasing activities. The consolidated financial statements of the Company include the results of operations of CSIBF for the period from October 22, 2004 (inception)

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to December 31, 2004. CSIBF finances equipment leases for companies, primarily in Texas. CSIBF is a wholly-owned subsidiary of the Company.

### CONSOLIDATION AND PRESENTATIONS

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

F-7

CORPORATE STRATEGIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### REVENUE RECOGNITION AND FINANCE LEASE

The Company's revenue recognition policies are in compliance with Staff Accounting Bulletin 104. Revenue is recognized at the date a formal arrangement exists, the price is fixed or determinable, the delivery is complete, no other significant obligation of the Company exists and collectibility is reasonably assured.

Commission income from the brokering of loans is recognized when all of the services required to be performed for such revenues have been completed. Incremental direct costs include credit reports appraisal fees, document preparation fees, wire fees, filing fees, and commissions, are included in operating expenses, net of reimbursements.

Discount income from purchased receivable represents a percentage of the purchase invoice. The discount percentage earned is determined by the number of days the invoice is outstanding.

Consulting revenue is recognized as services are performed.

Marketable securities gains (losses) is the change in market value of the trading securities owned by the Company in accordance with Financial Accounting Standard 115 "Accounting for Certain Investments in Debt and Equity Securities."

Lease agreements, under which the Company recovers substantially all its investment from the minimum lease payments are accounted for as finance leases. At lease commencement, the Company records a minimum lease payment receivable and unearned lease income. The remaining unearned income is recognized as revenue over the term of receivables using the interest method.

At December, 2004, a summary of the installments due on minimum lease payments receivable is as follows:

|      |           |
|------|-----------|
| 2005 | \$129,468 |
| 2006 | 129,468   |
| 2007 | 129,468   |
| 2008 | 10,790    |
|      | -----     |
|      | \$399,194 |
|      | =====     |

#### USE OF ESTIMATES

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The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F-8

### CORPORATE STRATEGIES, INC. NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### CASH AND CASH EQUIVALENTS

For purposes of the consolidated statement of cash flows, the Company considers all short-term securities purchased with a maturity date of three months or less to be cash equivalents.

##### ACCOUNTS RECEIVABLE, OTHER

Accounts receivable, other, at December 31, 2004, are primarily receivables of proceeds from the sale of certain leases and receivables for commissions earned or loans closed in December, 2004. All of these receivables were collected subsequent to year end.

##### NOTES RECEIVABLE

In September 2004, the Company converted a \$46,400 receivable from a major customer for consulting fees into a note receivable for \$50,000. The note is being paid through deductions from the customers weekly factoring of accounts receivable. The note balance at December 31, 2004 is \$19,100. The note was fully paid subsequent to year end.

On July 9, 2004, the Company entered into a promissory note with a customer for \$61,000. The note accrues interest at 18% and was due October 31, 2004. On November 1, 2004 the parties executed an extension of the due date of the note to December 31, 2004 and the customer paid the interest due through November 1, 2004. On December 1, 2004 the Company verbally extended the due date to January 31, 2004. The note and accrued interest were paid in full on January 6, 2004.

##### COLLECTIBILITY OF ACCOUNTS AND NOTES RECEIVABLE

The accounts and notes receivable are reviewed monthly for aging and quarterly credit evaluation of the customer's financial condition to determine collectibility. write-offs or an increase in the allowance for doubtful accounts are made based on this evaluation. Based on the company's evaluation, no allowance for doubtful accounts is needed as of December 31, 2004.

The purchased accounts receivable has a liability on the Company's financial statements called "Due to Clients." This liability includes an amount which represents the difference between the face amount of the invoices purchased and the amount paid by the Company for the invoice. This amount effectively serves as an additional allowance for doubtful accounts since it can be used to offset the customer's uncollected purchased account receivable balances.

F-9

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CORPORATE STRATEGIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### FIXED ASSETS

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over estimated useful lives of three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

### INCOME TAXES

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax basis of assets and liabilities is determined annually. Deferred income taxes assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will assure full realization. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

### ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was \$164,732 and \$311,899 for the years ended December 31, 2004 and 2003, respectively.

### RECLASSIFICATIONS

The accompanying consolidated financial statements for prior years contain certain reclassifications to conform with current year presentation.

### FAIR VALUE DISCLOSURE AT DECEMBER 31, 2004

The carrying value of cash, notes and accounts receivable, minimum lease payments receivable, accounts payable, margin loans, accrued liabilities and notes payable are reasonable estimates of their fair value because of short-term maturity.

F-10

CORPORATE STRATEGIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### NET LOSS PER SHARE

Basic income (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average of common shares outstanding during the year. Diluted per share amounts assume the conversion, exercise, or issuance of all potential common stock instruments unless the effect is anti-dilutive, thereby reducing the loss or increasing the income per share.

#### RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards No. 123R "Share-Based Payment" (SFAS 123R). This statement revises SFAS No. 123, supercedes APB No. 25, and requires companies to recognize the cost of employee stock options and other awards of stock-based compensation based on the fair value of the award as of the grant date. Currently, this type of compensation expense is not reflected in the Company's consolidated statements of operations. The effective date of this pronouncement is as of the beginning of the first interim or annual period that begins after December 31, 2005. The Company does not believe that the adoption of SFAS No. 123 will have a material impact on its consolidated financial position, results of operations or cash flows.

In December 2004, the FASB published the following two final FASB Staff Positions, effective immediately. FAS 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004," giving guidance on applying FASB Statement No. 109, Accounting for Income Taxes, to the tax deduction on qualified production activities provided by the American Jobs Creation Act of 2004. FAS 109-2 "Accounting and Disclosure Guidance for that Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" provides guidance on the Act's repatriation provision. The Company is in the process of reviewing the FAS 109-1 and FAS 109-2; however, at this time, the Company does not believe that the adoption of FAS 109-1 or FAS 109-2 will have a material impact on our consolidated financial position, results of operations or cash flows.

In November 2004, the FASB Emerging Issues Task Force, or EITF, reached a consensus in applying the conditions in Paragraph 42 of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets, in Determining Whether to Report Discontinued Operations" (EITF 03-13). Evaluation of whether operations and cash flows have been eliminated depends on whether (1) continuing operations and cash flows are expected to be generated, and (2) the cash flows, based on their nature and significance, are considered direct or indirect. This consensus should be applied to a component that is either disposed of or classified as held for sale in fiscal periods beginning after December 15, 2004. The Company does not believe the adoption of EITF 03-13 will have a material impact on our consolidated financial position, results of operations or cash flows.

F-11

CORPORATE STRATEGIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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In November 2004, the FASB issued SFAS No. 151, "Inventory Costs--An Amendment of ARB No. 43, Chapter 4" (SFAS No. 151). SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense, excessive spoilage, double freight, and re-handling costs be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. SFAS No. 151 is effective for fiscal years beginning after June 15, 2005 and is required to be adopted by us in the first quarter of fiscal 2006, beginning on January 1, 2006. The Company does not believe the adoption of SFAS No. 151 will have an impact on our consolidated financial position, results of operations and cash flows.

### 2. CONCENTRATIONS OF CREDIT RISK AND MAJOR CUSTOMERS

Financial instruments, which potentially subject the Company to concentrations of credit risk consist principally of cash, accounts and notes receivable and marketable securities. The Company maintains its cash accounts in a high quality FDIC insured bank in Texas and in money market brokerage accounts. The Company's accounts receivables consist of purchased receivables, minimum lease payments receivable and receivables for consulting from companies located in the United States. The Company performs ongoing credit evaluations of its customers' financial conditions to ensure collections and minimize losses. The Company reduces its credit risk relating to marketable securities through diversification of marketable securities held.

For the years ended December 31, 2004 and 2003, the Company had sales as a percent of annual revenues to the following customers:

|            | 2004 | 2003 |
|------------|------|------|
|            | ---- | ---- |
| Customer A | 13%  | 8%   |
| Customer B | 0%   | 8%   |

No other customers accounted for more than 10% of revenue during the year.

F-12

CORPORATE STRATEGIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

### 2. CONCENTRATIONS OF CREDIT RISK AND MAJOR CUSTOMERS (CONTINUED)

The Company is a minority shareholder (less than 1%) in Customer A. Total revenues and rent reimbursement from Customer A was as follows:

|                                    | 2004      | 2003      |
|------------------------------------|-----------|-----------|
|                                    | -----     | -----     |
| Consulting revenue                 | \$ 91,400 | \$ --     |
| Revenue from purchased receivables | 160,371   | 140,038   |
| Rent reimbursement (Note 10)       | --        | 28,400    |
|                                    | -----     | -----     |
| Total                              | \$251,771 | \$168,438 |
|                                    | =====     | =====     |

### 3. PURCHASED ACCOUNTS RECEIVABLE

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The Company purchases accounts receivable balances from clients and typically pays less than the face value of the balance at the time a receivable is purchased. Any amounts collected by the Company in excess of the amounts paid for the purchased accounts receivable less fees earned and required reserves are remitted to client. Such excess amounts may be applied to offset uncollected account balances. Any remaining excess amounts are recorded in the balance sheet as due to clients.

### 4. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2004:

|                               |           |
|-------------------------------|-----------|
| Computer equipment            | \$ 69,707 |
| Furniture and fixtures        | 45,153    |
| Leasehold improvements        | 15,696    |
| Other                         | 5,000     |
|                               | -----     |
|                               | 135,556   |
|                               |           |
| Less accumulated depreciation | 70,524    |
|                               | -----     |
| Fixed assets, net             | \$ 65,032 |
|                               | =====     |

Depreciation expense for the years ended December 31, 2004 and 2003 was \$31,376 and \$22,124, respectively.

### 5. INTANGIBLE ASSETS

In November 2004, the Company purchased from an existing leasing company its client list and the residual value in certain leases for \$57,500. The leases were sold in January 2005 for approximately \$23,000 which was the value assigned to the leases at December 31, 2004. The remaining purchase price of \$34,320 was assigned to the client list. This intangible asset is being amortized over its estimated useful life of three years. The amortization expense and reserve for amortization at December 31, 2004 is \$953. Amortization for the years ended December 31, 2005, 2006 and 2007 will be \$11,436, \$11,436 and \$10,495, respectively.

F-13

CORPORATE STRATEGIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

### 6. INVESTMENT IN MARKETABLE SECURITIES

Investments in marketable securities primarily include shares of common stock in various companies. The investments are considered trading securities, and accordingly any changes in market value are reflected in the consolidated statement of operations. At December 31, 2004 and 2003, the Company had unrealized losses of \$25,319 and \$1,490, respectively, related to marketable securities held on those dates. These unrealized losses are included in the consolidated statements of operations for the respective years.

### 7. INVESTMENTS AND DEBENTURES

Investments include shares of common stock in companies which do not have a

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readily determinable fair market value and are accounted for using the cost method. Once a quarter, the financial statements, operations and any other information needed to evaluate these investments are reviewed to determine if an impairment needs to be recorded.

On October 14, 2004, the Company exchanged cash and common stock in a publicly traded company for a two (2) year \$335,000 12% convertible debenture in another publicly traded company. The debenture was valued at the market value of the common stock exchanged. At December 31, 2004, the Company determined that the debenture was impaired and a reserve was established for \$335,000. The Company has not accrued any interest on this debenture and has recorded the impairment in bad debt expense.

### 8. NOTES PAYABLE

On November 20, 2002, the Company obtained an unsecured revolving line of credit of \$100,000 at prime plus 2% with an open maturity date. At December 31, 2004, the prime rate was 5.25% and amount borrowed was \$89,537. At December 31, 2004, all payments under the terms of the note were current.

The Company has a \$1,000,000 re-factoring facility with a bank which has an outstanding balance of \$96,782 at December 31, 2004 and is secured by certain assets of the Company. The bank maintains a cash account in the Company's name representing the difference between invoices sold to the bank and the amount loaned by the bank on those invoices. The balance in this account at December 31, 2004 was \$22,974. The Company has no authority over this account and the bank has the right to offset this amount against the re-factoring facility. As such, the Company records its obligation to the bank net of this account. The Company pays the lender 1% of the face value of invoices sold to the lender under this facility. In addition, the Company pays an additional 3/4% of 1% on invoices outstanding at the end of the month following the month of sale. The bank has the right to reassign to the Company any invoices not collected within ninety (90) days and look to the Company for any balances outstanding. The facility matured on March 13, 2005, was extended to April 30, 2005 and may be terminated before then by either party giving sixty (60) days written notice. This facility is guaranteed by two (2) shareholders of the Company.

### 9. CONVERTIBLE DEBENTURES

On May 6, 2004, the Company entered into a Security Purchase Agreement with Cornell Capital Partners, LP ("Cornell") for the sale of \$1,200,000 of 5% Secured Convertible Debentures. The debentures, along with unpaid interest are convertible, at the option of the holder, into Class A common stock at a conversion price equal to the lesser of 120% of the initial bid price of the common stock or 80% of the closing bid price as listed on a principal market. On the second anniversary date of issuance, the Company has the option of paying all the unpaid principal and accrued interest on the unconverted debentures or converting the debentures into common stock. The Company also has the right to redeem the debentures, in whole or part, at any time for 120% of the face amount of the debentures plus accrued interest. The debentures are secured by certain of the Company's assets. At closing \$400,000 of the debentures were issued and funded. The second \$400,000 was funded in September, 2004. The final \$400,000 was funded in April, 2005.

F-14



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9. CONVERTIBLE DEBENTURES (CONTINUED)

On June 30, 2004, the Company terminated a standby Equity Distribution Agreement dated May 6, 2004 and entered into a new Standby Equity Distribution Agreement for the sale of up to \$25,000,000 of the Company's Class A Common Stock. For a period of two years commencing after the effective date of a registration statement registering the resale of the common stock and for as long as the Registration Statement continues to be effective, the Company can request periodic purchases of up to \$600,000 of the committed amount. The purchase price of the stock will be 98% of the volume weighted average price of the common stock for five consecutive trading days following the purchase request. The Company pays a fee of 5% of each requested purchase amount to Cornell. The Company also issued Cornell and others 3,780,000 shares of Class A Common Stock for services rendered pursuant to the agreements.

On June 29, 2004, the Company entered into an agreement with iVoice, Inc. for the sale of \$500,000 of 5% Secured Convertible Debentures. Proceeds were received and the debentures issued at the closing date. The redemption and convertibility terms are identical with the securities discussed in the first paragraph above.

In accordance with EITF 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", the conversion feature on the above debentures which are convertible at date of issuance was accounted for as a beneficial conversion feature and is calculated at its intrinsic value at the commitment date. The proceeds from issuance of the convertible debt were reduced by the intrinsic value of \$325,000 which is allocated to additional paid-in capital. Because the debt is convertible at the date of issuance, the debt discount is charged to interest expense at the date of issuance.

10. COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases its office space under an operating lease which expires in March, 2006. Rental expense under this operating lease aggregated \$62,426 and \$51,466 for the years ended December 31, 2004 and 2003, respectively. The rent for 2003 was offset by rent reimbursement of \$28,400 received from a client that was leasing space from the Company on a month-to-month basis. Effective February 10, 2005, the Company entered into a second five year lease in a separate building and moved the Company's headquarters there with AIM remaining in the previous space. Future minimum payments under non-cancelable operating leases with initial or remaining terms of one year or more consist of the following at December 31, 2004:

F-15

CORPORATE STRATEGIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

|      | Operating<br>Leases<br>----- |
|------|------------------------------|
| 2005 | \$120,765                    |

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|                              |      |           |
|------------------------------|------|-----------|
|                              | 2006 | 84,652    |
|                              | 2007 | 73,591    |
|                              | 2008 | 74,032    |
|                              | 2009 | 74,032    |
|                              | 2010 | 8,058     |
|                              |      | -----     |
| Total Minimum Lease Payments |      | \$425,130 |
|                              |      | =====     |

In connection with the brokerage of loans, the Company is required to make customary representations and warranties regarding the Company and the loans. The Company may be subject to these representations and warranties for the life of the loans and they relate to, among other things: compliance with laws; regulations and underwriting standards; the accuracy of information in the loan documents and loan files; and the characteristics and enforceability of the loans. If the loan is closed before the Company detects non-compliance with these requirements, the Company may be obligated to indemnify the purchaser against that loss. The Company believes they have qualified personnel and have established controls to help ensure that all loans will be originated to the market's requirements; however, the Company cannot provide any assurance that the Company will succeed in doing so. The Company does not believe an allowance for defective loan losses is necessary at this time, however, an allowance will be provided when the Company determines one is necessary.

### 11. SHAREHOLDERS' EQUITY

#### COMMON STOCK

On May 4, 2004 the Company changed the par value of its common stock from \$1.00 to \$.001 per share and increased the number of authorized shares to 200,000,000 consisting of 145,000,000 shares of Class A common stock and 55,000,000 shares of Class B common stock. The terms and rights of Class A Common Stock are identical in all respects, except that (1) each share of Class A Common Stock shall be entitled to one vote on all matters, and (2) each share of Class B Common Stock shall be entitled to ten votes on all matters. Any share of Class B Common Stock that is sold in an open market transaction shall automatically convert upon such transfer into one share of Class A Common Stock. Any share of Class B Common Stock that is transferred by gift or in a private transaction (as opposed to an open market transaction) shall retain its status as a share of Class B Common Stock unless and until such share is transferred in an open market transaction.

F-16

CORPORATE STRATEGIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

### 11. SHAREHOLDERS' EQUITY (CONTINUED)

Effective May 4, 2004, the Company effected a 45,000 to 1 stock split and in August 2004 effected a 3 to 1 stock split. All prior share amounts have been retroactively adjusted to reflect this change.

On March 31, 2004, 6,750,000 shares of common stock were sold to an original shareholder for \$150.

On June 29, 2004, the Company entered into an agreement with iVoice, Inc. for the sale of 7,500,000 shares of the Company's Class A common stock for \$250,000.

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During July and August 2004, the Company sold 3,000,000 shares of the Company's Class A common stock to ten (10) private investors for \$100,000. In October 2004, the Company issued 600,000 shares of the Company's Class A common stock valued at \$19,800 for services for the period October 1, 2004 through September 30, 2005.

### SERIES A PREFERRED STOCK

On May 4, 2004, the Company increased the authorized to 1,000,000 shares of \$.001 par value preferred stock. The Company has authorized 1,000 shares of Series A preferred stock of which 599 shares are outstanding. The Series A are entitled to a cumulative dividend of \$120 per year, to a liquidation preference of \$1,500 per share plus any accrued but unpaid dividends and is non-voting. In addition, at the option of the Company, each share can be redeemed at a price of \$1,500 per share, plus any accrued and unpaid dividends.

During 2004 and 2003, the Company paid preferred stock dividends in the amount of \$72,083 and \$80,278, respectively. The preferred stock shareholders are also common stock shareholders.

### 12. RELATED PARTY TRANSACTIONS

#### EMPLOYEE NOTE RECEIVABLE

On October 26, 2004, the Company entered into a promissory note receivable of \$7,500 with an employee of the Company. On December 10, 2004, the Company entered into a promissory note receivable of \$5,500 with the same employee. The notes accrue interest at 18% and are payable to the Company in full on January 31, 2005 and February 28, 2005, respectively. The note is secured by the commissions earned by the employee. At December 31, 2004 the amount of the notes receivable was \$8,389. The notes were paid in full subsequent to year end.

F-17

CORPORATE STRATEGIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

### 12. RELATED PARTY TRANSACTIONS (CONTINUED)

#### EMPLOYMENT CONTRACT

On September 1, 2004, the Company entered into a five year employment agreement, effective June 1, 2004 with Tim Connolly, Chief Executive Officer and Chairman of the Board. The agreement has a renewal provision, provides for an annual salary and bonus upon attaining certain performance criteria set by the board of directors. The agreement also provides certain anti-dilution provisions in return for an extension of lock-up of the Chief Executive Officer's shares until December 31, 2007 and for certain other fringe benefits.

### 13. INCOME TAXES

The following table sets forth a reconciliation of the statutory federal income tax for the year ended December 31, 2004 and 2003:

|                     | 2004<br>----- | 2003<br>----- |
|---------------------|---------------|---------------|
| Income before taxes | \$(902,147)   | \$ 212,835    |

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|   |              |           |
|---|--------------|-----------|
|   | =====        | =====     |
| Income tax computed at statutory rates        | \$ (306,730) | \$ 72,364 |
| Permanent differences, nondeductible expenses | 139,107      | 8,461     |
| Increase in valuation allowance               | 113,900      | --        |
| Increase in deferred liability                | 13,807       | --        |
| Other   | 29,916       | (144)     |
|   | -----        | -----     |
| Tax Liability                                 | \$ (10,000)  | \$ 80,681 |
|   | =====        | =====     |

The Company files a consolidated tax return with its subsidiaries.

F-18

CORPORATE STRATEGIES, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2004

13. INCOME TAXES (CONTINUED)

DEFERRED INCOME TAXES

The tax effects of the temporary differences between financial statement income and taxable income are recognized as a deferred tax asset and liability. Significant components of the deferred tax asset and liability as of December 31, 2004 is set out below:

DEFERRED TAX ASSET

|   |           |
|---|-----------|
| Conversion to cash basis for tax reporting purposes | \$ 29,262 |
| Impairment expense                                  | 113,900   |
| Valuation allowance                                 | (113,900) |
|   | -----     |
| Deferred tax asset                                  | 29,262    |

DEFERRED TAX LIABILITY

|   |         |
|---|---------|
| Fixed asset tax basis difference        | 15,171  |
| Unrealized gain on security transaction | 119,785 |
|   | -----   |
| Deferred tax liability                  | 134,956 |
|   | -----   |

|                            |            |
|----------------------------|------------|
| Net deferred tax liability | \$ 105,694 |
|                            | =====      |

14. SEGMENT REPORTING

The Company has three segments: mortgage brokerage, through its 85% owned subsidiary, Aim American Mortgage, Inc., and subsidiary, which originates non-government insured loans in Texas, equipment leasing, through its wholly owned subsidiary, CSI Business Finance, Inc. and merchant banking. As a merchant banker, the Company purchases receivables with recourse, makes secured loans to small businesses, provides strategic consulting and other fee based corporate finance services, and makes investments which may include direct investments in clients.

The Company evaluates segment performance and allocates resources based on several factors, of which revenue and income before federal income tax are the primary financial measures. The accounting policies of the reportable segments

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are the same as those described in the footnote entitled "Summary of Significant Accounting Policies" of the Notes to the Consolidated Financial Statements.

F-19

CORPORATE STRATEGIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

14. SEGMENT REPORTING (CONTINUED)

The Company's operations are conducted in the United States.

|                                 | MORTGAGE<br>BROKERAGE (1) | EQUIPMENT<br>LEASING (2) | MERCHANT<br>BANKING | TOTAL        |
|---------------------------------|---------------------------|--------------------------|---------------------|--------------|
|                                 | -----                     | -----                    | -----               | -----        |
| Year ended December 31, 2003    |                           |                          |                     |              |
| Revenue                         | \$ 705,033                | \$ --                    | \$ 1,049,039        | \$ 1,754,072 |
| Interest expense/(income)       | (582)                     | --                       | 41,396              | 40,814       |
| Income before income tax        | 34,899                    | --                       | 177,936             | 212,835      |
| Segment assets                  | 591,242                   | --                       | 603,157             | 1,194,399    |
| Additions to long-term assets   | 34,029                    | --                       | 7,755               | 41,784       |
| Depreciation                    | 6,161                     | --                       | 15,963              | 22,124       |
| YEAR ENDED DECEMBER 31, 2004    |                           |                          |                     |              |
| Revenue                         | \$ 1,145,025              | \$ 6,653                 | \$ 796,294          | \$ 1,947,972 |
| Interest expense/(income)       | (8,654)                   | --                       | 343,115             | 334,461      |
| Income (Loss) before income tax | (233,078)                 | 2,875                    | (628,137)           | (858,340)    |
| Segment assets                  | 412,855                   | 338,223                  | 1,921,509           | 2,672,587    |
| Additions to long-term assets   | 34,391                    | 34,320                   | 9,681               | 78,392       |
| Depreciation and Amortization   | 17,400                    | 953                      | 13,976              | 32,329       |

(1) Amounts presented for December 31, 2003 are for the period from February 18, 2003 (inception) to December 31, 2003.

(2) Amounts presented for December 31, 2004 are for the period from October 22, 2004 (inception) to December 31, 2004

F-20

CORPORATE STRATEGIES, INC. AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED BALANCE SHEET  
JUNE 30, 2005

ASSETS

CURRENT ASSETS

Cash and cash equivalents  
Purchased accounts receivable  
Accounts receivable-shareholder

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Other accounts receivable  
Minimum lease payments receivable  
Notes receivable  
Investment in marketable securities  
Deferred expenses  
Prepaid expense

Total current assets

### NONCURRENT ASSETS

Minimum lease payments receivable  
Deferred expenses  
Investments  
Intangible assets, net  
Fixed assets, net

Total noncurrent assets

TOTAL ASSETS

### LIABILITIES AND SHAREHOLDERS' DEFICIT

#### CURRENT LIABILITIES

Notes payable  
Accounts payable  
Accrued liabilities  
Unearned income  
Current tax liability  
Deferred tax liability  
Due to clients

Total current liabilities

#### NONCURRENT LIABILITIES

Convertible debentures  
Unearned income  
Deferred tax liability

Total noncurrent liabilities

Minority interest

#### COMMITMENTS AND CONTINGENCIES

##### SHAREHOLDERS' DEFICIT

Preferred Stock, par value \$.001, 1,000,000 shares authorized

Series A Preferred stock; liquidation preference of \$855,000 redeemable at \$1,500 per share

Company option, cumulative dividends of \$120.00 per share per year, non-voting, par value

\$.001, 1,000 shares authorized, 570 shares issued and outstanding

Common stock

Class A, par value \$.001, 145,000,000 shares authorized, 39,880,000 shares issued and outst

Class B, par value \$.001, 55,000,000 shares authorized, 43,416,667 shares issued and outsta

Additional paid-in capital

Retained deficit

Total shareholders' deficit

TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT

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F-21

CORPORATE STRATEGIES, INC. AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS  
 FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

|  | 2005         | 2004         |
|--|--------------|--------------|
|  | -----        | -----        |
| REVENUE  |              |              |
| Commission income                              | \$ 599,269   | \$ 584,058   |
| Discount income                                | 98,608       | 72,623       |
| Consulting revenue                             | 117,000      | --           |
| Marketable securities gain                     | 194,564      | 62,718       |
| Other income                                   | 89,159       | 64,270       |
|  | -----        | -----        |
| Total revenue                                  | 1,098,600    | 783,669      |
|  | -----        | -----        |
| GENERAL AND ADMINISTRATIVE EXPENSES            |              |              |
| Salaries and benefits                          | 360,165      | 261,876      |
| Commission and loan processing                 | 374,539      | 305,704      |
| Advertising                                    | 89,537       | 73,172       |
| Business development, travel and entertainment | 82,044       | 33,406       |
| Rent   | 66,490       | 30,628       |
| Depreciation and amortization                  | 27,642       | 15,144       |
| Professional fees                              | 172,710      | 97,996       |
| Other  | 161,890      | 116,672      |
|  | -----        | -----        |
| Total general and administrative expenses      | 1,335,017    | 934,598      |
|  | -----        | -----        |
| OTHER (INCOME) EXPENSE                         |              |              |
| Minority interest                              | (750)        | (17,308)     |
| Interest expense                               | 142,067      | 12,124       |
| Other income                                   | (46,517)     | --           |
| Interest income                                | (5,533)      | (4,040)      |
|  | -----        | -----        |
| Total other (income) expense                   | 89,267       | (9,224)      |
|  | -----        | -----        |
| Loss before income tax                         | (325,684)    | (141,705)    |
|  | -----        | -----        |
| INCOME TAX PROVISION                           |              |              |
| Current income tax expense (benefit)           | --           | --           |
| Deferred income tax expense (benefit)          | 61,207       | (35,229)     |
|  | -----        | -----        |
| Total income tax provision (benefit)           | 61,207       | (35,229)     |
|  | -----        | -----        |
| NET LOSS                                       | (386,891)    | (106,476)    |
|  |              |              |
| Preferred dividends paid                       | 30,060       | 38,306       |
|  | -----        | -----        |
| LOSS APPLICABLE TO COMMON SHARES               | \$ (416,951) | \$ (144,782) |
|  | =====        | =====        |
| Basic and diluted loss per share               | \$ (0.01)    | \$ (0.00)    |
|  | =====        | =====        |

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|  |            |            |
|--|------------|------------|
| Basic and diluted average shares outstanding | 66,630,000 | 49,438,516 |
|  | =====      | =====      |

F-22

CORPORATE STRATEGIES, INC. AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

|  | 2005     |
|--|----------|
|  | -----    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |          |
| Net loss   | \$ (386) |
| Adjustment to reconcile net loss to net cash provided by (used in) operating activities: |          |
| Depreciation and amortization  | 27       |
| Amortization of deferred expenses  | 56       |
| Minority interest  |          |
| Non-cash interest expense  | 100      |
| Non-cash expense for redemption of preferred stock                                       | 18       |
| Non-cash deferred taxes  | 61       |
| (Increase) decrease in assets:   |          |
| Purchased accounts receivable  | 557      |
| Other accounts receivable  | 6        |
| Accounts receivable-shareholder  | (55)     |
| Minimum lease payments receivable  | 64       |
| Notes receivable   | (69)     |
| Deferred expenses  | (12)     |
| Prepaid and other  | (73)     |
| Investment in marketable securities  | 258      |
| Deferred expenses  |          |
| Increase (decrease) in liabilities:  |          |
| Accounts payable   | (42)     |
| Accrued liabilities  | 36       |
| Margin loans   | (392)    |
| Current tax liability  |          |
| Due to clients   | 38       |
| Unearned income  | (41)     |
|  | -----    |
| Net cash provided by (used in) operating activities                                      | 150      |
|  | -----    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |          |
| Purchases of fixed assets  | (92)     |
| Purchase of minimum lease payments receivable  | (25)     |
|  | -----    |
| Net cash used in investing activities  | (117)    |
|  | -----    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |          |
| Principal payments on note payable   | (73)     |
| Net proceeds from sale of convertible debentures   | 335      |
| Net proceeds from issuance of common stock   |          |
| Proceeds from issuance of stock to minority interest                                     |          |
| Preferred dividends paid   | (30)     |
|  | -----    |
| Net cash provided by financing activities  | 231      |
|  | -----    |



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|  |        |
|--|--------|
| NET INCREASE IN CASH AND CASH EQUIVALENTS  | 264    |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD   | 391    |
|  | -----  |
| CASH AND CASH EQUIVALENTS, END OF PERIOD   | \$ 656 |
|  | =====  |
| SUPPLEMENTAL INFORMATION   |        |
| Interest paid  | \$ 5   |
| Taxes paid   |        |
| Redemption of preferred stock:   |        |
| Decrease in accounts receivable  | (43)   |
| Increase in accounts payable   |        |
| Decrease in paid-in capital  | 25     |
| Increase in additional paid-in capital   |        |
| Beneficial conversion feature  | 100    |
| Increase in deferred expenses  | 65     |
| Increase in minority interest  |        |
| Costs of registration statement charged to additional paid-in capital  |        |
| Increase in additional paid-in capital for cost of registration statement withheld by investor               |        |
| Increase in common stock and reduction of additional paid-in capital for stock split and change in par value |        |

F-23

CORPORATE STRATEGIES, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS  
JUNE 30, 2005

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Corporate Strategies, Inc. have been prepared in accordance with the accounting principles generally accepted in the United States of America for interim financial reporting. They do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation, have been included in the accompanying unaudited financial statements. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year.

These financial statements should be read in conjunction with the audited financial statements and footnotes for the year ended December 31, 2004 which are included in this Form 8-K/A.

NOTE 2 - SUBSEQUENT EVENTS

On August 25, 2005, Corporate Strategies, Inc. merged CSI Business Finance (a wholly owned subsidiary of Corporate Strategies) and Health Express USA, Inc., a public company currently trading on the OTC Bulletin Board. As a result of the share exchange agreement, Corporate Strategies, Inc. exchanged its common shares of CSI Business Finance, Inc. for 100,000 restricted shares of Series A Convertible Preferred stock of Health Express.

Corporate Strategies has chosen to spin off the preferred stock shares acquired in this transaction to its shareholders in the form of a dividend. The effect of the spin-off of CSI Business Finance, Inc. on the Unaudited Consolidated Financial Statements at June 30, 2005 would be as follows:

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|  | Corporate<br>Strategies,<br>Inc.<br>Consolidated<br>(Unaudited) | CSI Business<br>Finance, Inc.<br>(Unaudited) | Corporate<br>Strategies,<br>Inc.<br>Consolidated<br>After Spin-<br>Off<br>(Unaudited) |
|--|---|--|---|
|  | -----   | -----  | -----   |
| Balance Sheet                              |   |  |   |
| Total current assets                       | \$ 1,944,245  | \$ 72,843                                    | 1,871,402   |
| Total non-current assets                   | 423,497   | 244,263                                      | 179,234   |
|  | -----   | -----  | -----   |
| Total assets                               | \$ 2,367,742  | \$ 317,106                                   | \$ 2,050,636  |
|  | =====   | =====  | =====   |
| <br>                                       |   |  |   |
| Total current liabilities                  | \$ 684,688  | \$ 71,100                                    | \$ 613,588  |
| Total non-current liabilities              | 1,770,642   | 41,005                                       | 1,729,637   |
|  | -----   | -----  | -----   |
| Total liabilities                          | 2,455,330   | 112,105                                      | 2,343,225   |
| <br>                                       |   |  |   |
| Total shareholders' equity                 | (87,588)  | 205,001                                      | (292,589)   |
|  | -----   | -----  | -----   |
| Total liabilities and shareholders' equity | \$ 2,367,742  | \$ 317,106                                   | \$ 2,050,636  |
|  | =====   | =====  | =====   |

F-24

CORPORATE STRATEGIES, INC.  
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2005

NOTE 2 - SUBSEQUENT EVENTS (continued)

|                            | Corporate<br>Strategies,<br>Inc.<br>Consolidated<br>(Unaudited) | CSI Business<br>Finance, Inc.<br>(Unaudited) | Corporate<br>Strategies,<br>Inc.<br>Consolidated<br>After Spin-<br>Off<br>(Unaudited) |
|----------------------------|---|--|---|
|                            | -----   | -----  | -----   |
| Statement of Operations    |   |  |   |
| Total Revenues             | \$ 1,098,600  | \$ 88,424                                    | \$ 1,010,176  |
| <br>                       |   |  |   |
| Total operating expenses   | 1,335,017   | 66,517                                       | 1,268,500   |
| Total other expense        | 89,267  | --   | 89,267  |
|                            | -----   | -----  | -----   |
| Income (loss) before taxes | (325,684)   | 21,907                                       | (347,591)   |
| <br>                       |   |  |   |
| Total income tax expense   | 61,207  | 4,010  | 57,197  |
|                            | -----   | -----  | -----   |
| Net income (loss)          | (386,891)   | 17,897                                       | (404,788)   |

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|   |              |          |              |
|---|--------------|----------|--------------|
| Dividends paid                            | 30,060       | 12,000   | 18,060       |
|   | -----        | -----    | -----        |
| Income (loss) applicable to common shares | \$ (416,951) | \$ 5,897 | \$ (422,848) |
|   | =====        | =====    | =====        |

F-25

ITEM 9.01(B):

CORPORATE STRATEGIES, INC.

PRO FORMA FINANCIAL STATEMENTS

TABLE OF CONTENTS

|  | PAGE |
|--|------|
|  | ---- |
| Pro Forma Financial Statements:  |      |
| Unaudited Consolidated Pro Forma Balance Sheet as June 30, 2005                                    | F-28 |
| Unaudited Consolidated Pro Forma Statement of Operations For the<br>Six Months Ended June 30, 2005 | F-29 |
| Unaudited Consolidated Pro Forma Statement of Operations For the<br>Year Ended December 31, 2004   | F-30 |

F-26

CORPORATE STRATEGIES, INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS

DESCRIPTION OF MERGER AND RELATED EVENTS

On August 31, 2005 NuWave Technologies, Inc. (the "Company") entered into a merger agreement (the "Agreement") with Strategies Acquisition Corp., a wholly-owned subsidiary of the Company ("SPV"), Corporate Strategies, Inc. ("Corporate Strategies") and the shareholders of Corporate Strategies (collectively, the "Shareholders"), whereby SPV merged with and into Corporate Strategies, with Corporate Strategies remaining as the surviving corporation and continuing its corporate existence under the laws of the State of Delaware and as a wholly-owned subsidiary of the Company (the "Merger"). The separate existence of SPV has ceased.

Pursuant to the terms of the Agreement, the Company issued one (1) share of its common stock ("Common Stock"), par value \$0.001 per share, to each holder of Corporate Strategies Class A common stock in exchange for two (2) shares of Corporate Strategies Class A common stock, par value \$0.001 per share. Second, the Company issued one (1) share of the Company's Series C preferred stock ("Series C Preferred"), par value \$0.01 per share, to each holder of Corporate Strategies Series A preferred stock for one (1) share of Corporate Strategies Series A preferred stock, par value \$0.001 per share. Third, the Company issued and delivered shares of its Series B convertible preferred stock ("Series B Preferred") to each holder of Corporate Strategies Class B common stock so that effectively upon conversion of the Series B Preferred into common shares, the common shares issued upon conversion shall be equal to ninety-five percent (95%) of the issued and outstanding stock of the Company (calculated on a fully

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diluted basis as of the date of the Merger, following the issuance of all the Merger Consideration (as such term is defined in the Agreement) and after giving effect to such conversion, but not including any shares of Common Stock issuable upon conversion of any then outstanding Company convertible debentures). Therefore, the Merger Consideration for the Common Stock, Series C Preferred and Series B Preferred was the Corporate Strategies Class A common, Series A preferred and Class B common, respectively. The number of shares issued to the Shareholders in connection with the Merger was based upon a determination by the Company's Board of Directors (the "Board") that the transaction was in the best interest of the Company and its shareholders.

The unaudited pro forma consolidated balance sheet is presented as if the exchange had taken place on June 30, 2005. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2004 and the six months ended June 30, 2005 are presented as if the exchange had taken place at the beginning of each reporting period. The unaudited pro forma consolidated financial statements are provided for information purposes only and do not purport to represent what the consolidated financial position and results of operations would have been had the merger, in fact, occurred on the dates indicated. The unaudited pro forma consolidated financial statements are presented for illustrative purposes only. The pro forma adjustments are based upon available information and assumptions that management believes are reasonable.

The accompanying consolidated financial statements of Corporate Strategies presented in this report should be read in conjunction with Corporate Strategies' audited consolidated financial statements and footnotes for the year ended December 31, 2004 which are included in this Form-8K/A. Also included are Corporate Strategies' unaudited consolidated financial statements for the six months ended June 30, 2005.

The accompanying consolidated financial statements of the NuWave Technologies, Inc. should be read in conjunction with the historical financial statements of the NuWave Technologies, Inc. included in it's Form 10-KSB for the year ended December 31, 2004 and it's Form 10-QSB for the six months ended June 30, 2005.

This transaction is being accounted for as a reverse acquisition since the control of the Company has passed to the stockholders of the acquired company.

F-27

CORPORATE STRATEGIES, INC.  
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET  
JUNE 30, 2005

|  | Corporate<br>Strategies,<br>Inc.<br>----- | NuWave<br>Technologies,<br>Inc.<br>----- | Adjustme<br>----- |
|--|---|--|-------------------|
| ASSETS                                 |   |  |                   |
| CURRENT ASSETS                         |   |  |                   |
| Cash and cash equivalents              | \$ 656,024                                | \$ 9,000                                 | \$                |
| Purchased accounts receivable          | 23,560                                    | --                                       |                   |
| Other accounts receivable--shareholder | 55,112                                    | --                                       |                   |
| Other accounts receivable              | 65,850                                    | --                                       |                   |
| Minimum lease payments receivable      | 152,854                                   | --                                       |                   |
| Notes receivable                       | 157,000                                   | --                                       |                   |

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|  |              |              |          |
|--|--------------|--------------|----------|
| Investment in marketable securities                      | 583,303      | 85,000       |          |
| Deferred expenses  | 130,907      | --           |          |
| Prepaid expenses   | 119,635      | 23,000       |          |
|  | -----        | -----        | -----    |
| Total current assets                                     | 1,944,245    | 117,000      |          |
|  | -----        | -----        | -----    |
| NONCURRENT ASSETS  |              |              |          |
| Minimum lease payments receivable                        | 215,783      | --           |          |
| Deferred expenses  | 29,375       | --           |          |
| Investments  | 14,819       | --           |          |
| Intangible assets, net                                   | 27,647       | --           |          |
| Fixed assets, net  | 135,873      | 17,000       |          |
| Land held for development and sale                       | --           | 2,884,000    |          |
|  | -----        | -----        | -----    |
| Total noncurrent assets                                  | 423,497      | 2,901,000    |          |
|  | -----        | -----        | -----    |
| TOTAL ASSETS   | \$ 2,367,742 | 3,018,000    |          |
|  | =====        | =====        | =====    |
| LIABILITIES AND<br>SHAREHOLDERS' (DEFICIT)               |              |              |          |
| CURRENT LIABILITIES                                      |              |              |          |
| Notes payable  | \$ 89,537    | \$ --        | \$ --    |
| Accounts payable   | 205,555      | 166,000      |          |
| Accrued liabilities                                      | 112,574      | --           |          |
| Unearned income  | 65,783       | --           |          |
| Current tax liability                                    | 14,055       | --           |          |
| Deferred tax liability                                   | 137,264      | --           |          |
| Due to clients   | 59,920       | --           |          |
| Current portion of convertible debentures                | --           | 355,000      |          |
| Current portion of convertible debentures--related party | --           | 250,000      |          |
| Current portion of note payable--related party           | --           | 176,000      |          |
|  | -----        | -----        | -----    |
| Total current liabilities                                | 684,688      | 947,000      |          |
|  | -----        | -----        | -----    |
| NONCURRENT LIABILITIES                                   |              |              |          |
| Note payable--related party                              | --           | 3,481,000    |          |
| Note payable--related party, net of current portion      | --           | 1,224,000    |          |
| Convertible debenture                                    | 1,700,000    | 84,000       |          |
| Accrued interest--non-current                            | --           | 183,000      |          |
| Unearned income  | 41,005       | --           |          |
| Deferred tax liability                                   | 29,637       | --           |          |
|  | -----        | -----        | -----    |
| Total noncurrent liabilities                             | 1,770,642    | 4,972,000    |          |
|  | -----        | -----        | -----    |
| COMMITMENTS AND CONTINGENCIES                            |              |              |          |
| SHAREHOLDERS' (DEFICIT)                                  |              |              |          |
| Preferred stock  | 1            | --           | 1,       |
| Common stock   | 83,297       | 3,000        | (63,     |
| Additional paid-in-capital                               | 1,124,298    | 25,918,000   | (25,813, |
| Accumulated other comprehensive loss                     | --           | (45,000)     |          |
| Retained earnings (deficit)                              | (1,295,184)  | (28,777,000) | 25,876,  |
|  | -----        | -----        | -----    |
| Total shareholders' equity (deficit)                     | (87,588)     | (2,901,000)  |          |
|  | -----        | -----        | -----    |
| TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT)            | \$ 2,367,742 | \$ 3,018,000 | \$ --    |
|  | =====        | =====        | =====    |

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- A To record the shares of common and preferred stock issued at the time of merger  
 B To eliminate the Nuwave retained deficit  
 C To record merger expense for the net liabilities acquired as a part of the merger

F-28

CORPORATE STRATEGIES, INC.  
 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS  
 FOR THE SIX MONTHS ENDED JUNE 30, 2005

|  | Corporate<br>Strategies,<br>Inc. | NuWave<br>Technologies,<br>Inc. | Adjustments        |
|--|----------------------------------|---------------------------------|--------------------|
|  | -----                            | -----                           | -----              |
| <b>REVENUE</b>                                 |                                  |                                 |                    |
| Commission income                              | \$ 599,269                       | \$ --                           | \$ --              |
| Discount income                                | 98,608                           | --                              | --                 |
| Consulting revenue                             | 117,000                          | --                              | --                 |
| Marketable securities gain                     | 194,564                          | --                              | --                 |
| Other income                                   | 89,159                           | --                              | --                 |
|  | -----                            | -----                           | -----              |
|  | 1,098,600                        | --                              | --                 |
|  | -----                            | -----                           | -----              |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>     |                                  |                                 |                    |
| Salaries and benefits                          | 360,165                          | 77,770                          | (77,770)           |
| Commissions and loan processing                | 374,539                          | --                              | --                 |
| Advertising                                    | 89,537                           | --                              | --                 |
| Business development, travel and entertainment | 82,044                           | --                              | --                 |
| Rent   | 66,490                           | 53,079                          | (53,079)           |
| Depreciation and amortization                  | 27,642                           | 4,397                           | --                 |
| Professional fees                              | 172,710                          | 201,391                         | (151,391)          |
| Merger expense                                 | --                               | --                              | 2,901,000          |
| Other  | 161,890                          | 61,816                          | --                 |
|  | -----                            | -----                           | -----              |
| Total general and administrative expenses      | 1,335,017                        | 398,453                         | 2,618,760          |
|  | -----                            | -----                           | -----              |
| <b>OTHER (INCOME) EXPENSE</b>                  |                                  |                                 |                    |
| Minority interest                              | (750)                            | --                              | --                 |
| Interest expense                               | 142,067                          | 119,221                         | --                 |
| Interest income                                | (5,533)                          | --                              | --                 |
| Other income                                   | (46,517)                         | --                              | --                 |
|  | -----                            | -----                           | -----              |
| Total other expense                            | 89,267                           | 119,221                         | --                 |
|  | -----                            | -----                           | -----              |
| Income (loss) before income tax                | (325,684)                        | (517,674)                       | (2,618,760)        |
|  | -----                            | -----                           | -----              |
| <b>INCOME TAX PROVISION</b>                    |                                  |                                 |                    |
| Current income tax expense (benefit)           | --                               | --                              | --                 |
| Deferred income tax provision (benefit)        | 61,207                           | --                              | --                 |
|  | -----                            | -----                           | -----              |
| Total income tax provision (benefit)           | 61,207                           | --                              | --                 |
|  | -----                            | -----                           | -----              |
| <b>NET LOSS</b>                                | <b>(386,891)</b>                 | <b>(517,674)</b>                | <b>(2,618,760)</b> |

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|  |              |              |                |
|--|--------------|--------------|----------------|
| Preferred dividends paid                     | 30,060       | --           | --             |
| NET LOSS APPLICABLE TO COMMON SHARES         | \$ (416,951) | \$ (517,674) | \$ (2,618,760) |
| Basic and diluted loss per common share      | \$ (0.01)    | \$ (0.23)    |                |
| Basic and diluted average shares outstanding | 66,630,000   | 2,294,323    |                |
| COMPREHENSIVE LOSS                           |              |              |                |
| Net Loss                                     | \$ (416,951) | \$ (517,674) | \$ (2,618,760) |
| Unrealized gain on marketable securities     | --           | (170,000)    | --             |
| Comprehensive loss                           | \$ (416,951) | \$ (687,674) | \$ (2,618,760) |

- A To eliminate revenue and expenses that do not relate to on-going operations  
B To record merger expense for the net liabilities acquired

F-29

CORPORATE STRATEGIES, INC.  
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2004

|  | Corporate<br>Strategies,<br>Inc. | NuWave<br>Technologies,<br>Inc. | Adjustments |
|--|----------------------------------|---------------------------------|-------------|
| REVENUE  |                                  |                                 |             |
| Commission income                              | \$ 1,158,589                     | \$ --                           | \$ --       |
| Discount income                                | 185,226                          | --                              | --          |
| Consulting revenue                             | 153,270                          | --                              | --          |
| Marketable securities gain                     | 310,049                          | --                              | --          |
| Other income                                   | 140,838                          | --                              | --          |
|  | 1,947,972                        | --                              | --          |
| GENERAL AND ADMINISTRATIVE EXPENSES            |                                  |                                 |             |
| Salaries and benefits                          | 450,313                          | 197,771                         | (197,771)   |
| Commissions and loan processing                | 723,221                          | --                              | --          |
| Advertising                                    | 164,732                          | --                              | --          |
| Business development, travel and entertainment | 100,855                          | --                              | --          |
| Rent   | 62,426                           | 48,678                          | (48,678)    |
| Depreciation and amortization                  | 32,329                           | 5,188                           | --          |
| Professional fees                              | 319,855                          | 344,340                         | (229,340)   |
| Bad Debt                                       | 388,000                          | --                              | --          |
| Merger Expense                                 | --                               | --                              | 2,901,000   |
| Other  | 246,350                          | 144,692                         | --          |
| Total general and administrative expenses      | 2,488,081                        | 740,669                         | 2,425,211   |
| OTHER (INCOME) EXPENSE                         |                                  |                                 |             |
| Minority interest                              | (16,230)                         | --                              | --          |

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|  |              |              |                |
|--|--------------|--------------|----------------|
| Interest expense                             | 370,894      | 517,531      | (240,000)      |
| Interest income                              | (36,433)     | (2,833)      | 2,833          |
| Gain on forgiveness of debt                  | --           | (19,977)     | 19,977         |
| Gain on sale of interest in undeveloped land | --           | (850,001)    | 850,001        |
|  | -----        | -----        | -----          |
| Total other (income) expense                 | 318,231      | (355,280)    | 632,811        |
|  | -----        | -----        | -----          |
| Loss before income tax                       | (858,340)    | (385,389)    | (3,058,022)    |
| INCOME TAX PROVISION                         |              |              |                |
| Current income tax expense (benefit)         | 10,000       | (49,590)     | 49,590         |
| Deferred income tax provision (benefit)      | 33,807       | --           | --             |
|  | -----        | -----        | -----          |
| Total income tax provision (benefit)         | 43,807       | (49,590)     | 49,590         |
|  | -----        | -----        | -----          |
| NET LOSS                                     | (902,147)    | (335,799)    | (3,107,612)    |
|  | -----        | -----        | -----          |
| Preferred dividends paid                     | 72,086       | --           | --             |
|  | -----        | -----        | -----          |
| NET LOSS APPLICABLE TO COMMON SHARES         | \$ (974,233) | \$ (335,799) | \$ (3,107,612) |
|  | =====        | =====        | =====          |
|  | -----        | -----        | -----          |
| Basic and diluted net loss per share         | \$ (0.02)    | \$ (0.17)    |                |
|  | =====        | =====        |                |
|  | -----        | -----        | -----          |
| Basic and diluted average shares outstanding | 57,736,557   | 1,986,640    |                |
|  | =====        | =====        |                |
| COMPREHENSIVE LOSS                           |              |              |                |
| Net Loss                                     | \$ (974,233) | \$ (335,799) | \$ (3,107,612) |
| Unrealized gain on marketable securities     | --           | 125,261      | --             |
|  | -----        | -----        | -----          |
| Comprehensive loss                           | \$ (974,233) | \$ (210,538) | \$ (3,107,612) |
|  | =====        | =====        | =====          |

- A To eliminate revenue and expenses that do not relate to on-going operations
- B To record merger expense for the net liabilities acquired