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DATE: September 28, 2000

ACCOUNT NO: FCA000000015

AUTHORIZATION: ABBIE/PAUL HODGE

TYPE OF FILING:

ARTICLES OF SHARE EXCHANGE

NAME:

INTERNET VENTURE GROUP, INC.

SPECIAL INSTRUCTIONS:

NONE

Share Exchange  
9-29-00  
MSE

DEPARTMENT OF STATE  
TALLAHASSEE, FLORIDA

00 SEP 28 PM 4:22

FILED

DEPARTMENT OF STATE  
DIVISION OF CORPORATE AFFAIRS  
TALLAHASSEE, FLORIDA

00 SEP 28 AM 10:32

RECEIVED

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FLORIDA DEPARTMENT OF STATE

Katherine Harris  
Secretary of State

September 28, 2000

Florida Filing & Search Services, Inc.  
P.O. 10662  
Tallahassee, FL 32302

SUBJECT: INTERNET VENTURE GROUP, INC.  
Ref. Number: J62675

We have received your document for INTERNET VENTURE GROUP, INC. and your check(s) totaling \$70.00. However, the enclosed document has not been filed and is being returned for the following correction(s):

Please state the name of the corporation the shares of which will be acquired and the name of the acquiring corporation. Please fill in the closing date on page 4, paragraph 7 subsection (a) located in exhibit B.

If you have any questions concerning the filing of your document, please call (850) 487-6907.

Annette Ramsey  
Corporate Specialist

Letter Number: 100A00051067

ok to resubmit  
Retain Original  
File DATE

## ARTICLES OF SHARE EXCHANGE

### INTERNET VENTURE GROUP, INC., a Florida corporation

The undersigned duly authorized officers of Internet Venture Group, Inc., a Florida corporation, (the "Corporation"), and Swan Magnetics, Inc., a California corporation ("Swan"), have executed these Articles of Share Exchange on behalf of the Corporation and Swan, respectively, pursuant to Section 607.1105 of the Florida Business Corporation Act, and certify as follows:

#### 1. Parties to the Share Exchange

The name and state of incorporation of each domestic and foreign corporation that is a party to the Plan of Share Exchange are:

a. Swan Magnetics, Inc.

State of Incorporation: California

b. Internet Venture Group, Inc.

State of Incorporation: Florida

The name of the corporation whose shares will be acquired is Swan Magnetics, Inc.

The name of the corporation who will be acquiring the shares is Internet Venture Group, Inc.

Additional parties to the Plan of Share Exchange are the Participating Shareholders of Swan whose names are set forth on Exhibit "A" attached hereto.

#### 2. Plan of Share Exchange

The parties identified in Section 1 of these Articles respectively approved an Amended and Restated Agreement and Plan of Exchange (the "Plan"), a copy of which is attached hereto as Exhibit "3."

#### 3. Effective Date

Under the terms of the Plan, the effective date of the share exchange shall be the later of June 28, 2000 or the date of filing of these Articles of Share Exchange.

#### 4. Shareholder Approval

Approval of the Plan by the shareholders of IVG was not required under the terms of Section 607.1103(7) of the Florida Business Corporation Act

The shareholders of Swan have approved the Plan by majority vote of each class of outstanding shares, in accordance with the terms of Section 1201 of the California Corporations Code.

#### 5. Date of Adoption

The Plan was adopted by the shareholders of Swan pursuant to their respective execution of the Plan, effective June 28, 2000.

The Plan was adopted by the Board of Directors of IVG on July 14, 2000.

#### 6. No Amendments

No amendments or changes in the articles of incorporation of IVG or Swan are required under the terms of the Plan.

STATE OF FLORIDA  
TALLAHASSEE, FLORIDA

00 SEP 28 PM 4:22

FILED

SIGNED this 25<sup>th</sup> day of September, 2000

**Swan Magnetics, Inc., a California corporation**

By: 

Name: Eden Kim

Title: President

**Internet Venture Group, Inc., a Florida corporation**

By: 

Name: Florian Landers

Title: Chief Executive Officer

# EXHIBIT “A”

## **PARTICIPATING SWAN SHAREHOLDERS**

Peter Ely  
Edward L. Gelbach  
Abe Rothbard  
William Long (family trust)  
Barry Dickman  
Bernard Dreskin  
Charlie Bass  
David J. Black  
Eric S. Chang  
Swan Chur  
CSK Venture Capital  
Rod Epperson  
Stephen Grant  
Albert Guerini  
William Han (American  
Terminal)  
Ed & Sandra Harris  
B.M. Kim  
Don Kim  
Eden Kim  
I.C. Kim  
Larry Ko  
Bob Korody  
Elorian Landers  
Marvin Lane  
Chang-Won Lee  
Dong Whan Liu  
Jeanne & Dale Nickell  
Principal Holdings  
SEGA Enterprises  
Michael Tate  
Douglas & Marion Wells  
William Wigmore Family Trust  
Bruce & Elaine Williams  
Wendell Wong  
Roy Yaka  
Bradley Bryan  
Randy & Sandra Adler  
Mariana & Larry Meyer  
ADO Electronic Industrial Co.  
James Morgan  
Gary Chang

James K. Simons  
Leon Brown, Jr.  
Pantene Industrial Company  
David Saxby  
Noreaster Research Partners  
Marvin Bein  
Way Mild Company Limited  
Kenneth Lee  
W.R. Lee  
Wataru Kanzaki  
Ross Gillman  
Gerald Z. Marer  
WS Investment Co.  
Bom-Shik Lee  
Woo Ryong & Sung Hae Lee

# EXHIBIT “B”

**AMENDED AND RESTATED**  
**AGREEMENT AND PLAN OF EXCHANGE**

This Amended and Restated Agreement and Plan of Exchange ("Agreement") is entered into, as of the "Effective Date" defined below, by and among Internet Venture Group, Inc., a Florida Corporation ("iVG"), Swan Magnetics, Inc., a California corporation ("Swan") and the shareholders of Swan who execute this Agreement subject to acceptance by iVG (collectively the "Participating Shareholders").

**RECITALS**

WHEREAS, iVG and Swan executed an Agreement and Plan of Exchange, dated June 28, 2000 (the "Original Agreement") regarding a share exchange transaction;

WHEREAS, Section 8 of the Original Agreement contemplated the execution of final documentation including an acquisition agreement; and

WHEREAS, iVG and Swan wish to enter into this Agreement to supplement, modify and amend the terms and conditions set forth in the Original Agreement, to add the Participating Shareholders as parties to the share exchange transaction and to finalize the documentation of such transaction;

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties agree as follows:

1. DEFINITIONS.

(a) "Accredited Investor" shall have the meaning set forth in Regulation D.

(b) "Affiliate" shall mean any officer, director, shareholder, subsidiary, parent, brother entity or sister entity of iVG.

(c) "Capital Stock" shall refer to the total issued and outstanding capital stock of either iVG or Swan and shall be calculated on a fully diluted basis that shall include all issued and outstanding options or warrants to purchase the capital stock of the parties.

(d) "Common Stock" shall refer to the common stock of Swan or iVG.

(e) "Closing Date" shall have the meaning set forth in Section 7.

(f) "Effective Date" shall mean the date of the Original Agreement.

(g) "Exchange Ratio" shall mean the ratio determined by dividing twenty million (20,000,000) by the total number of shares of Swan Common Stock held by all of the Participating Shareholders following the conversion of the Preferred Stock in accordance with Section 3(a) and immediately prior to the Exchange set forth in Section 3(b).

- (h) "Preferred Stock" shall mean the Preferred Stock of Swan.
- (i) "Regulation D" shall mean Regulation D as promulgated under the Securities Act of 1933.
- (j) "Trading Price" shall mean the closing bid price for iVG common stock on the NASDAQ OTC BB exchange or any other automated quotation system or national exchange (or if more than one is applicable, the system or exchange with the greatest volume) on July 27, 2000.

## 2. AMENDMENT.

Swan and iVG agree that the Original Agreement shall be amended and restated in its entirety by this Agreement. This Agreement supersedes the Original Agreement. Any terms or conditions set forth in the Original Agreement which contravene, contradict, add to or differ from the terms and conditions set forth herein shall have no legal effect and shall not be binding upon Swan or iVG.

## 3. PLAN OF EXCHANGE.

The share exchange (the "Exchange") shall take place as follows:

(a) First, the Participating Shareholders who own Preferred Stock shall automatically convert their respective shares to shares of Swan Common Stock in accordance with the certificates of determination of preferences and other terms and conditions that are applicable to their series of Preferred Stock. All such shareholders by executing this Agreement shall be deemed to have made an election to immediately and automatically convert their Preferred Stock as of the Closing Date.

(b) Second, each Participating Shareholder shall receive his or her pro rata portion of the Exchange Shares (as defined below) in exchange for his or her Swan Common Stock; subject to the conditions set forth herein. The Exchange will occur on the Closing Date.

## 4. EXCHANGE SHARES.

The number of shares of iVG Common Stock to be delivered to the Participating Shareholders in exchange for their shares of Swan Common Stock (the "Exchange Shares") shall be determined as follows.

(a) Number of Shares. The number of Exchange Shares (of iVG Common) to be received by a Participating Shareholder shall be equal to (i) the total number of shares of Swan Common Stock held by such Participating Shareholder on the Closing Date including any Swan Common Stock which is received as a result of the conversion of Preferred Stock held by the Participating Shareholder as of the Closing Date pursuant to Section 3(a); multiplied by (ii) the Exchange Ratio.

(b) Fractional Shares. iVG shall not issue any fractional shares to the Participating Shareholders. In lieu of any fractional shares determined under (a) above, iVG shall at its

election either (i) round the Exchange Shares up to the next whole number or (ii) pay an amount of cash equal to any fractional share multiplied by the iVG Trading Price.

(c) Class of iVG Stock to be Exchanged. Payment of iVG shares as set forth in this section shall consist of shares of Common Stock of iVG that bear a restriction legend under rule 144 of Securities Act of 1933 preventing the sale of the underlying securities for a period of twelve (12) months from the date of issue.

(d) Stock Legends. Each Exchange Share will be imprinted with a legend substantially in the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAWS (THE "STATE ACTS"), HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND QUALIFICATION UNDER THE STATE ACTS OR EXEMPTIONS FROM SUCH REGISTRATION OR QUALIFICATION REQUIREMENTS (INCLUDING, IN THE CASE OF THE SECURITIES ACT, THE EXEMPTION AFFORDED BY RULE 144). UNLESS WAIVED BY THE ISSUER, THE ISSUER SHALL BE FURNISHED WITH AN OPINION OF COUNSEL OPINING AS TO THE AVAILABILITY OF EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION AS A PRECONDITION TO ANY SUCH TRANSFER.

(e) Transfer. Each Participating Shareholder who wishes to transfer the Exchange Shares must furnish iVG with (i) a written opinion reasonably satisfactory to iVG in form and substance from counsel reasonably satisfactory to iVG by reason of experience to the effect that the holder may transfer such shares as desired without registration under the Securities Act and (ii) a written undertaking executed by the desired transferee reasonably satisfactory to iVG in form and substance agreeing to be bound by the restrictions on transfer contained herein.

## 5. REPRESENTATIONS AND WARRANTIES OF PARTICIPATING SHAREHOLDERS

Each of the Participating Shareholders represent and warrant to iVG that the statements contained in this section 5 are correct and complete as of the Effective Date and will be correct and complete as of the Closing Date with respect to himself, herself or itself.

(a) The Participating Shareholder has full right, power and authority to execute and deliver this Agreement and to perform the obligations thereunder.

(b) The Participating Shareholder holds the Swan common stock and Preferred Stock which shall be converted to Swan common stock free and clear of all liens, encumbrances, charges, security interests, claims, pledges or contractual restrictions except for any that are waived by Swan pursuant to Section 6.

6. **WAIVER BY SWAN.**

Swan hereby waives its rights to purchase or repurchase its shares, its rights of first refusal or first offer with respect to the transfer of its shares, and any rights to notice or consent relating to the foregoing with respect to (i) the Swan Preferred Stock held by the Participating Shareholders which is converted pursuant to Section 3(a); and (ii) the Swan common stock held by the Participating Shareholders which is transferred to iVG pursuant to this Agreement. This waiver is made to facilitate the Exchange and it is conditioned on the closing of this Exchange. This waiver shall be construed in the narrowest sense to effectuate the purposes of the Exchange and Swan shall continue to hold and maintain all rights not specifically waived.

7. **CLOSING.**

(a) **The Closing Date.** This Exchange transaction shall close on September <sup>29th</sup> 2000 or at such other time that is mutually agreeable to iVG and Swan (the "Closing Date"); provided that iVG and Swan are satisfied that the conditions to closing set forth in Section 8 have been satisfied or have been waived in writing. However, in no event shall the Closing Date occur later than December 31, 2000.

(b) **Determination of Participating Shareholders.** On or before the Closing Date, each of the Swan shareholders who elect to participate in this Exchange Transaction shall be approved or rejected by iVG. iVG intends to accept each Swan shareholder who has executed this Agreement and the related agreements and documents which are presented by iVG or Swan to the Swan Shareholder for execution (the "Transaction Documents"), delivered the Transaction Agreements to iVG, and who, to the satisfaction of iVG, qualifies as an Accredited Investor. It is also the intent of iVG to reject any Swan Shareholder who has not satisfied these requirements. Notwithstanding the foregoing, if the only reason for rejection of the Swan shareholder by iVG is based solely on such shareholder's failure to qualify as an Accredited Investor, iVG may accept such shareholder if he or she meets certain sophistication standards set forth in Regulation D (a "Sophisticated Investor") and such acceptance would, in iVG's discretion, be in compliance with the requirements of Regulation D. Subject to its sole discretion, iVG reserves the right to (i) determine whether to accept or reject any Sophisticated Investor who fails to qualify as an Accredited Investor; (ii) determine the maximum number of non-accredited Sophisticated Investors who may be accepted (which in no event shall exceed thirty-five (35), the maximum number allowed under Regulation D) and (iii) determine any standards or criteria which it deems appropriate for use in such determinations.

(c) **List of Participating Shareholders.** On the Closing Date, a list of the Participating Shareholders shall be prepared by iVG and shall be delivered to Swan.

(d) **Effect of Closing.** The Exchange shall be effective as of the Closing Date and shares of Common Stock of iVG shall be issued to the Participating Shareholders in accordance with this Agreement.

(e) Effort to Close Transaction. Each of the parties will use its best efforts to take all actions and to do all things necessary, proper, or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

(f) Further Assurances. In case at any time after the Closing any further action is necessary to carry out the purposes of this Agreement, each of the parties will take such further action (including the execution and delivery of such further instruments and documents) as any other party reasonably may request, all at the sole cost and expense of the requesting party.

## 8. CONDITIONS TO CLOSING.

The parties agree that the following conditions must be satisfied prior to the closing of the Exchange transaction:

(a) The Participating Shareholders shall offer or agree to exchange Shares representing eighty percent (80%) or more of the Capital Stock of Swan on an as converted fully diluted basis to iVG in the Exchange.

(b) iVG and Swan shall have had the opportunity to perform all due diligence activities that their respective officers deem necessary and appropriate.

(c) All governmental and third party consents necessary to authorize the execution and delivery of the Agreement shall have been obtained.

(d) iVG and Swan shall be in good standing in the states of their respective incorporations, and both shall be qualified to do business in the jurisdictions in which their respective business operations and assets require them to be so qualified.

(e) There shall be no default under the terms of this Agreement.

(f) There shall have been no material detrimental change in the financial condition or assets of either iVG or Swan as reflected in the balance sheets of each company attached hereto and marked as Exhibit "A": iVG Consolidated Balance Sheet March 2000, Exhibit "B:" Swan Magnetics, Inc. Pro Forma Consolidation Balance Sheet June 2000. .

(g) iVG shall have received an executed Questionnaire and Subscription Agreement from each Participating Shareholder.

(h) Each Participating Shareholder shall qualify as an Accredited Investor; except that a limited number of Participating Shareholders who qualify as Sophisticated Investors but do not qualify as Accredited Investors may be accepted subject to iVG's sole and complete discretion.

(i) The Exchange and issuance of iVG shares to the Participating Shareholders shall be an exempt transaction so that neither iVG nor Swan is required to file a registration statement or a permit with the Securities and Exchange Commission or any state in which a Participating Shareholder resides under applicable federal and state securities laws.

(j) Swan or iVG shall have obtained a fairness opinion if any of such parties deem it necessary under applicable law to obtain a fairness opinion.

(k) Each Participating Shareholder shall have delivered stock certificates or stock power and assignment separate from certificates covering their shares of Swan Common Stock or Preferred Stock.

(l) iVG shall have received from counsel to Swan an opinion in form and substance agreeable to Swan and iVG which is addressed to iVG and dated as of the Closing Date.

(m) Swan shall have received from counsel to iVG an opinion in form and substance agreeable to Swan and iVG which is addressed to Swan and dated as of the Closing Date.

## 9. TAX FREE REORGANIZATION

Swan acknowledges and agrees that the transactions contemplated by this Agreement are to constitute a tax-free reorganization under Section 368(a) of the Internal Revenue Code. Swan has no present intention of taking any acts which would jeopardize the tax-free treatment of this transaction, and, shall among other things, take those actions necessary to effect the tax-free reorganization including those actions required by Treas. Reg. Section 1.368-3(a) (which includes the adoption of a Plan of Reorganization).

## 10. CONFIDENTIALITY.

Swan and iVG throughout the term of this Agreement and for two years thereafter, shall strictly maintain the confidentiality of (i) all information that is disclosed to them relating to the disclosing party's business, financial condition, personnel, products, customers, strategic and business plans; (ii) the terms of this Agreement; and (iii) either party's proprietary, trade secret information, including, without limitation, information relating to either party's technology, patents, intellectual property, and product designs.

## 11. TERMINATION.

Swan and iVG may terminate this Agreement by mutual written consent at any time prior to the Closing Date. If the closing of the Exchange transaction has not occurred by December 31, 2000, this Agreement shall automatically terminate. If this Agreement is terminated, all rights and obligations of the parties hereunder shall terminate without any liability of any party to any other party (except for any liability of any party then in breach); provided, however, that the confidentiality provisions contained in Section 10 above shall survive termination.

## 12. MISCELLANEOUS.

(a) No Third-Party Beneficiaries. Except as expressly provided herein, this Agreement shall not confer any rights or remedies upon any person other than the parties and their respective successors and permitted assigns.

(b) Entire Agreement. This Agreement, including all exhibits and other documents referred to herein, constitutes the entire agreement among the parties and supersedes any prior

understandings, agreements, or representations by or among the parties, written or oral, to the extent they related in any way to the subject matter hereof and may not be modified, amended or terminated except by a written agreement specifically referring to this Agreement, signed by the parties.

(c) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the parties named herein and their respective successors and permitted assigns. No party may assign either this Agreement or any of a party's rights, interests, or obligations hereunder without the prior written approval of the parties; provided, however, that iVG may (i) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (ii) designate one or more of its Affiliates to perform its obligations hereunder (in any or all of which cases iVG nonetheless shall remain responsible for the performance of all of its obligations hereunder).

(d) Counterparts. This Agreement may be executed in one or more counterparts, including facsimile copies, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

(e) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Florida.

(g) Prevailing Party Expenses. If any legal action or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any provision of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees, sales and use taxes, court costs and all expenses even if not taxable as court costs (including, without limitation, all such fees, taxes, costs and expenses incident to arbitration, appellate, bankruptcy and post-judgment proceedings), incurred in that action or proceeding, in addition to any other relief to which such party or parties may be entitled. Attorneys' fees shall include, without limitation, paralegal fees, investigative fees, administrative costs, sales and use taxes and all other charges billed by the attorney to the prevailing party.

(h) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.


### 13. OPPORTUNITY FOR INDEPENDENT REVIEW; COUNSEL AND PROFESSIONAL ADVISORS

Each of the parties acknowledges and represents that such party has had the opportunity to consult with independent legal counsel or other professional advisors regarding this Agreement and the transactions contemplated herein. Each of the parties represents that such

party has had an opportunity to review all necessary documents and information provided to or executed by such party, or through such party's professional advisors, in order to make an informed decision regarding this Agreement and the transactions contemplated herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the EffectiveDate.

Internet Venture Group, Inc.:

  
Florian Landers, President

Swan Magnetics, Inc.

  
Eden Kim, President

**[THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK,  
SIGNATURE PAGES FOR PARTICIPATING SHAREHOLDERS TO FOLLOW]**

PARTICIPATING SHAREHOLDER (If Individual):

\_\_\_\_\_  
Signature of Participating Shareholder

\_\_\_\_\_  
Name of Participating Shareholder

\_\_\_\_\_  
Signature of Participating Shareholder's Spouse

\_\_\_\_\_  
Name of Participating Shareholder's Spouse

Current Address of Participating Shareholder:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**PARTICIPATING SHAREHOLDER (If Corporation or Non-Individual Entity):**

\_\_\_\_\_  
Name of Participating Shareholder

\_\_\_\_\_  
Signature

By: \_\_\_\_\_

Its: \_\_\_\_\_

**Current Address of Participating Shareholder:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# EXHIBIT “A”

# **iVG Consolidated Balance Sheet March 2000**

INTERNET VENTURE GROUP, INC.  
(A Development Stage Company)

## **BALANCE SHEET** (unaudited)

	Three Months Ending March 31, 2000	Year Ending December 31, 1999
<b>Current Assets:</b>		
Checking/Savings	\$ (214.18)	\$ 6,006.00
Accounts Receivable - Net	3,732.86	14,145.00
Inventory	73,905.78	79,588.00
<b>TOTAL Current Assets</b>	<b>69,958.74</b>	<b>99,739.00</b>
<b>Fixed Assets</b>		
Fixed Assets - Net	55,546.80	59,546.00
<b>TOTAL Fixed Assets</b>	<b>55,546.80</b>	<b>59,546.00</b>
<b>Other Assets</b>		
Other Assets - Net	295,973.00	301,972.00
<b>TOTAL Other Assets</b>	<b>295,973.00</b>	<b>301,972.00</b>
<b>TOTAL Assets</b>	<b>\$421,477.74</b>	<b>461,257.00</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts Payable	\$215,292.16	206,057.00
Other Payables	60,415.13	35,370.00
Notes Payable	346,753.70	329,656.00
<b>TOTAL Current Liabilities</b>	<b>622,460.99</b>	<b>571,083.00</b>
<b>Long-Term Liabilities</b>		
Notes Payable	-	-
<b>TOTAL Long-Term Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL Liabilities</b>	<b>622,460.99</b>	<b>-</b>
<b>Equity</b>		
Common Stock	3,030.00	3,030.00
Additional Paid In Capital	1,961,059.00	1,961,059.00
RETAINED EARNINGS - PRIOR	(2,073,915.00)	(2,073,915.00)
Retained Earnings-Current Year	(81,157.25)	-
<b>TOTAL Equity</b>	<b>(190,983.25)</b>	<b>(109,826.00)</b>
<b>TOTAL Liabilities and Equity</b>	<b>\$421,477.74</b>	<b>\$461,257.00</b>

# EXHIBIT “B”

# **Swan Magnetics, Inc. Pro Forma Consolidated Balance Sheet June 2000**

	<u>12/31/99</u>	<u>06/30/00</u>	Pro Forma <u>07/30/00</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	1,800	25,001,800	6,105,800
Short-term investments	-	-	-
Trade accounts receivable, net	-	-	-
Intercompany receivables - SVI	-	-	-
Inventories, net	-	-	-
Prepaid expenses and other current assets	-	-	-
Employee advances	-	-	-
<b>Total current assets</b>	<b>1,800</b>	<b>25,001,800</b>	<b>6,105,800</b>
Investments	-	-	-
Property and equipment, net	-	-	-
Deposits	-	-	-
Goodwill	-	-	-
Other long-term assets	-	-	-
<b>TOTAL ASSETS</b>	<b>1,800</b>	<b>25,001,800</b>	<b>6,105,800</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	1,995,148	2,394,178	(0)
Accrued expenses	1,527,580	1,833,096	0
Judgements	90,773	108,928	(0)
Current portion of capital lease	-	-	-
Notes Payable	7,128,485	8,554,182	4,054,182
Accrued interest expenses	1,550,812	1,860,974	0
Legal Fund Payable	-	5,400,000	-
<b>Total current liabilities</b>	<b>12,292,798</b>	<b>20,151,358</b>	<b>4,054,182</b>
Long-term capital lease obligations	400,000	480,000	-
Bridge Loan	705,000	846,000	-
Other long-term obligations	6,000,000	6,000,000	-
<b>TOTAL LIABILITIES</b>	<b>19,397,798</b>	<b>27,477,358</b>	<b>4,054,182</b>
<b>SHAREHOLDERS' EQUITY</b>			
Preferred stock	17,851,386	17,851,386	17,851,386
Common stock	2,279,919	2,279,919	2,279,919
Additional paid-in capital	177,137	177,137	177,137
Shareholder notes receivable	-	-	-
Retained earnings	(37,692,919)	(37,692,919)	(37,692,919)
Current year earnings	(2,011,521)	14,908,919	19,436,095
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>(19,395,998)</b>	<b>(2,475,558)</b>	<b>2,051,618</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,800</b>	<b>25,001,800</b>	<b>6,105,800</b>