W3 GROUP INC
Form 10KSB
April 30, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C., 20549

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)
of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2001

Commission File Number: 0-27083

W3 GROUP, INC.
(Exact name of Registrant as specified in its Charter)

Colorado	84-1108035
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

444 Madison Avenue, Suite 2904, New York, New York 10022
(Address of principal executive offices) (zip code)

(212) 750-7878
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class:	Name of each exchange on which registered:
Common Stock, no par value	None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Sec. 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K [ ]

Indicate the number of shares outstanding of each of issuer's classes of common stock, as of the latest practicable date. At March 15, 2002, 3,892,085 shares of Common Stock, no par value, were outstanding.

The aggregate market value of the voting stock held by non-affiliates of registrant on March 15, 2002 was $71,115.

FORM 10-KSB
December 31, 2001
W3 GROUP, INC.

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FORWARD LOOKING STATEMENTS

Some of the information contained in this report may constitute forward-looking statements or statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward looking statements are based on current expectations and projections about future events. The words "estimate", "plan", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements which involve, and are subject to, known and unknown risks, uncertainties and other factors which could cause the Company's actual results, financial or operating performance, or achievements to differ from future results, financial or operating performance, or achievements expressed or implied by such forward-looking statements. Projections and assumptions contained and expressed herein were reasonably based on information available to the Company at the time so furnished and as of the date of this filing. All such projections and assumptions are subject to significant uncertainties and contingencies, many of which are beyond the Company's control, and no assurance can be given that the projections will be realized. Potential investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release any revisions to these forward looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. BUSINESS

Introduction

W3 Group, Inc. ("Registrant" or the "Company" or "W3") was formed in 1988 under the laws of the state of Colorado for the purpose of participating, either through acquisition or merger, in a viable business opportunity. Registrant has since its inception been evaluating various privately held companies which management believed could be viable business opportunities.

On September 23, 1996, the Company, then named Concorde Strategies Group, Inc.("Concorde"), entered into an Agreement and Plan of Reorganization pursuant to which it acquired 100 percent of the issued and outstanding capital stock of Concorde Management, Ltd. ("CML") and its wholly owned subsidiary, L'Abbigliamento, Ltd. This acquisition was concluded as of July 1, 1997. L'Abbigliamento, Ltd., a New York based distributor of Italian made men's apparel, was later divested by the Company, effective March 31, 1999 (Refer to "Note 7 - DIVESTITURE OF SUBSIDIARY").

In 1999, the Company decided to reorganize and focus its acquisition efforts on Internet related technology companies. Accordingly, Concorde entered into an Agreement and Plan of Share Exchange with W3 Group, Inc., a privately held company, and said Agreement became effective on October 1, 1999, after approval by shareholders. At that time, Concorde changed its corporation name to W3 Group, Inc. (Refer to Form 8-K filed on October 15, 1999).

Present Overview

W3 intends to acquire, finance, and restructure profitable companies that can utilize the Internet to expand their business and distribution channel. As a result of the significant changes in the Internet industry, the Company's focus is no longer on Internet related companies. The Company is seeking to acquire companies that would become wholly owned, or majority owned, subsidiaries of W3. W3 intends to concentrate on existing companies that have proven markets, profitability, and management. The Company's goal is to provide a platform for selected companies to expand their markets, strengthen internal functions by providing consulting services and professional management support, and expansion capital, while allowing the companies to continue management of daily operations.

W3's objective is to better meet the needs of growing companies that may have had difficulty obtaining capital from traditional sources such as banks, large asset based lenders, and the public securities markets. Also, W3 believes that its opportunity is enhanced because of the consolidation in the commercial banking industry and the emphasis in investment banking toward increasingly larger financings. The resulting diminishing of available capital has affected the flow to smaller companies, where the need for capital is the most critical.

W3's approach is to develop "partnerships" with companies having exceptional management in order to improve the long term value of a business. The participation of management through equity based compensation and stock ownership is a crucial ingredient of W3's plan.

As described in the preceding section, "Reorganization of Business Operations", as a result of the divestiture of L'Abbigliamento, Ltd., effective March 31, 1999, the Company essentially has not had any business operations since that time, pending the completion of future acquisitions, of which there can be no assurance.

Competition

The Registrant is, and is expected to remain, an insignificant entity among a great many other companies who are engaged in mergers and acquisitions of other business entities. There are many established venture capital and financial concerns seeking to attract merger or acquisition candidates, virtually all of which have significantly greater financial and personnel resources and technical expertise than the Registrant.

The Company's intended marketplace is rapidly changing and highly competitive, and it is expected that this competition will persist and intensify in the future, New competitors may emerge and rapidly acquire significant market share. Competitors may be able to respond more quickly than the Company to new or emerging technologies and changes in the marketplace.

ITEM 2. PROPERTIES

Facilities

The Company utilized the offices and business facilities of Ameristar Group Incorporated ("Ameristar"), a privately held corporation principally owned and controlled by two Directors of the Company, at a monthly rental of $4,061 until September 30, 2001, and thereafter on a month to month basis at a monthly cost of $2,500. (See "Note 5 - LEASES AND OTHER COMMITMENTS".)

Employees

The Company's employees consist of its officers. The outside Directors are engaged in other business activities and devotes so much of their time to the affairs of the Company as is required.

ITEM 3. LEGAL PROCEEDINGS

The Company knows of no litigation pending, threatened or contemplated, or unsatisfied judgments against it, or any proceedings in which the Company is a party. The Company also knows of no legal action pending or threatened or judgments entered against any officers or directors of the Company in their capacity as such.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock trades under the symbol "WWWG" and the Series B Convertible Preferred Stock trades under the symbol "WWWGP" on the OTC Electronic Bulletin Board. The number of record shareholders on December 31, 2001 for the Company's Common Stock was 399 and for its Series B Convertible Preferred Stock was 26 shareholders. There currently are 10 market makers for the Company's Common Stock and 7 market makers for its Series B Convertible Preferred Stock.

The following tables show for the periods indicated the approximate range of high and low bid quotes for the Common Stock and Series B Convertible Preferred Shares obtained from the OTC Electronic Bulletin Board and are between dealers, do not include retail mark-ups, mark-downs, or other fees or commissions, and may not necessarily represent actual transactions.

COMMON STOCK TRADING HISTORY

	2000		2001	
	High	Low	High	Low
Quarter ended March 31	$8.5000	$1.5000	$0.1000	$0.0800
Quarter ended June 30	$1.5000	$0.7500	$0.0500	$0.0400
Quarter ended September 30	$1.2500	$0.2500	$0.0500	$0.0400
Quarter ended December 31	$1.2500	$0.3750	$0.0400	$0.0300

SERIES B CONVERTIBLE PREFERRED SHARE TRADING HISTORY

	2000		2001	
	High	Low	High	Low
Quarter ended March 31	$2.1250	$0.5000	$0.0500	$0.0400
Quarter ended June 30	$0.7000	$0.1875	$0.0400	$0.0300
Quarter ended September 30	$0.1875	$0.0625	$0.0300	$0.0100
Quarter ended December 31	$0.1250	$0.0625	$0.0300	$0.0100

The Company has not paid any dividends and, there are no plans to pay any cash dividends in the foreseeable future. The declaration and payment of dividends in the future, of which there can be no assurance, is determined by the Board of Directors based upon conditions then existing. There are no restrictions on the Company's ability to pay dividends.

All of the Company's issued and outstanding 520,056 Common Stock Purchase Warrants expired on October 1, 2001 and none of such Warrants had been exercised. (See "Reorganization of Business Operations" and "Note 3 - CAPITALIZATION".)

Subsequent to the period covered by this report, on February 1, 2002, all of the Company's then outstanding 337,600 Series B Convertible Stock Purchase Warrants expired, with none of said Warrants having been exercised. (See "Note 3 - CAPITALIZATION" and "Note 10 - SUBSEQUENT EVENT".)

ITEM 6. SELECTED FINANCIAL INFORMATION

Summary Balance Sheet Data: YEAR ENDED DECEMBER 31,

	2001	2000	1999	1998	1997
Total Assets	$ 51,800	$ 440,375	$ 247,263	$3,598,222	$3,440,634
Total Current Assets	51,561	439,656	228,136	3,454,374	3,341,282
Total Liabilities	524,070	421,915	287,780	2,041,520	2,276,451
Retained Earnings (Deficit)	(2,444,612)	(1,953,882)	(1,650,359)	(263,995)	(111,164)
Stockholders' Equity	$ (472,270)	$ 18,460	$ (40,517)	$1,556,702	$1,164,183

Summary Earnings Data: YEAR ENDED DECEMBER 31,

	2001	2000	1999	1998	1997
Revenues	$ 0	$ 0	$ 837,486	$3,845,393	$1,827,502
Cost of goods sold	0	0	595,713	3,043,546	1,419,701
Selling, general & administrative expense	477,022	327,398	1,124,623	899,077	495,162
Income (Loss) from					

operations	(477,022)	(327,398)	(882,850)	(97,230)	(87,361)
Net Income (Loss)	(481,822)	(312,431)	(869,904)	(152,831)	(100,361)
Earnings (Loss) per Share	(0.125)	(.085)	(.91)	(1.32)*	(1.64)*

* Adjusted for reverse split of Common Stock on October 1, 1999, on 1-30 basis.

The foregoing is selected financial information only, and is qualified by the financial statements and the notes thereto, in their entirety, which are set forth elsewhere in this Report. The selected financial information for 1997 includes the results of the Company's subsidiary, L'Abbigliamento, Ltd. from July 1, 1997, the effective date of the acquisition. The 1999 totals include the results of L'Abbigliamento, Ltd. for the first quarter only since the subsidiary was divested effective March 31, 1999.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company did not have any revenue during the year 2000 or 2001.

Pursuant to SFAS-5, "Accounting for Contingencies", the Company has written off the outstanding loan receivable and related interest receivable from its former operating subsidiary, L'Abbigliamento, Ltd., since the loan has been in default for over two years, and repayment of said loan cannot be reasonably assured. A total of $177,751 was written off to bad debt expense during the quarter ended September 30, 2001, consisting of the loan balance of $157,522 and interest receivable in the amount of $20,229 (See "Note 7 - DIVESTITURE OF SUBSIDIARY" and "Note 9 - WRITE OFF OF BAD DEBT".)

The Company is still pursuing L'Abbigliamento, Ltd. in regard to obtaining payments toward the loan but no assurances can be made regarding any such payments.

Operating expenses for 2001 were $477,022 compared to $327,398 in 2000, an increase of $149,624 from the prior year, resulting primarily from increased consulting fees and the write off of the loan to L'Abbigliamento, Ltd. as described above.

The net loss for the twelve month period ended December 31, 2001 was $481,822 compared to a net loss of $312,431 for the prior year period, an increase of $169,391, reflecting the increased operating expenses.

The Company had no cash and cash equivalents at December 31, 2001, compared to $120 at December 31, 2000. Accounts payable at December 31, 2001 totaled $252,447, compared to $201,641 at December 31, 2000, an increase of $50,806 resulting from expenses accrued for rent and consulting fees.

The Company is continuing to look for suitable acquisition candidates. As of the date of this Report, no additional acquisition candidates have been found, and there is no assurance that any candidates will be found.

Liquidity and Capital Resources

At the end of fiscal 2001, the Company had no cash. The Company has received an audit option which includes a "going concern" risk, which raises substantial doubt regarding the Company's ability to continue as a going concern. Management is re-evaluating business opportunities and looking for a new direction for the Company.

General Risk Factors Affecting the Company

Various factors could cause actual results of the Company to differ materially from those indicated by forward-looking statements made from time to time in news releases, reports, proxy statements, registration statements and other written communications (including the preceding sections of this document), as well as oral statements made from time to time by representatives of the Company. Except for historical information, matters discussed in such oral and written communications are forward-looking statements that involve risks and uncertainties, including, but not limited to the following:

* Rapidly changing business environment.
* Intense competition within the market place.
* Many well established companies and smaller entrepreneurial companies have significant resources that will compete with the Company's limited resources in the acquisition of companies.
* There can be no assurance that the Company will be able to compete successfully in the acquisition of subsidiary companies.
* The management of growth is expected to place significant pressure on the Company's managerial, operational, and financial resources.
* The Company will not be able to accomplish its growth strategy if it is not able to consummate future acquisitions and raise capital.
* The Company may not be able to operate as a going concern. Refer to independent auditor's report accompanying the Company's financial statements and Note 10 to financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Audited financial statements for the fiscal years ended August 31, 20001 and 2000 are submitted herein as PART F/S on Pages F-1 to F-14.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers and directors of the Company are as follows:

Name	Age	Position(s) Held
Robert Gordon	66	Executive Vice President
Martin I. Saposnick	55	Director of Corporate Development and Director
Joseph J. Messina	47	Director
William C. Hayde	41	Secretary, Director

Profiles of the directors and officers of the Company are set forth below. All directors hold office until the next annual shareholders meeting or until their death, resignation, retirement, removal, disqualification or until their successors have been elected and qualified. Vacancies in the Board may be filled by majority vote of the remaining directors. Officers of the Company serve at the will of the Board of Directors. There is no Executive Committee or other committee of the Board of Directors. Election to the Board of Directors is for a period of one year or until the next shareholder's meeting and elections are ordinarily held at the Company's Annual Meeting of Shareholders. There are no family relationships among officers and directors.

Profiles of Officers and Directors

Robert Gordon is Acting President and Executive Vice President. From 1996-1999, Mr. Gordon was President and a Director of Concorde Strategies Group, Inc. and from 1993-1996, Executive Vice President of Contex, Inc., an investment banking and consulting firm in Naples, Florida. From 1990-1993, as Managing Director of a specialty apparel company, he was responsible for marketing and sales, finance, manufacturing, retail and mail order operations, MIS, strategic planning, organizational development, and re-structuring the business. From 1988-1989, Mr. Gordon was President and Chief Operating Officer of a public company that manufactured precision parts, performed engineering design services, and conducted technology research and development. Previously, he was Executive Vice President of a financial services firm, responsible for administration, business operations, and organizational development. Mr. Gordon also had a management consulting practice and performed broad based professional services which included strategic and financial planning, marketing and growth studies, business re-structuring, acquisition plans, implementation of new business strategies, MIS development, and training programs. Previously, Mr. Gordon was Director of MIS for Kinney Shoe Corporation.

Mr. Gordon has conducted numerous business seminars and made presentations at many conferences. He received an Achievement Award from the International Association of Systems Management in recognition of his contribution to the business systems profession, and is also a past Chapter President. He was an advisor to Guidance International, a professional association of computer users. Mr. Gordon has a B.A. in Economics from Union College.

Martin I. Saposnick is Director of Corporate Development and a Director of the Company. Since 1992, Mr. Saposnick has also been President of Ameristar Group Incorporated, a private investment and financial consulting firm specializing in "micro cap" and "small cap" companies, and was a Director of Concorde Strategies Group, Inc. until February, 1999. From 1983-1993, Mr. Saposnick provided independent investment banking and financial consulting services and, as President, founded Remsen Group, Ltd. Previously, Mr. Saposnick was Chairman of the Board and President of Marsan Securities Co., Inc., a financial services firm, which was a wholly owned subsidiary of Marsan Capital Corporation, a publicly held company. Mr. Saposnick was also Chairman of the Board and President of Marsan Capital Corporation. In 1985, Mr. Saposnick entered into a consent decree with the Commission; the agreement ended administrative proceedings initiated by the Commission in connection with Mr. Saposnick's alleged participation in the initial public offering of securities of North Atlantic Airlines, Inc. Previously, Mr. Saposnick was Vice President of Chestman Securities, Co., Inc. and had been Assistant Manager of Specialist Surveillance Division of the New York Stock Exchange. Mr. Saposnick is a graduate of Hunter College and completed graduate studies in Finance and Investments at Baruch College.

Joseph J. Messina is a Director. In 1992, he became Chairman and CEO of both Ameristar Capital Corporation, a lease financing and asset based lender and Ameristar Group Incorporated, an investment banking and financial consulting firm specializing in "small cap" companies. Mr. Messina was a Director of Concorde Strategies Group, Inc. From 1978-1992, Mr. Messina was President and Chief Operating officer of Vendor Funding Co., Inc. a subsidiary of Bank of Ireland First Holdings. Vendor Funding, a national middle market lessor and asset based lender, was co-founded by Mr. Messina and subsequently sold to First NH Banks of Manchester, New Hampshire. Mr. Messina is a Director of Credit America Venture Capital, an entity formed to acquire the manufacturing and distribution network of Mako Marine International, Inc. He is a former Director of Mako Marine International, Inc., a publicly held corporation, and past President of the Eastern Association of Equipment Lessors.

William C. Hayde is a Director and also Secretary. Mr. Hayde is an investment banker and co-owner of Brockington Securities, a broker-dealer specializing in wholesale and institutional trading, mergers and acquisitions, and equity and debt financings. Mr. Hayde is also President of B.R.Equities, which owns and operates an electronic trading room, as well as Chairman of the Board of Toscana Group, Inc., a venture capital and consulting company. Mr. Hayde, who has been active in the brokerage business since 1983, was previously Director of Corporate Finance for Aegis Capital. He has a Bachelor's Degree in Psychology from Stony Brook University.

ITEM 11. EXECUTIVE COMPENSATION

The Company accrued consulting fees of $1,000 per week for Mr. Robert Gordon, Executive Vice President, through December 31, 2001. In 1998, Robert Gordon was President of the Company and received wages of $30,330 and consulting fees of $15,000. As of December 31, 2001, the Company has accrued obligations for payments to Mr. Gordon of $190,733. No other officers or directors received compensation during 2001.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Principal Shareholders

The following chart sets forth, at the date of this report, information with respect to (1) any person known by the Company to own beneficially more than five (5%) percent of the Company's Common Stock, based on 3,892,085 shares issued and outstanding as of December 31, 2001; (2) Common Stock owned beneficially by each officer or director of the Company; and (3) the total of the Company's Common Stock owned beneficially, directly or indirectly, by the Company's officers and directors as a group.

Name	Number of shares of Common Stock Owned	Percentage of Class
Sirbu Enterprises, LLLP A Colorado Limited Liability Limited Partnership (4) 16414 Sandstone Dr. Morrison, CO 80465	525,000	13.49%
Wilmont Holdings Corp.(5)* 33 Wilputte Place New Rochelle, NY 10804	630,000	16.19%
Lomar Corp.(6)* 21 Schermerhorn Brooklyn, NY 11201	625,000	16.06%
Thomas C. Hushen 33278 Bluebell Circle Evergreen, CO 80439	500,000	12.85%
William C. Hayde* 76 Cliff Road Belle Terre, NY 11777	300,100	7.71%
Robert Gordon* 201 East 19th Street New York, NY 10003	103,667	2.66%
Dunhill Limited (7)* 444 Madison Avenue		

New York, NY 10022	3,333	0.08%
Remsen Group Ltd. (8)*		
21 Schermerhorn Street		
Brooklyn, NY 11201	7,617	0.20%
Officers and Directors as a Group (4 Persons)(3)	1,669,717	42.90%

* Officer and/or Director

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(1) Persons beneficially owning more than 5% of the Company's Common Stock.
(2) Common Stock beneficially owned by each officer and director of the Company.
(3) Beneficially Owned, directly or indirectly, by the Company's officers and directors as a group.
(4) Sirbu Enterprises, LLLP, a Colorado Limited Liability Limited Partnership, is privately owned and controlled equally by P. Richard Sirbu, former Officer and Director of the Company, and his wife, Karen K. Sirbu. The total shares reflect a donation of 100,000 shares to a charitable trust in late 1999. Mr. Sirbu is not affiliated with the trust.
(5) Wilmont Holdings Corp. is a privately held corporation principally owned and controlled by Joseph J. Messina, a Director of the Company.
(6) Lomar Corp. is privately held corporation principally owned and controlled by Martin I. Saposnick, a Director of the Company.
(7) Dunhill Limited is privately held corporation principally owned and controlled by Joseph J. Messina and Martin I. Saposnick, Directors of the Company.
(8) Remsen Group, Ltd. is a privately held corporation principally owned and controlled by Martin I. Saposnick, a Director of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company currently utilizes the offices and facilities of Ameristar Group Incorporated ("Ameristar"), a privately held corporation principally owned and controlled by two directors of the Company, on a month to month basis at a monthly rate of $2,500. The Company did not make any payments to Ameristar during the current year ended December 31, 2001. (Refer to "PART I, ITEM 2. PROPERTIES").

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. The following documents are filed in PART F/S, as a part of this report on pages F-1 to F-14.

PART F/S

Financial Statements;

Auditors Report of Janet Loss, C.P.A., P.C. dated April 25, 2002 together with;

Balance Sheet as of December 31, 2001 and 2000;

Statement of Operations for the years ended December 31, 2001 and 2000;

Statement of Stockholders' Equity for the years ended December 31, 2001 and 2000;

Statement of Cash Flow for the years ended December 31, 2001 and 2000; and

Notes to Financial Statements.

2. Financial Statement Schedules.

All applicable information is contained in the financial statements or notes thereto.

3. Exhibits: None.

(b) Form 8-K filings: None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

W3 GROUP, INC.

Dated: April 25, 2002 By: /s/ Robert Gordon

Robert Gordon
Acting President and Executive Vice President
Principal Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: April 25, 2002 By: /s/ Martin I. Saposnick

Martin I. Saposnick
Director of Corporate Development and
Director

Dated: April 25, 2002 By: /s/ Joseph J. Messina

Joseph J. Messina
Director

Dated: April 25, 2002 By: /s/ William C. Hayde

William C. Hayde
Director

PART F/S

For the Years Ended December 31, 2001 and 2000

Reference

Report of Janet Loss, C.P.A., P.C., Independent Certified Public Accountant	F-2
Balance Sheets	F-3
Statements of Operations	F-5
Statements of Cash Flows	F-6
Statements of Stockholder's Equity	F-7
Notes to Financial Statements	F-9 to F-14

Janet Loss, C.P.A., P.C.
Certified Public Accountant
1780 S Bellaire Drive, Suite 500
Denver, Colorado 80222

Board of Directors
W3 Group, Inc.
444 Madison Avenue, Suite 2904
New York, New York 10022

I have audited the accompanying balance sheet of W3 Group, Inc. as of December 31, 2001 and 2000, and the related statements of operations, changes in stockholders' equity and cash flows for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted accounting standards in the United States of America. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, based upon my audit, the financial statements at December 31, 2001 and 2000, and referred to above present fairly, in all material respects, the financial position of W3 Group, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years ended December 31, 2001 and 2000 in conformity with generally accepted accounting principles applied on a consistent basis.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 10 to the financial statements, the Company has incurred recurring losses from operations and has no cash. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Janet Loss
Janet Loss, C.P.A., P.C.
April 25, 2002

W3 GROUP, INC.

BALANCE SHEETS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

ASSETS

	2001	2000
CURRENT ASSETS:		
Cash and cash equivalents	$ 0	$ 120
Prepaid Expenses	5 1,561	257,813
Loan Receivable (Note 8 and 10)	0	157,522
Interest Receivable (Note 8 and 10)	0	14,191
Rent Receivable	0	1,102
TOTAL CURRENT ASSETS:	$ 51,561	$ 430,748
Fixed assets, net of accumulated depreciation of 2,257and 1,777	$ 239	$ 719
TOTAL ASSETS	$ 51,800	$ 431,467

W3 GROUP, INC.

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
CURRENT LIABILITIES:		
Accounts payable	$ 252,447	$ 201,641
Accrued interest	11,454	6,654
Stockholders' loans	40,000	40,000
Due to Ameristar Group, Inc.	$ 220,169	$ 173,620
TOTAL CURRENT LIABILITIES	$ 524,070	$ 421,915
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock, no par value, 100,000,000 shares authorized		
Series B Convertible, non-dividend bearing, 699,060 and 793,360 shares issued and outstanding	$ 523,891	$ 594,560
Series B Convertible Preferred Stock Purchase Warrants issued and outstanding	325,600	325,600
Common stock, no par value, 500,000,000 shares authorized, 3,892,085 and 3,844,935 shares issued and outstanding as of December 31, 2001 and 2000	1,088,226	1,017,557
Additional paid-in-capital	34,625	34,625
Retained earnings (Deficit)	(2,444,612)	(1,962,790)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(472,270)	9,552

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 51,800	$ 431,467

W3 GROUP, INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
REVENUES:	$ 0	$ 0
OPERATING EXPENSES:		
Consulting	$ 258,252	$ 206,688
Depreciation and amortization	480	479
Insurance	0	2,393
Office	1,320	5,639
Legal and Accounting	0	28,102
Rent	44,049	47,751
Transfer and filing fees	2,259	2,783
Marketing	0	33,563
Bad Debt Expense	170,662	0
TOTAL OPERATING EXPENSES	$ (477,022)	$ 327,398
(LOSS) FROM OPERATIONS	(477,022)	(327,398)
OTHER INCOME AND (EXPENSES):		
INTEREST INCOME	0	9,451
INTEREST (EXPENSE)	(4,800)	(4,800)
FORGIVENESS OF DEBT	0	11,005
TOTAL OTHER INCOME AND (EXPENSES)	(4,800)	15,656
NET (LOSS) BEFORE PROVISION FOR INCOME TAXES	(481,822)	(311,742)
PROVISION FOR INCOME TAXES	0	689
NET (LOSS)	$ (481,822)	$ (312,431)
NET (LOSS PER SHARE)	$ (0.125)	$ (0.085)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	3,871,222	3,681,357

W3 GROUP, INC.

CASH FLOW STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (481,822)	$ (312,431)
Adjustments to reconcile net loss to net cash flow from operating activities:		
Depreciation and amortization	480	479
Decrease (Increase) in prepaid expenses	206,252	(257,813)
Increase in Due to Ameristar Group	46,549	66,001
Decrease in Loan Receivable	157,522	0
Decrease (Increase) in Interest Receivable	14,191	(9,451)
Decrease (Increase) in Rent Receivable	1,102	3,946
(Increase) in Deferred Offering Costs	0	17,929
(Decrease) Increase in payables	55,606	68,134

CASH USED BY OPERATING ACTIVITIES	(120)	(423,206)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds and (Return) of Common Stock Issuable	0	(50,000)
Proceeds from Issuance of Common Stock and conversion of Preferred Stock to Common Stock	70,669	532,025
Decrease in Preferred Stock due to Conversion to Common Stock	(70,669)	(119,525)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	0	362,500
NET INCREASE (DECREASE) IN CASH	(120)	(60,706)
CASH, BEGINNING OF THE PERIOD	120	60,826
CASH, END OF THE PERIOD	$ 0	$ 120

W3 GROUP, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Preferred Stock Non-Dividend Bearing Series B Convertible	Series B Convertible Preferred Stock Purchase Warrants	Common Stock Number of Shares	Common Stock Amount	C S I
Balance, January 1, 2000	$ 791,383	$ 325,600	3,413,582	$ 408,234	
25,812 shares of Series B converted to Common Stock (first quarter)	$ (19,344)		13,317	$ 19,344	
300,000 shares issued for consulting services on April 27, 2000			300,000	$ 412,500	
Return of Private Placement Proceeds on May 3, 2000					
190,428 shares of Series B Convertible Preferred Stock converted to Common Stock (second quarter)	$ (142,707)		94,836	$ 142,707	
6,400 shares of Series B Convertible Preferred Stock converted to Common Stock (third quarter)	$ (4,796)		3,200	$ 4,796	
40,000 shares of Series B convertible Preferred Stock converted to Common Stock (fourth quarter	$ (29,976)		20,000	$ 29,976	

Net Loss for the year ended December 31, 2000				
Balance, December 31, 2000	$ 594,560	$ 325,600	3,844,935	$ 1,017,557
2001				
87,000 shares of Series B Convertible Preferred Stock converted to Common Stock (first quarter)	$ (65,198)		43,500	$ 65,198
7,300 shares of Series B Convertible Preferred Stock converted to Common Stock (fourth quarter)	$ (5,471)		3,650	$ 5,471
Net Loss for the year ended December 31, 2001				
Balance, December 31, 2001	$ 523,891	$ 325,600	3,892,085	$ 1,088,226

W3 GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2001

Note 1 - ORGANIZATION AND HISTORY

The Company is a Colorado corporation and had been in the development stage since its formation on February 12, 1988. The Company was formed to seek potential business acquisitions and its activities since inception are primarily related to its initial public offering and merger activities.

Upon the completion of the acquisition of Concorde Management, Ltd. and its wholly owned subsidiary, L'Abbigliamento, Ltd., the Company had ceased being a development stage company. This acquisition was effective July 1, 1997.

L'Abbigliamento, Ltd. is a New York State corporation which was incorporated in March, 1992. L'Abbigliamento, Ltd. commenced operations in August of 1992 as an importer of fine men's clothing. In October of 1995 Vista International Ltd., incorporated in the Cayman Islands, was organized to acquire raw material and to sell finished goods to areas outside the United States. Effective July 1, 1997 L'Abbigliamento, Ltd. and Vista International Ltd. were acquired through an exchange of stock by Concorde Strategies Group, Inc. As a result of the Company's changed focus, an agreement for the divestiture of L'Abbigliamento, Ltd. effective March 31, 1999, was approved by shareholders on August 12, 1999, (see "Note 7 - DIVESTITURE OF SUBSIDIARY" and "Note 8 - MERGER AND ACQUISITIONS") and the divestiture was completed.

On April 21, 1999, the Company entered into an Agreement and Plan of Share Exchange with W3 Group, Inc. a Delaware corporation which was formed to acquire and develop young companies whose businesses involved the development of Internet related technology and applications. Effective October 1, 1999, the Agreement was completed and the Company changed its name to W3 Group, Inc. (See "Note 8 - MERGER AND ACQUISITIONS".)

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Company records income and expenses on the accrual method.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash on deposit and highly liquid investments with maturities generally of three months or less.

Deferred Offering Costs

Costs associated with the Company's private offerings have been charged to the proceeds of the offering. If the offerings are unsuccessful, the costs are charged to operations.

Sales and expenses

Sales and expenses are recorded using the accrual basis of accounting.

Fixed assets and accumulated depreciation

Fixed assets consist of a computer system and are stated at cost less accumulated depreciation which is provided for by charges to operations over the estimated useful lives of the assets.

Use of estimates

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

Note 3 - CAPITALIZATION

In April 1996, the Company undertook a private placement of its securities pursuant to the provisions of Rule 504 under Regulation D under the Securities Act of 1933, as amended, whereby it issued 9,000,000 shares of its Common Stock in exchange for the satisfaction of $45,000 in debts owed by the Registrant. Also in April 1996, the Company effected a 1-for-10 reverse split of its common stock as the result of which the Company had, following the aforesaid private offering, 1,200,000 shares issued and outstanding. This reverse split was effected in anticipation of management's renewed efforts to find a suitable business opportunity for the Company.

In June, 1997 the Company issued 300,000 shares of common stock to certain parties who had performed services on behalf of the Company. The shares were issued in consideration for the cancellation of payments owed by the Company at the agreed upon rate of $.10 per share and were sold through a Private Placement pursuant to the exemption provided by Rule 504 of Regulation D under the Securities Act of 1933, as amended.

On October 24, 1997, the Company completed a Private Placement Offering of 450,000 non dividend bearing, no par value, Series B Convertible Preferred Shares. All of the shares were sold by the Company and no Placement Agent was involved in this Offering. The shares were sold at a purchase price of $.3125 per share and the Company realized proceeds of $130,633 from the Offering, net of offering expenses in the amount of $9,992. The shares were sold through a Private Placement pursuant to the exemption provided by Rule 504 of Regulation D under the Securities Act of 1933, as amended. Each Preferred Share is convertible into one and one quarter (1.25) shares of the Company's Common Stock, no par value, at the election of the Preferred Shareholder at any time after thirteen months from the date of issuance thereof and for a period of four years thereafter, ending on October 14, 2002. As discussed below, the conversion right of the Series B Preferred Shares has been adjusted as a result of a one for thirty reverse split of the Company's Common Stock on October 1, 1999.

On January 7, 1998, the Company issued 315,000 shares of Series B Convertible Preferred shares to certain parties who had performed services on behalf of the Company, including two companies which are principally owned by two Directors of the Company. The shares were issued by the Company in consideration for the cancellation of debt owed by the Company at the agreed upon rate of $.25 per share and were sold through a Private Placement pursuant to the exemption provided by Rule 504 of Regulation D under the Securities Act of 1933, as amended.

On June 22, 1998, the registrant issued 300,000 shares of Common Stock to a company which has performed services on behalf of the registrant. The shares were issued pursuant to an option in the Consulting Agreement to pay for the consulting fees through the issuance of restricted shares of Common Stock at the agreed upon rate of $.47 per share.

On August 12, 1998, the Company completed a Private Placement of 337,600 Series B Convertible Preferred Stock Purchase Warrants. All of the Warrants were sold by the Company and no Placement Agent was involved in this Offering. The Warrants were sold at a purchase price of $1.00 per Warrant and the Company realized proceeds of $325,600 from the Offering, net of offering expenses in the amount of $12,000. The Warrants were sold through a Private Placement pursuant to the exemption provided by Rule 504 of Regulation D under the Securities Act of 1933, as amended. Each warrant entitled the holder thereof to purchase one Series B Convertible Preferred Share at a price of $3.00 per share during the period commencing thirteen months after the date of the issuance thereof and continuing until February 1, 2002. (See "Note 10 - SUBSEQUENT EVENT".)

On April 1, 1999, the Company sold 175,000 shares of Series B Convertible Preferred stock to certain parties who had performed services on behalf of the Company, including one company which is principally owned by a Director of the Company. The shares were sold by the Company in consideration for the cancellation of payments owed by the Company at the agreed upon rate of $2.00 per share and were sold through a Private Placement pursuant to the exemption provided by Rule 504 of Regulation D under the Securities Act of 1933, as amended.

On May 21, 1999, 199,995 restricted shares of Common Stock were sold to a principal of L'Abbigliamento, Ltd. who had performed consulting services on behalf of the registrant. These shares were issued in October, 1999 in consideration for the cancellation of payments in the total amount of $64,995 owed by the registrant for said services.

In October, 1999, the Company issued 116,000 shares of the Series B Convertible Preferred Stock to three shareholders in satisfaction of a previously existing obligation relating to consulting services performed on behalf of the Company by an independent third party.

Effective October 1, 1999, the Agreement and Plan of Share Exchange (the "Agreement") with W3 Group, Inc. a privately owned company, was completed. (See "Note 8 - MERGER AND ACQUISITIONS".) Under the terms of this Agreement, Concorde acquired 100 percent of the capital stock of W3 Group, Inc. in exchange for an equal number of shares (3,250,000) of Concorde's post split Common Stock. W3 Group, Inc, became a wholly owned subsidiary of Concorde, and Concorde changed its corporation name to W3 Group, Inc.

Also, on October 1, 1999, the reverse split of Concorde's Common Stock on the basis of one new share for each 30 existing shares was effected. The number of outstanding shares of Concorde's Series B Convertible Preferred Stock and Series B Convertible Preferred Stock Purchase Warrants remained unchanged, however, the conversion feature has been adjusted to reflect the reverse split.

As per the Agreement, a special distribution of 520,056 Common Stock Purchase Warrants was made on October 4, 1999 to holders of the registrant's Common Stock, Series B Convertible Preferred Stock, and Series B Convertible Preferred Stock Purchase Warrants. The special distribution was made on the basis of one Common Stock Purchase Warrant for each ten shares of Common Stock (pre-reverse split) either outstanding as of September 30, 1999 or committed to be issued upon conversion of the then outstanding Preferred shares, or the currently outstanding Warrants to purchase Preferred Shares. The Common Stock Purchase Warrants are callable and each represent the right to purchase one share of Common Stock at a price of $6.00 per share during the exercise period, which is from the date of their issuance until October 1, 2001. None of the Common Stock Purchase Warrants were exercised during the exercise period and all such Warrants expired on October 1, 2001.

On October 16, 1999, the Company issued 11,800 shares of Common Stock to the original investors in Series B Convertible Preferred Stock and Series B Convertible Preferred Stock Purchase Warrants to adjust for the effect of the Company's restructuring.

At a special meeting of shareholders on January 18, 2000, shareholders approved amending the articles of incorporation to adjust the conversion right of the Series B Convertible Preferred Stock from an amount equal to 0.0416 shares to 0.5 (one half) share of Common Stock for each one share of Series B Convertible Preferred Stock. Series B Convertible Preferred Stock may be converted to Common Stock at the election of the shareholder until October 14, 2002.

On April 27, 2000, the registrant issued 300,000 restricted shares of Common Stock to a former director of the Company in consideration for services being performed on behalf of the registrant. The shares were issued in lieu of cash payment at the agreed upon rate of $1.375 per share.

The Company withdrew its private placement offering which had commenced on December 14, 1999, and returned the private placement proceeds of $50,000 to the subscribers on May 3, 2000.

On October 1, 2001, all of the 520,056 Common Stock Purchase Warrants then outstanding expired. These Warrants had been issued by the Company on October 4, 1999 and none had been exercised.

On February 1, 2002, subsequent to the period covered by this report, all of the 337,600 Series B Convertible Stock Purchase Warrants then outstanding expired. These Warrants had been sold by the Company on August 12, 1998 and none had been exercised. (See "Note 11 - SUBSEQUENT EVENT".)

Note 4 - PROVISION FOR TAXES ON INCOME

The estimated provision for income taxes are based on the statutory federal and state income tax rates.

Note 5 - LEASES AND OTHER COMMITMENTS

The Company leases its premises from Ameristar, an affiliated company, for the following annual rent expenses:

(eleven months) November 1, 1997 thru September 30, 1998	$ 41,173

October 1, 1998 thru September 30, 1999	46,152
October 1, 1999 thru September 30, 2000	47,424
October 1, 2000 thru September 30, 2001	48,732
October 1, 2001 thru December 31, 2001	7,500
Total Rent Commitment	$ 190,981

As of October 1, 2001, the Company is renting space from Ameristar on a month to month basis at a monthly cost of $2,500.

Note 6 - RELATED PARTY TRANSACTIONS

The Company has received advances of monies for its operating expenses from an affiliated company, Ameristar Group Incorporated. W3 leased office space from Ameristar on a monthly rental, commencing on November 1, 1997 for a term of three years and eleven (11) months, ending on September 30, 2001, and thereafter on a month to month basis. (See "Note 5 - LEASES AND OTHER COMMITMENTS".)

The Company has incurred consulting fees of $236,833 to its Executive Vice President, and $45,000 to "Ameristar" (an affiliate corporation) since the beginning of 1996.

The Company has issued 200,000 shares of common stock to two related privately owned companies in consideration of $.10 per share for consulting services performed on behalf of the Company. (See "Note 3 - CAPITALIZATION".)

On January 7, 1998, the Company issued 315,000 shares of Series B Convertible Preferred Stock to certain parties who had performed services on behalf of the Company. Of that total, 222,000 shares were issued to two related privately owned companies in consideration of $.25 cents per share.

On June 22, 1998, the Registrant issued 300,000 shares of its Common Stock to a company principally owned by a Director of the Registrant in consideration of $.47 per share for consulting services performed on behalf of the Registrant. (See "Note 3 - CAPITALIZATION".)

On April 1, 1999, the Registrant issued 71,666 of its preferred stock to a company principally owned by a Director of the Registrant in consideration of $2.00 per share for consulting services performed on behalf of the Registrant. (See "Note 3 - CAPITALIZATION".)

On May 21, 1999, 199,995 restricted shares of common stock were sold to a principal of L'Abbigliamento, Ltd. who had performed consulting services on behalf of the registrant. These shares were issued in October, 1999 in consideration for the cancellation of payments in the total amount of $64,995 owed by the registrant for said services.

Note 7 - DIVESTITURE OF SUBSIDIARY

A Termination Agreement was executed on May 5, 1999, for the divestiture of L'Abbigliamento, Ltd., the Company's sole operating subsidiary and was ratified by shareholders on August 12, 1999. Under the terms of the Agreement, (1) management of both companies mutually elected to rescind and cancel the acquisition of L'Abbigliamento, Ltd. by the Company, effective as of the close of business on March 31, 1999; (2) L'Abbigliamento, Ltd. returned to the Company 100 percent of the Class A Preferred Shares in exchange for which the Company delivered 100 percent of the L'Abbigliamento, Ltd. capital stock held by it; (3) L'Abbigliamento, Ltd. will repay its outstanding indebtedness to the Company in the principal amount of $158,000 in five equal monthly payments of $1,300, plus 55 monthly payments of $1,700, which payments shall be inclusive of interest at the rate of six percent per annum, to be followed by a final payment at the end of aforesaid term equal to the sum of any accrued but unpaid interest due thereon plus the entire unpaid principal amount; (4) On January 10, 2001, L'Abbigliamento, Ltd. paid off the balance due on its loan from State Bank of Long Island, ending the Company's liability for said loan pursuant to a guarantee of payment previously made by the Company.

Note 8 - MERGER AND ACQUISITIONS

On April 21, 1999, the Company entered into an Agreement and Plan of Share Exchange with W3 Group, Inc., which was approved by shareholders on August 12, 1999, whereby Concorde acquired 100 percent of the Common Stock of W3 Group, Inc. in exchange for the issuance of 3,275,000 shares of post reverse split Common Stock of Concorde Strategies Group, Inc., at the rate of one Concorde Share for one W3 Share. Upon completion of the exchange of shares, effective October 1, 1999, W3 Group, Inc. became a wholly owned subsidiary of Concorde and Concorde amended its Articles of Incorporation to change its corporation name to W3 Group, Inc. Concorde conducted a meeting of shareholders on August 12, 1999 to ratify the Agreement and certain other matters which had been approved by its Board of Directors.

Note 9 - WRITE OFF OF BAD DEBT

Pursuant to SFAS-5, "Accounting for Contingencies," the Company has written off the Loan Receivable in the amount of $157,522 and related Interest Receivable in the amount of $13,140 during the quarter ended September 30, 2001, and charged a total of $170,662 to bad debt expense (see Statement of Operations). Said loan had been made to the Company's former operating subsidiary, L'Abbigliamento, Ltd., and has been in default for over two years. (See "Note 7 - DIVESTITURE OF SUBSIDIARY".) Repayment of the loan and related interest cannot be reasonably assured.

Note 10 - GOING CONCERN

As of December 31, 2001, the Company had a stockholders' deficit of $2,444,379, and no cash. As a result, substantial doubt exists about its ability to continue as a going concern. These financial statements have been prepared on the going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. Operations to date have been primarily financed by equity transactions. Management is re-evaluating business opportunities and looking for a new direction for the Company. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Note 11 - SUBSEQUENT EVENT

On February 1, 2002, subsequent to the period covered by this report, all of the 337,600 Series B Convertible Stock Purchase Warrants then outstanding expired. These Warrants had been sold by the Company on August 12, 1998 and none had been exercised. (See "Note 3 - CAPITALIZATION".)