

Edgar Filing: W3 GROUP INC - Form 10QSB

PART I.	FINANCIAL INFORMATION	1
Item 1.	Financial Statements	1
	Unaudited Balance Sheet at March 31, 2002 and Audited Balance Sheet at December 31, 2001	1
	Unaudited Statements of Operations For Three Months Ended March 31, 2002 and March 31, 2001	3
	Unaudited Statements of Cash Flows For Three Months Ended March 31, 2002 and March 31, 2001	4
	Statements of Stockholders' Equity (Deficit)	5
	Notes to Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	13
PART II.	OTHER INFORMATION	15
SIGNATURE		15

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

Basis of Presentation

The accompanying unaudited financial statements are presented in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB and item 310 under subpart A of Regulation S-B. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2002 are not necessarily indicative of results that may be expected for the year ending December 31, 2002. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31, 2001.

W3 GROUP, INC.

BALANCE SHEETS

ASSETS

	(Unaudited) March 31 2002	Audited December 31 2001
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 0	\$ 0

Edgar Filing: W3 GROUP INC - Form 10QSB

Prepaid expenses	0	51,561
	-----	-----
TOTAL CURRENT ASSETS	\$ 0	\$ 51,561
Fixed assets, net of accumulated depreciation of 2,377 and \$1,897	\$ 119	\$ 239
TOTAL ASSETS	\$ 119	\$ 51,800
	-----	-----

W3 GROUP, INC.

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	(Unaudited) March 31 2002	Audited December 31 2001
	-----	-----
CURRENT LIABILITIES:		
Accounts payable	\$ 252,447	\$ 252,447
Accrued interest	12,654	11,454
Stockholders' loans	40,000	40,000
Due to Ameristar Group Incorporated	\$ 220,169	\$ 220,169
	-----	-----
TOTAL CURRENT LIABILITIES	\$ 525,270	\$ 524,070
	-----	-----
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred Stock, no par value, 100,000,000 shares authorized		
Series B Convertible Stock, non-dividend bearing, 699,060 shares issued and outstanding	\$ 523,891	\$ 523,891
Common Stock, no par value, 500,000,000 shares authorized, 3,892,085 shares issued and outstanding as of March 31, 2002 and December 31, 2001	1,088,226	1,088,226
Additional paid-in-capital	360,225	360,225
Retained earnings (Deficit)	(2,497,493)	(2,444,612)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(525,151)	(472,270)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 119	\$ 51,800
	-----	-----

W3 GROUP, INC.

STATEMENTS OF OPERATIONS (UNAUDITED)

For the Three Months Ended

Edgar Filing: W3 GROUP INC - Form 10QSB

	March 31,	
	2002	2001
REVENUES:	\$ 0	\$ 0
OPERATING EXPENSES:		
Consulting	\$ 51,561	\$ 64,563
Depreciation expense	120	120
Office expense and postage	0	508
Rent	0	12,183
Transfer and filing fees	0	402
TOTAL OPERATING EXPENSES	\$ 51,681	\$ 77,776
NET INCOME (LOSS) BEFORE OTHER EXPENSES	(51,681)	(77,776)
OTHER INCOME AND (EXPENSES):		
Interest income	0	2,363
Interest (Expense)	(1,200)	(1,200)
TOTAL OTHER INCOME AND (EXPENSES)	(1,200)	1,163
NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(52,881)	(76,613)
ESTIMATED PROVISION FOR INCOME TAXES	0	0
NET INCOME (LOSS)	\$ (52,881)	\$ (76,613)
NET INCOME (LOSS) PER SHARE	\$ (0.014)	\$ (0.020)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	3,892,085	3,866,685

W3 GROUP, INC.

STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (52,881)	\$ (76,613)
Adjustments to reconcile net loss to net cash flow from operating activities:		
Depreciation and amortization	120	120
Decrease (Increase) in prepaid expenses	51,561	51,563
Increase in due to Ameristar Group Incorporated	0	13,183
Decrease (Increase) in interest receivable	0	(1,261)
Increase in accrued interest	1,200	1,200
(Decrease) Increase in payables	0	11,962
CASH USED BY OPERATING ACTIVITIES	0	154
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds and (return) of Common Stock issuable	0	0
Proceeds from issuance of Common Stock and		

Edgar Filing: W3 GROUP INC - Form 10QSB

conversion of Preferred Stock to Common Stock	0	70,669
Decrease in Preferred Stock due to conversion to Common Stock	0	(70,669)
	-----	-----
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	0	0
	-----	-----
NET INCREASE (DECREASE) IN CASH	0	(120)
CASH, BEGINNING OF THE PERIOD	0	120
	-----	-----
CASH, END OF THE PERIOD	\$ 0	\$ 0
	-----	-----

W3 GROUP, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE THREE MONTHS ENDED MARCH 31, 2002

	Preferred Stock Non- Dividend Bearing Series B Convertible	Series B Convertible Preferred Stock Purchase Warrants	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in- Capital	Deficit Accumulat
	-----	-----	-----	-----	-----	-----
Balance, January 1, 2002	\$ 523,891	\$ 325,600	3,892,085	\$ 1,088,226	\$ 34,625	\$(2,444,6
Expiration of Series B Warrants on February 1, 2002		(325,600)			325,600	
Net loss for the three months ended March 31, 2002	--	--	--	--	--	(52,8
	-----	-----	-----	-----	-----	-----
Balance, March 31, 2002	\$ 523,891	\$ 0	3,892,085	\$ 1,088,226	\$ 360,225	\$(2,497,4
	-----	-----	-----	-----	-----	-----

W3 GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31, 2002

Note 1 - ORGANIZATION AND HISTORY

The Company is a Colorado corporation and had been in the development

Edgar Filing: W3 GROUP INC - Form 10QSB

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.

Edgar Filing: W3 GROUP INC - Form 10QSB

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 1-for-30 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 ("B Warrants"). All of the B Warrants were sold by the Company and no placement agent was involved in this offering. The B 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 B 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 B 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. None of the 337,600 B Warrants were exercised and all of them expired on February 1, 2002.

Edgar Filing: W3 GROUP INC - Form 10QSB

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.

Edgar Filing: W3 GROUP INC - Form 10QSB

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.

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 Group Incorporated ("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 rented space from Ameristar on a month to month basis at a monthly cost of \$2,500, and as of January 1, 2002, on a rent free basis.

Note 6 - RELATED PARTY TRANSACTIONS

The Company has received advances of monies for its operating expenses from Ameristar. 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 since the beginning of 1996. No such consulting fees were incurred for the period covered by this Report.

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

Edgar Filing: W3 GROUP INC - Form 10QSB

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 6 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, 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

Edgar Filing: W3 GROUP INC - Form 10QSB

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.

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations

Results of Operations

The Company did not have any revenue during the three month period ended March 31, 2002, or during the comparable period for the prior year, and has not had any revenue since the first quarter of 1999.

Operating expenses for the three month period ended March 31, 2002 were \$51,681, a decrease of \$26,095 from the prior year's period, resulting primarily from decreased consulting and rent expenses.

The net loss for the three month period ended March 31, 2002 was \$52,881 compared to a net loss of \$76,613 for the comparable period in the prior year, a decrease of \$23,732, resulting from the aforementioned decrease in consulting and rent expenses and a decrease in other income.

The Company had no cash at March 31, 2002 and at December 31, 2001. Accounts payable at March 31, 2002 totaled \$252,447, which was the same at December 31, 2001.

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 additional candidates will be found.

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.

Liquidity and Capital Resources

At March 31, 2002, the Company had no cash. The Company has received

Edgar Filing: W3 GROUP INC - Form 10QSB

an audit opinion 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 included in the Company's annual report on Form 10-KSB and Note 10 to financial statements.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.	Not Applicable.
Item 2. Change in Securities.	None
Item 3. Defaults Upon Senior Securities.	Not Applicable.
Item 4. Submission of Matters to a Vote of Security Holders.	None.
Item 5. Other Information.	None
Item 6. Exhibits and Reports of Form 8-K.	None.

SIGNATURE

Edgar Filing: W3 GROUP INC - Form 10QSB

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

Date: May 6, 2002

By: /s/ Robert Gordon
Robert Gordon
Acting President
Executive Vice President
Principal Financial Officer