

Edgar Filing: W3 GROUP INC - Form 10KSB/A

W3 GROUP INC  
Form 10KSB/A  
May 07, 2001

W3 Group, Inc.  
444 Madison Avenue, Suite 1710  
New York, NY 10022  
(212) 317-0060 (212) 750-2326 fax

By EDGAR

May 4, 2001

Securities and Exchange Commission  
Division of Corporation Finance  
450 5th Street NW  
Washington, DC 20549

Re: W3 Group, Inc.  
Form 10-KSB/A

Dear Sirs and Ladies:

W3 Group, Inc. hereby files Form 10-KSB/A with a new audit report covering financial statements containing a minor adjustment resulting in a decrease of \$8,908 in stockholders' equity.

Please advise the undersigned by telephone or fax if there are any questions regarding this filing.

Yours sincerely,  
W3 GROUP, INC.

/s/ Robert Gordon  
Robert Gordon  
Executive Vice President

RG:gl  
enc.

SECURITIES & EXCHANGE COMMISSION  
Washington, D.C., 20549

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FORM 10-KSB/A

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

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For the Fiscal Year Ended December 31, 2000  
Commission File Number: 0-27083

W3 GROUP, INC.

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(Exact name of Registrant as specified in its Charter)

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

444 Madison Avenue, Suite 1710, New York, NY 10022
(Address of principal executive offices) (zip code)

(212) 317-0060
(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 30, 2001, 3,888,435 shares of
Common Stock, no par
value were outstanding; at December 31, 2000, 3,844,935 shares , no par
value, outstanding.

The aggregate market value of the voting stock held by non-affiliates of
registrant on March
30, 2001 was \$131,309.

FORM 10-KSB/A
December 31, 2000
W3 GROUP, INC.

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FORM 10-KSB/A

W3 GROUP, INC.  
December 31, 2000

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., 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, as described below.

In the beginning of 1999, the Company decided to reorganize and focus its acquisition efforts on Internet related technology companies. The Internet industry is going through fundamental and rapid changes as

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technology advances, providing significant business growth opportunities. The emergence of the Internet into homes and offices has provided a powerful new mechanism for areas such as electronic commerce, communication via E mail, and the dissemination of information.

### Reorganization of Business Operations

In regard to the Company's changed business focus, an Agreement and Plan of Share Exchange was entered into with W3 Group, Inc., a privately held company, and after approval by shareholders, said Agreement became effective on October 1, 1999 (Refer to Form 8-K filed on October 15, 1999). At that time, the Company changed its corporation name to W3 Group, Inc. Also, as part of the reorganization, the Company divested its subsidiary, L'Abbigliamento, Ltd., which resumed operations as an independent public company ( See "Note 8- DIVESTITURE OF SUBSIDIARY"). The Company also effected a reverse split of its Common Stock on the basis of one new share for each 30 existing shares, after which 3,275,000 new shares (post reverse split) of Common Stock were issued to W3 shareholders in exchange for 100 percent of the capital stock of W3 Group, Inc. The Agreement and Plan of Share Exchange transaction was intended to qualify as a tax free "reorganization" within the meaning of Section 368 (a) (1) (B) of the Internal Revenue Code of 1986, as amended.

The reverse split of the Company's Common Stock included a special distribution, post split, of Common Stock Purchase Warrants ("Common Warrants") to all holders of all classes of capital stock as of the close of business on September 30, 1999. These Common Warrants each represent the right to purchase one share of Common Stock at a price of \$6.00 per share until October 1, 2001 (Refer to Form 8-K filed on October 15, 1999 for additional information regarding the Common Warrants).

### Present Operations

W3 intends to acquire, finance, and restructure profitable companies that can utilize the Internet to expand their business and distribution channel. These companies would become wholly owned, or majority owned, subsidiaries of W3. W3's plan is based on analysis and evaluation of the current industry environment, trends, and perceived opportunities in certain industries within the Internet. W3 intends to focus 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 via use of the Internet, 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.

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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.

### Regulation

Although the Company's planned operations are not subject to any regulations governing the Internet, services which are provided via the Internet or the companies which provide such services, it is likely that, in the future, such regulations will be instituted. Although it is not possible to predict the extent of any such future regulations, and although management is not aware of any pending regulations which would be applicable to its planned business operations, it is possible that future or unforeseen changes may have an adverse impact upon the Company's ability to continue or expand its operations as presently planned. The extent of such regulations is impossible to predict, as it is the potential impact upon the business operations of the Company in accordance with its business plan.

### 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 Internet marketplace is new, rapidly evolving 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 utilizes 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 current monthly rental of \$4,061 ( See "Note 5- LEASES AND OTHER COMMITMENTS").

### Employees

The Company's employees consist of its officers. The one outside Director is engaged in other business activities and devotes so much of his 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

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A special meeting of shareholders was held on January 18, 2000. Reference is made to Schedule 14A, Notice of Special Meeting of Shareholders, and Proxy Statement filed on November 24, 1999 and Form 8-K filed on January 24, 2000. This special meeting of shareholders did not involve the election of directors. The only matter voted on, which was approved by shareholders, was to amend the issuer's Articles of Incorporation to adjust the conversion right of the Series B Convertible Preferred Stock from an amount equal to .0416 shares to an amount equal to .5 (one half) share of Common Stock for each one share of Series B Convertible Preferred Stock. A total of 2,823,942 votes were cast for this proposal, 50,156 votes against, 6,220 abstentions, and 7,830 broker non-votes.

### 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, 2000 for the Company's Common Stock was 389 and for its Series B Convertible Preferred Stock was 24 shareholders. There currently are 10 market makers for the Company's Common Stock and 8 market makers for its Series B Convertible Preferred Stock.

The following tables show for the periods indicated the 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

##### Fiscal 1999

Quarter ended March 31, 1999	\$0.6250	\$0.0400
Quarter ended June 30, 1999	\$0.5000	\$0.1563
Quarter ended September 30, 1999	\$0.3125	\$0.1000
Quarter ended December 31, 1999	\$9.5000	\$1.2500

##### Fiscal 2000

Quarter ended March 31, 2000	\$8.5000	\$1.5000
Quarter ended June 30, 2000	\$1.5000	\$0.7500
Quarter ended September 30, 2000	\$1.2500	\$0.2500
Quarter ended December 31, 2000	\$1.2500	\$0.3750

#### SERIES B CONVERTIBLE PREFERRED SHARE TRADING HISTORY

##### Fiscal 1999

Quarter ended March 31, 1999	\$6.0625	\$1.5500
Quarter ended June 30, 1999	\$6.1250	\$2.0625
Quarter ended September 30, 1999	\$6.3125	\$1.0625
Quarter ended December 31, 1999	\$3.0000	\$0.9375

##### Fiscal 2000

Quarter ended March 31, 2000	\$2.1250	\$0.5000
Quarter ended June 30, 2000	\$0.7000	\$0.1875
Quarter ended September 30, 2000	\$0.1875	\$0.0625
Quarter ended December 31, 2000	\$0.1250	\$0.0625

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

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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.

### ITEM 6. SELECTED FINANCIAL INFORMATION

Summary Balance Sheet Data:	YEAR ENDED DECEMBER 31,			
	2000	1999	1998	1997
Total Assets	\$ 440,375	\$ 247,263	\$3,598,222	\$3,440,634
Total Current Assets	439,656	228,136	3,454,374	3,341,282
Total Liabilities	421,915	287,780	2,041,520	2,276,451
Retained Earnings (Deficit)	(1,953,882)	(1,650,359)	(263,995)	(111,164)
Stockholders' Equity	\$ 18,460	\$ (40,517)	\$1,556,702	\$1,164,183

Summary Earnings Data:	YEAR ENDED DECEMBER 31,			
	2000	1999	1998	1997
Revenues	\$ 0	\$ 837,486	\$3,845,393	\$1,827,502
Cost of goods sold	0	595,713	3,043,546	1,419,701
Selling, general & administrative expense	327,398	1,124,623	899,077	495,162
Income (loss) from operations	(327,398)	(882,850)	(97,230)	(87,361)
Net Income (Loss)	(312,431)	(869,904)	(152,831)	(100,361)
Earnings (Loss) per Share	(.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 (See Item 7).

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

#### Results of Operations

Investors and shareholders should bear in mind that the Company's only operating subsidiary was fully divested effective March 31, 1999, the end of the first quarter of fiscal 1999.

For the prior year ended December 31, 1999, consolidated results include the results of operations of the Company's former subsidiary, L'Abbigliamento, Ltd., for the three month period ended March 31, 1999, the effective date of the divestiture of the Subsidiary.

The Company did not have any business operations during the year 2000. In 1999, the sales of \$837,486 occurred during the first quarter from operation of L'Abbigliamento, Ltd., as well as the gross profit realized of \$241,773, after cost of sales of \$595,713.

Operating expenses for 2000 were \$325,105 compared to \$1,124,623 in 1999, which included \$199,428 for the operation of L'Abbigliamento, Ltd. Not including L'Abbigliamento, Ltd., operating expenses in 2000 decreased \$600,900 from the prior year, resulting primarily from decreased consulting fees for services performed.

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The net loss for the twelve month period ended December 31, 2000 was \$325,105 compared to a net loss of \$912,249, not including L'Abbigliamento, Ltd., for the prior year period, a decrease of \$587,144, reflecting the decreased consulting expenses.

The total cash and cash equivalents at December 31, 2000 totaled \$120, compared to \$60,826 at December 31, 1999. Accounts payable at December 31, 2000 totaled \$201,641, which represents the Company's normal business overhead expenses and consulting services.

The Company is continuing to look for suitable acquisition candidates in its new area of concentration, to wit, Internet technology and related companies. 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.

### Liquidity and Capital Resources

At the end of fiscal 2000, the Company had an insignificant amount of cash totaling \$120. There is no assurance that the Company will be able to raise the amount of cash required for working capital purposes.

### Year 2000 Compliance

The Company has not experienced any problems to date as a result of the Year 2000 issue. Although the change in date to the year 2000 has occurred, no assurance can be made that all aspects of the Year 2000 issue that may affect the Company including those related to suppliers, or third parties, have been fully resolved. As of the date of this report, no additional costs have been incurred by the Company resulting from the Year 2000 issue.

### General Risk Factors Affecting the Company and its Subsidiary

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:

Continued growth, use, and acceptance of the Internet as a business medium, and development of the required infrastructure to support Internet growth.

- Rapidly changing technology.

- Intense competition within the Internet marketplace.

- Many well established companies and smaller entrepreneurial companies have significant

- resources that will compete with the Company's limited resources in the acquisition of

- Internet technology 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



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is not able to  
consummate future acquisitions and raise capital.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial Statements:

For the Years Ended December 31, 2000 and 1999: Reference

Report of Janet Loss, C.P.A., P.C., Independent  
Certified Public Accountant F-9

Report of Jay Fox, C.P.A., Independent Certified Public Accountant F-10

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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.  
(Formerly Known as W3 Group, Inc. and Subsidiary)  
444 Madison Avenue, Suite 1710  
New York, New York 10022

I have audited the accompanying balance sheet of W3 Group, Inc. as of December 31, 2000 and the consolidated balance sheet of W3 Group, Inc. and Subsidiary as of December 31, 1999 and the related statement and consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2000 and 1999. The above-mentioned financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on the financial statements at December 31, 2000 and the consolidated financial statements at December 31, 1999 based on my audits. I did not audit the statements of Company's former subsidiary, L'Abbigliamento, Ltd., as of March 31, 1999 and the related

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statements of income, changes in stockholders' equity and cash flows for the three months ended March 31, 1999. (See Note 1) The former subsidiary's statements reflect total revenues of \$837,486 for the three months ended March 31, 1999. The subsidiary's financial statements are included in the consolidated financial statements of W3 Group, Inc. and Subsidiary until the completion of the divestiture of L'Abbigliamento, Ltd. at March 31, 1999. The subsidiary's financial statements were audited by other auditors whose report has been furnished to me, and my opinion in so far as it relates to the comments of the subsidiary is based solely on the report of such other auditors.

I conducted my audits in accordance with generally accepted accounting standards. 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 and the report of other auditors the financial statements at December 31, 2000 and the consolidated financial statements at December 31, 1999 referred to above present fairly, in all material respects, the financial position of W3 Group, Inc. and W3 Group, Inc. and Subsidiary as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years ended December 31, 2000 and 1999 in conformity with generally accepted accounting principles.

/s/Janet Loss  
Janet Loss, C.P.A., P.C.  
May 3, 2001

JAY FOX, C.P.A.  
4315 AUSTIN BLVD.  
ISLAND PARK, NY 11558

July 6, 1999

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To the Board of Directors and Shareholders  
L'Abbigliamento, Ltd. and Vista International Ltd.:

We have audited the accompanying consolidated balance sheet of L'Abbigliamento, Ltd. and Vista International Ltd. as of March 31, 1999, and the related statements of income, retained earnings and cash flow for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of L'Abbigliamento, Ltd. and Vista International Ltd. as of March 31, 1999, and the results of its operations and its cash flows for the three months then ended in conformity with generally accepted accounting principles.

/s/ Jay Fox  
Jay Fox, C.P.A.

W3 GROUP, INC.  
(Formerly W3 Group, Inc. and Subsidiary)  
BALANCE SHEET AND CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2000 AND 1999

	2000	1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 120	\$ 60,826
Prepaid Expenses	257,813	0
Loan Receivable (Note 8 and 10)	157,522	157,522
Interest Receivable (Note 8 and 10)	14,191	4,740
Rent Receivable	1,102	5,048
TOTAL CURRENT ASSETS:	\$ 430,748	\$ 228,136
Fixed assets, net of accumulated		

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depreciation of 1,777 and \$1,298	\$	719	\$	1,198
Deferred Offering Costs	\$	0		17,929
TOTAL ASSETS	\$	431,467	\$	247,263

### LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	2000		1999	
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$	201,641	\$	138,307
Accrued interest		6,654		1,854
Stockholders' loans Due to Ameristar Capital Corporation	40,000		40,000	
	\$	173,620	\$	107,619
TOTAL CURRENT LIABILITIES	\$	421,915	\$	287,780
<b>STOCKHOLDERS' EQUITY (DEFICIT):</b>				
Preferred stock, no par value, 100,000,000 shares authorized.			0	0
Series A Convertible, redeemable Preferred, 0 and 1,000 shares issued at December 31, 2000 and 1999		0		0
Series B Convertible, non-dividend bearing, 793,360 and 1,056,000 shares issued and outstanding	\$	594,560	\$	791,383
Series B Convertible Preferred Stock Purchase Warrants issued and outstanding	\$	325,600	\$	325,600
Common stock, no par value, 500,000,000 shares authorized, 3,844,935 and 3,413,582 shares issued and outstanding as of December 31, 2000 and 1999	\$	1,017,557	\$	408,234
Common stock issuable		0		50,000
Additional paid-in-capital		34,625		34,625
Retained earnings (Deficit)		(1,962,790)		(1,650,359)
TOTAL STOCKHOLDERS' EQUITY		9,552		(40,517)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	431,467	\$	247,263

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

W3 GROUP, INC.  
(Formerly W3 GROUP, INC. And Subsidiary)  
STATEMENT OF OPERATIONS AND CONSOLIDATED STATEMENT OF  
OPERATIONS

For the Years Ended December 31, 2000 and 1999

December 31, 2000      December 31, 1999

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REVENUES		
Sales	\$	0
		\$ 837,486
COST OF GOODS SOLD		
		0
		595,713
GROSS PROFIT:		0
		\$ 241,773
OPERATING EXPENSES:		
L'Abbigliamento Expenses	\$	0
		\$ 199,428
Consulting	206,688	789,909
Depreciation and amortization	479	3,695
Insurance	2,393	20,430
Office	5,639	6,378
Legal and Accounting	28,102	27,138
Rent	47,751	58,052
Transfer and filing fees	2,783	8,243
Marketing	33,563	11,350
TOTAL OPERATING EXPENSES	327,398	1,124,623
(LOSS) FROM OPERATIONS	(327,398)	(882,850)
OTHER INCOME AND (EXPENSES):		
INTEREST INCOME	9,451	8,722
INTEREST (EXPENSE)	(4,800)	0
EQUIPMENT RENTAL	0	5,048
FORGIVENESS OF DEBT	11,005	0
TOTAL OTHER INCOME AND (EXPENSES)	15,656	13,770
NET (LOSS) BEFORE PROVISION FOR INCOME TAXES	(311,742)	(869,080)
PROVISION FOR INCOME TAXES	689	824
NET (LOSS)	\$ (312,431)	\$ (869,904)
NET (LOSS PER SHARE)	\$ (.085)	\$ (0.91)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
	3,681,357	945,618*

\*Adjusted for October 1, 1999 reverse split on shares, 1-30 basis.

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

W3 GROUP, INC.  
(Formerly W3 GROUP, INC. And Subsidiary)  
CASH FLOW STATEMENT AND CONSOLIDATED CASH FLOW STATEMENT  
For the Years Ended December 31, 2000 and 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (312,431)	\$ (869,904)
Adjustments to reconcile net loss to net cash flow from operating activities:		
Depreciation and amortization	479	3,695
Decrease in accounts receivable	0	1,361,173
Decrease (Increase) in inventory	0	2,014,517
Decrease (Increase) in prepaid expenses	(257,813)	76,347
Decrease in Security Deposits	0	40,500
(Increase) in Loan Receivable	0	(157,522)
(Increase) in Interest Receivable	(9,451)	(4,740)

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(Increase) in Rent Receivable	3,946	(5,048)
(Increase) in Deferred Offering Costs	17,929	(17,929)
(Decrease)Increase in payables	134,135	(1,116,678)
Increase(Decrease)in corporate income taxes payable	\$ 0	\$ (63,147)
Cash Used by Operating Activities	\$ (423,206)	\$1,261,264

CASH FLOWS FROM INVESTING ACTIVITIES:

Decrease (Increase) in fixed assets	0	41,139
Increase in Leasehold Improvements	0	57,317
Divestiture of Subsidiary	0	(516,460)
Net Cash used in investing activities	0	(418,004)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of preferred stock & warrants	0	582,000
Proceeds and (Return) of Common Stock Issuable	(50,000)	50,000
Proceeds from Issuance of Common Stock and conversion of Preferred Stock to Common Stock	532,025	100,395
Decrease in Preferred Stock due to Conversion to Common Stock	(119,525)	0
(Decrease) in additional Paid-in Capital	0	(943,250)
Increase(Decrease)in amounts due to factor	0	(394,185)
Repayment of bank and other loans	0	(219,731)
Increase in Stockholders'loans	0	40,000
Net cash provided (used) by financing activities	362,500	(784,771)
Net Increase (Decrease)in Cash	\$ (60,706)	\$ 58,489
CASH, BEGINNING OF THE PERIOD	\$ 60,826	\$ 2,337
CASH, END OF THE PERIOD	\$ 120	\$ 60,826

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

W3 GROUP, INC.

(Formerly W3 GROUP, INC. AND SUBSIDIARY)

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) and

Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2000 and 1999

Stockholders' Equity	Preferred Stock Non-Dividend Bearing	Series B Convertible Preferred Stock	Series B Purchase Warrants	Common Stock	Common Stock	Common Stock
Deficit						
Accumulated (deficit)						
Balance,						
January 1, 1999	\$209,383	\$325,600	3,600,000	\$307,839	--	\$ 977,875 \$ (263
\$ 1,556,702						

April 1, 1999 Divestiture

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of Subsidiary,  
L'Abbigliamento, Ltd.  
(Note 12)

\$ (97

175,000 shares of Series  
B Convertible Preferred  
Stock issued for services  
April 1, 1999 \$350,000

May 21, 1999 199,995  
shares issued for  
consulting services 199,995 \$ 64,995

116,000 shares of Series  
B Convertible Preferred  
issued for services,  
September 30, 1999 \$232,000

1-30 reverse split on  
October 1, 1999 (3,673,213)

October 1, 1999, issuance  
of 3,275,000 shares, post  
reverse split, for  
acquisition of W3 Group,  
Inc. (Note 13) 3,275,000 \$

October 16, 1999 Issues  
to original private  
placements investors 11,800 \$ 35,400 35,400

Cash received for private  
placement, December 1999  
Net loss for the year  
ended December 31, 1999 -- -- -- -- -- \$ (869,904)

Balance, December 31,

1999 \$ 791,383 \$325.600 3,413,582 \$408,234 50,000 \$ 34,625 1,650,359) \$(40,517)

2000

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

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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				(312,431)		(312,431)
Balance, December 31, 2000	\$594,560	\$325,600	3,844,935	\$1,017,557	0	\$ 34,625 (1,962,790)

W3 GROUP, INC.  
(Formerly W3 GROUP, INC. AND SUBSIDIARY)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2000

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 8), 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 involve the development of Internet related technology and applications. Effective October 1, 1999, the Agreement was completed and the Company changed its name to



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W3 Group, Inc. (See Note 9).

### 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 will be 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

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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.

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 entitles the holder thereof to

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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 thirty (30) months thereafter. The warrants are redeemable by the Company at any time after thirteen months after their issuance and prior to their expiration at a price of \$0.05 per warrant, upon 30 days prior written notice, provided that the closing sale price of the shares as reported on the NASD Electronic Bulletin Board shall have been at least \$4.80 (160% of the exercise price of the warrants) on each of the 20 consecutive trading days ending on the tenth day prior to the day on which the notice of redemption is given.

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 13). 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

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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.

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.

### Note 4 - PROVISION FOR TAXES ON INCOME

The estimated provision for income taxes are based on the statutory federal and state income tax rates. The State of New York does not allow a foreign company to

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offset its income by  
the parent company's losses.

### Note 5 - LEASES AND OTHER COMMITMENTS

The parent 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
	Total Rent Commitment	

\$183,481

### Note 6 - RELATED PARTY TRANSACTIONS

The Company has received advances of monies for its operating expenses  
from an affiliated  
company, Ameristar Group Incorporated. W3 is leasing office space from  
Ameristar on a monthly  
rental, commencing on November 1, 1997 for a term of three years and  
eleven (11) months.  
(See Note 5)

The Company has incurred consulting fees of \$184,833 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

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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 - CONSOLIDATION OF FINANCIAL INFORMATION

The consolidated financial statements of the Company for the period ended December 31, 1999 include the results of the acquisition of Concorde Management, Ltd. and its wholly owned subsidiary, L'Abbigliamento, Ltd., for the first quarter of 1999, prior to the divestiture of L'Abbigliamento, Ltd.

All material inter-company accounts and transactions have been eliminated.

Due to the divestiture of the subsidiary, effective April 1, 1999, the financial statements from April 1, 1999 reflect financial data of the parent company and its wholly owned subsidiary, W3 Group, Inc. (Delaware) only.

### Note 8 - 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) subsequent to the period covered by this report, 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 9 - 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,

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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 10 - LOAN RECEIVABLE

L'Abbigliamento, Ltd., the Company's former subsidiary, is in default with its payment obligations to repay the Company the principal amount of \$157,522. Management believes that the loan will be repaid but does not know when payments will commence.

### 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	65	Executive Vice President
Martin I. Saposnick	54	Director of Corporate Development and Director
Joseph J. Messina	46	Director
William C. Hayde	40	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

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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



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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.

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### Changes in Officers and Directors

As reported in the Company's Form 10-QSB report for the period ended September 30, 2000, the Company accepted resignations on November 10, 2000 from P. Richard Sirbu, Chairman, CEO, President and Director, and from Thomas C. Hushen, Senior Vice President and Secretary. Mr. William C. Hayde was then elected as a Director and appointed Secretary, and Mr. Robert Gordon, Executive Vice President of the Company, was appointed acting President.

### ITEM 11. EXECUTIVE COMPENSATION

Robert Gordon, Executive Vice President of the Company, currently receives consulting fees of \$52,000.00 per year. As of December 31, 2000, consulting fees of \$148,733.00 remain unpaid. In 1998, Robert Gordon was President of the Company and received wages of \$30,330.00 and consulting fees of \$15,000.00. As of December 31, 2000, the Company has accrued obligations for payments to Mr. Gordon of \$138,733.00. No other officers or directors received compensation during 2000.

### 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 (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  
13.50%

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Wilmington Holdings Corp.(5)\*  
33 Wilputte Place  
New Rochelle, NY 10804

630,000  
16.20%

Lomar Corp.(6)\*  
21 Schermerhorn  
Brooklyn, NY 11201

625,000  
16.07%

Thomas C. Hushen  
33278 Bluebell Circle  
Evergreen, CO 80439

500,000  
12.86%

William C. Hayde\*  
76 Cliff Road  
Belle Terre, NY 11777

300,100  
7.72%

Robert Gordon\*  
201 East 19th Street  
New York, NY 10003

103,667  
2.67%

Dunhill Limited (7)\*  
444 Madison Avenue  
New York, NY 10022

3,333  
.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  
42.94%

\* Officer and/or Director

- 
- (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  
None

PART IV

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

- (a) 1. The following documents are filed as a part of this report:  
Financial Statements  
Auditors Report of Janet Loss, C.P.A., P.C. dated April 17, 2001 together with;  
Auditors Report of Jay Fox, C.P.A. dated July 6, 1999;  
Balance Sheet and Consolidated Balance Sheet as of December 31, 2000 and 1999;  
Statement of Operations and Consolidated Statement of Operations for the years ended December 31, 2000 and 1999;  
Statement of Stockholders' Equity and Consolidated Statement of Stockholders' Equity for the years ended December 31, 2000 and 1999;  
Statement of Cash Flow and Consolidated Statement of Cash Flows for the years ended December 31, 2000 and 1999;  
Notes to Financial Statements.
2. Financial Statement Schedules.  
All applicable information is contained in the financial statements or notes thereto.

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3. Exhibits -  
Exhibit 27- Financial Data Schedules (Electronic filing only).  
(b) Form 8-K filings:  
January 24, 2000 re: Special meeting of shareholders concerning  
adjustment of  
conversion right of Series B Convertible Preferred Stock (See  
PART 1, ITEM  
4).

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 15, 2001

By:

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:

By:

Martin I. Saposnick  
Director of Corporate Development and  
Director

Dated:

By:

Joseph J. Messina  
Director

Dated:

By:

William C. Hayde  
Director