

Edgar Filing: W3 GROUP INC - Form 10KSB

W3 GROUP INC  
Form 10KSB  
March 31, 2003

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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, 2002

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 (I.R.S. Employer Identification Number)  
incorporation or organization)

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  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-KSB.

Registrant had no revenues during its most current fiscal year.

Indicate the number of shares outstanding of each of issuer's classes of common stock, as of the latest practicable date. At December 31, 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 December 31, 2002 was \$44,447.

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W3 GROUP, INC.  
FORM 10-KSB  
December 31, 2002

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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

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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

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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% 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 Financial Statements "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

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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 expand capital while allowing the companies to continue management of daily operations.

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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. While the Company is seeking acquisition candidates, there can be no assurance that any acquisition will be consummated.

### Competition

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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

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The Company has 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, on rent free basis since January 1, 2002. (See Financial Statements "Note 5 - Leases and Other Commitments".)

### Employees

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The Company's employees consist of its officers. The outside Directors are engaged in other business activities and devote 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

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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, 2002 for the Company's Common Stock was 399 and for its Series B Convertible Preferred Stock was 26 shareholders. There currently are 4 market makers for the Company's Common Stock and 3 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

	2001		2002	
	High	Low	High	Low
Quarter ended March 31	\$ 0.100	\$ 0.080	\$ 0.033	\$ 0.030
Quarter ended June 30	\$ 0.050	\$ 0.040	\$ 0.050	\$ 0.033
Quarter ended September 30	\$ 0.050	\$ 0.040	\$ 0.048	\$ 0.030
Quarter ended December 31	\$ 0.040	\$ 0.030	\$ 0.035	\$ 0.020

#### SERIES B CONVERTIBLE PREFERRED SHARE TRADING HISTORY

	2001		2002	
	High	Low	High	Low
Quarter ended March 31	\$ 0.050	\$ 0.040	\$ 0.040	\$ 0.010
Quarter ended June 30	\$ 0.040	\$ 0.030	\$ 0.010	\$ 0.010
Quarter ended September 30	\$ 0.030	\$ 0.010	\$ 0.030	\$ 0.010
Quarter ended December 31	\$ 0.030	\$ 0.010	\$ 0.010	\$ 0.0005

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

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the Board of Directors based upon conditions then existing. There are no restrictions on the Company's ability to pay dividends.

On February 1, 2002, all of the Company's then outstanding 337,600 Series B

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Convertible Stock Purchase Warrants expired, with none of said Warrants having been exercised. (See Financial Statements "Note 3 - Capitalization".)

On September 23, 2002, a resolution was passed by the Board of Directors, which extended the conversion period of the Series B Convertible Preferred Stock from October 14, 2002 until the close of business on April 14, 2003. Each share of Series B Preferred Stock may be converted to 0.5 (one half) share of Common Stock at the election of the shareholder (See Financial Statements, "Note 3 - Capitalization").

Subsequent to the period covered by this Report, on January 10, 2003, the Board of Directors authorized the issuance of 1,499,999 restricted shares of Common Stock to two creditors of the Company in payment of their outstanding invoices for services. These shares were issued at the agreed upon rate of \$.03 per share.

### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Results of Operations

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The Company did not have any revenue during the years 2001 or 2002 , or in 2003 as of the date of this Report.

Operating expenses for 2002 were \$97,877 compared to \$477,022 in 2001, a decrease of \$379,145 from the prior year, resulting primarily from decreased consulting fees, decreased bad debt expense and decreased rent.

The net loss for the twelve month period ended December 31, 2002 was \$102,677 compared to a net loss of \$481,822 for the prior year period, a decrease of \$379,145, reflecting the aforementioned decreased operating expenses.

The Company had no cash and cash equivalents at December 31, 2002 and December 31, 2001. Accounts payable at December 31, 2002 totaled \$293,999, compared to \$252,447 at December 31, 2001, an increase of \$41,552 resulting from expenses accrued for professional fees.

The Company is still pursuing L'Abbigliamento, Ltd. in regard to obtaining payments toward the loan made by the Company in the amount of \$157,522 and interest in the amount of \$13,140. These amounts were written off during the quarter ended September 30, 2001 (See Financial Statements "Note 9 - Write Off of Bad Debt"). No assurances can be given regarding the collection of any payments from L'Abbigliamento, Ltd.

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 no assurance can be given that any candidates will be found.

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#### Liquidity and Capital Resources

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At the end of fiscal 2002, the Company had no cash. The Company has received 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

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new direction for the Company.

### General Risk Factors Affecting the Company

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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:

- o Rapidly changing business environment.
- o Intense competition within the market place.
- o 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.
- o There can be no assurance that the Company will be able to compete successfully in the acquisition of subsidiary companies.
- o The management of growth is expected to place significant pressure on the Company's managerial, operational, and financial resources.
- o The Company will not be able to accomplish its growth strategy if it is not able to consummate future acquisitions and raise capital.
- o 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 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Audited financial statements for the fiscal years ended December 31, 2002 and 2001 are submitted herein as PART F/S on Pages F-1 to F-13.

### ITEM 8. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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## PART III

### ITEM 9. 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	67	Acting President
Martin I. Saposnick	56	Director of Corporate Development and Director
Joseph J. Messina	48	Director
William C. Hayde	42	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

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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

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Robert Gordon is Acting President. From 1999 to August, 2002 Mr. Gordon was President of Lifen, Inc. 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.

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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

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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 10. EXECUTIVE COMPENSATION

The Company accrued consulting fees of \$1,000 per week for Mr. Robert Gordon, Acting President, through December 31, 2001. No consulting fees were accrued in 2002. 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, 2002, the Company has accrued obligations for payments to Mr. Gordon of \$190,733. No other officers or directors received compensation during 2002.

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### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### Principal Shareholders

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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, 2002; (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
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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)*		

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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* 444 Madison Avenue, Suite 2904 New York, NY 10022	103,667	2.66%
Dunhill Limited (7)* 444 Madison Avenue, Suite 2904 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 12. 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 rent free basis. (Refer to "PART I, ITEM 2. PROPERTIES").

PART IV

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ITEM 13. 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-13.

PART F/S

Financial Statements;

Auditor's Report of Janet Loss, C.P.A., P.C. dated March 25, 2003 together with;

Balance Sheet as of December 31, 2002 and 2001;

Statement of Operations for the years ended December 31, 2002 and 2001;

Statement of Stockholders' Equity for the years ended December 31, 2002 and 2001;

Statement of Cash Flow for the years ended December 31, 2002 and 2001; 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.

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ITEM 14. CONTROLS AND PROCEDURES

Subsequent to December 31, 2002 and prior to the filing of this Report, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision of and with the participation of our management, including the Acting President and Principal Financial Officer. Based on that evaluation, our management, including the Acting President and Principal Financial Officer, concluded that our disclosure controls and procedures were effective at December 31, 2002, and during the period prior to the execution of this report. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to December 31, 2002.

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: March 26, 2003

By: /s/ Robert Gordon

-----  
Robert Gordon  
Acting President and  
Principal Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this

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report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: March 26, 2003

By: /s/ Martin I. Saposnick

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Martin I. Saposnick  
Director of Corporate Development and  
Director

Dated: March 26, 2003

By: /s/ Joseph J. Messina

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Joseph J. Messina  
Director

Dated: March 26, 2003

By: /s/ William C. Hayde

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William C. Hayde  
Secretary and Director

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CERTIFICATE PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of W3 Group, Inc.. (the "Company") on Form 10-KSB for the fiscal year ended December 31, 2002 as filed with the Securities and Exchange Commission (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: March 26, 2003

By: /s/ Robert Gordon

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Robert Gordon  
Acting President and  
Principal Financial Officer

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CERTIFICATION PURSUANT TO RULE 13a-14 AND 15d-14  
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

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I, Robert Gordon, Acting President of W3 Group, Inc., certify that:

1. I have reviewed this annual report on Form 10-KSB of W3 Group, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
  - (a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this annual report (the "Evaluation Date"); and
  - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: March 26, 2003

By: /s/ Robert Gordon

-----  
Robert Gordon  
Acting President and  
Principal Financial Officer

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PART F/S  
For the Years Ended December 31, 2002 and 2001

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F-1

Janet Loss, C.P.A., P.C.  
Certified Public Accountant  
1780 South Bellaire Street  
Suite 500  
Denver, CO 80222

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

I have audited the accompanying balance sheets of W3 Group, Inc. as of December 31, 2002 and 2001, and the related statements of operations, changes in stockholders' equity and cash flows for the years ended December 31, 2002 and 2001. 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, 2002 and 2001, and referred to above present fairly, in all material respects, the financial position of W3 Group, Inc. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years ended

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December 31, 2002 and 2001 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.  
 March 25, 2003

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### W3 GROUP, INC.

#### BALANCE SHEETS

-----  
 DECEMBER 31, 2002 AND 2001

#### ASSETS

	2002 ----	2001 ----
CURRENT ASSETS:		
Prepaid Expenses	\$ 0	\$ 51,561
	-----	-----
TOTAL CURRENT ASSETS:	\$ 0	\$ 51,561
	-----	-----
Fixed assets, net of accumulated depreciation of 2,496 and 2,257	\$ 0	\$ 239
	-----	-----
TOTAL ASSETS	\$ 0	\$ 51,800
	-----	-----

#### LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	2002 ----	2001 ----
CURRENT LIABILITIES:		
Accounts payable	\$ 293,999	\$ 252,447
Accrued interest	16,254	11,454
Stockholders' loans	40,000	40,000
Due to Ameristar Group, Inc.	224,694	220,169
	-----	-----
TOTAL CURRENT LIABILITIES	\$ 574,947	\$ 524,070
	-----	-----

STOCKHOLDERS' EQUITY (DEFICIT):  
 Preferred stock, no par value,  
 100,000,000 shares authorized  
 Series B Convertible, non-dividend bearing,

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699,060 shares issued and outstanding	\$ 523,891	\$ 523,891
Series B Convertible Preferred Stock		
Purchase Warrants issued and outstanding	0	325,600
Common stock, no par value, 500,000,000 shares authorized, 3,892,085 shares issued and outstanding as of December 31, 2002 and 2001	1,088,226	1,088,226
Additional paid-in-capital	360,225	34,625
Retained earnings (Deficit)	(2,547,289)	(2,444,612)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(574,947)	(472,270)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 0	\$ 51,800
	-----	-----

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

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### W3 GROUP, INC.

#### STATEMENTS OF OPERATIONS

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FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
	----	----
REVENUES:	\$ 0	\$ 0
	-----	-----
OPERATING EXPENSES:		
Consulting	\$ 51,561	\$ 258,252
Depreciation and amortization	239	480
Office	310	1,320
Legal and Accounting	45,000	0
Rent	0	44,049
Transfer and filing fees	767	2,259
Bad Debt Expense	0	170,662
	-----	-----
TOTAL OPERATING EXPENSES	\$ 97,877	\$ 477,022
	-----	-----
(LOSS) FROM OPERATIONS	(97,877)	(477,022)
OTHER INCOME AND (EXPENSES):		
INTEREST INCOME	0	0
INTEREST (EXPENSE)	(4,800)	(4,800)
	-----	-----
TOTAL OTHER INCOME AND (EXPENSES)	(4,800)	(4,800)
	-----	-----
NET (LOSS) BEFORE PROVISION FOR INCOME TAXES	(102,677)	(481,822)
PROVISION FOR INCOME TAXES	0	0
	-----	-----
NET (LOSS)	\$ (102,677)	\$ (481,822)
	-----	-----
NET (LOSS PER SHARE)	\$ ( 0.026)	\$ (0.125)
	-----	-----

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WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	3,892,085	3,871,222
	-----	-----
	-----	-----

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

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W3 GROUP, INC.

### CASH FLOW STATEMENTS

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FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (102,677)	\$ (481,822)
Adjustments to reconcile net loss to net cash flow from operating activities:		
Depreciation and amortization	239	480
Decrease (Increase) in prepaid expenses	51,561	206,252
Increase in Due to Ameristar Group	4,525	46,549
Decrease in Loan Receivable	0	157,522
Decrease (Increase) in Interest Receivable	0	14,191
Decrease (Increase) in Rent Receivable	0	1,102
(Decrease) Increase in payables	46,352	55,606
	-----	-----
CASH USED BY OPERATING ACTIVITIES	0	(120)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of Common Stock and 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
	-----	-----

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

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W3 GROUP, INC.

### STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

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FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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	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 -----
Balance December 31, 2000	\$ 594,560	\$ 325,600	3,844,935	\$ 1,017,557	\$ 34,6
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	\$ 34,6
2002 -----					
Expiration of Series B Warrants on February 1, 2002		\$ (325,600)			\$ 325,6
Net Loss for the year ended December 31, 2002					
Balance December 31, 2002	\$ 523,891	\$ 0	3,892,085	\$ 1,088,226	\$ 360,2

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

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W3 GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 20021

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### 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

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The Company records income and expenses on the accrual method.

#### Cash and Cash Equivalents

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

#### Deferred Offering Costs

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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.

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#### Sales and Expenses

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

#### Fixed Assets and Accumulated Depreciation

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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

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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. This date was extended until April 14, 2003 by the Board of Directors on September 23, 2002. As discussed below, the conversion right of the Series B Preferred Shares was adjusted as a result of a 1-for-30 reverse split of the Company's Common Stock on October 1, 1999. Also, as discussed below, the conversion right was further adjusted on January 18, 2000 so that each share of Series B Preferred Stock may be converted to 0.5 (one half) share of Common Stock at the election of the shareholder.

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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

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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.

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 one hundred (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.

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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.

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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 represents 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 were to 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.

Subsequent to the period covered by this Report, on January 10, 2003, the Board of Directors authorized the issuance of 1,499,999 restricted shares (the "Shares") of Common Stock to two creditors of the Company in payment of their outstanding invoices for services. The Shares were issued at the agreed upon rate of \$0.03 per share.

### Note 4 - Provision for Taxes on Income

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

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### Note 5 - Leases and Other Commitments

The Company leased its premises from Ameristar Group Incorporated ("Ameristar"), an affiliated company, for the following annual rent expenses:

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

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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 Prior 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, space has been provided by Ameristar 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. As of January 1, 2002, space has been provided to the Company by Ameristar on a rent free 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 have been incurred since December 31, 2001.

In June, 1997 the Company 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 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")

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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

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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 one hundred (100%) percent of the Class A Preferred Shares in exchange for which the Company delivered one hundred (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 (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. Said loan had been made to the Company's former operating subsidiary, L'Abbigliamento, Ltd., and had been in default for over two years. (See "Note 7 - Divestiture of Subsidiary") Repayment of the loan and related interest cannot be reasonably assured.

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### Note 10 - Going Concern

As of December 31, 2002, the Company had a stockholders' deficit of \$574,947 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.

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