

Edgar Filing: W3 GROUP INC - Form 10QSB

W3 GROUP INC
Form 10QSB
August 13, 2001

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

(Mark One) [X] QUARTERLY REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

[] TRANSITION REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-27083

W3 GROUP, INC.

(Exact name of small business issuer as specified in its charter)

Colorado
(State or other jurisdiction of
No.)
incorporation or organization)

84-1108035
(IRS Employer Identification

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

(212) 317-0060
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

3,888,435 shares of Common Stock, no par value, outstanding on June 30, 2001.

W3 GROUP, INC.
Form 10-QSB Quarterly Report
For Period Ended June 30, 2001
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Item 1. Financial Statements:

BASIS OF PRESENTATION

The accompanying unaudited financial statements are presented in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB and item 310 under subpart A of Regulation S-B. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2001 are not necessarily indicative of results that may be expected for the year ending December 31, 2001. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB and Form 10-KSB/A for the year ended December 31, 2000.

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W3 GROUP, INC.
BALANCE SHEETS

(Unaudited) Audited
June 30, December 31,

2001 2000

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 110	\$ 120
Prepaid Expenses	154,687	257,813
Loan Receivable (Note 8 and 9)	157,522	157,522
Interest Receivable (Note 8)	17,866	14,191
Rent Receivable	0	1,102

TOTAL CURRENT ASSETS:	\$ 330,185	\$ 430,748
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Fixed assets, net of accumulated depreciation of 2,017 and \$1,777	\$ 479	\$ 719
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TOTAL ASSETS	\$ 330,664	\$ 431,467
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LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

(Unaudited) Audited
June 30, December 31

2001

2000

CURRENT LIABILITIES:

Accounts payable	\$ 226,878	\$ 201,641
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Accrued interest	9,054	6,654	
Stockholders' loans	40,000	40,000	
Due to Ameristar Capital Corporation	\$ 198,986	\$ 173,620	
TOTAL CURRENT LIABILITIES	\$ 474,918	\$ 421,915	
STOCKHOLDERS' EQUITY (DEFICIT):			
Preferred stock, no par value, 100,000,000 shares authorized.			
Series B Convertible, non-dividend bearing, 706,360 and 793,360 shares issued and outstanding			
	\$ 529,362	\$ 594,560	
Series B Convertible Preferred Stock Purchase Warrants issued and outstanding			
	\$ 325,600	\$ 325,600	
Common stock, no par value, 500,000,000 shares authorized, 3,888,435 and 3,426,899 shares issued and outstanding as of June 30, 2001 and December 31, 2000			
	\$ 1,082,755	\$1,017,557	
Additional paid-in-capital	34,625	34,625	
Retained earnings (Deficit)	(2,116,596)	(1,962,790)	
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(144,254)	9,552	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
	\$ 330,664	\$ 431,467	

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

W3 GROUP, INC. STATEMENT OF OPERATIONS (Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,			
	2001	2000	2001	2000		
REVENUES	\$ 0	\$ 0	\$ 0	\$ 0		
OPERATING EXPENSES:						
Consulting	\$64,563	64,563	129,126	77,563		
Depreciation expense	\$ 120	120	120	240		240
Insurance	\$ 0	1,197	0	2,394		
Office expenses and postage	\$ 709	2,020	1,217	3,383		
Legal and accounting expenses	\$ 0	5,525	0	29,352		
Rent expense	\$12,183	11,856	24,366	23,712		
Transfer and filing fees	\$ 781	215	1,183	911		
TOTAL OPERATING EXPENSES	\$78,356	85,496	156,132	137,555		
NET INCOME (LOSS) BEFORE						

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OTHER EXPENSES	\$ (78,356)	(85,496)	(156,132)	(137,555)
OTHER INCOME AND (EXPENSES):				
Interest Income	\$ 2,363	2,370	4,726	4,733
Interest (Expense)	(1,200)	(1,200)	(2,400)	(2,400)
TOTAL OTHER INCOME AND (EXPENSES)	1,163	1,170	2,326	2,333
NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(77,193)	(84,326)	(153,806)	(135,222)
ESTIMATED PROVISION FOR INCOME TAXES	0	0	0	689
NET INCOME (LOSS)	\$ (77,193)	\$ (84,326)	\$ (153,806)	\$ (135,911)
NET INCOME (LOSS) PER SHARE	\$ (0.20)	\$ (.024)	\$ (.04)	\$ (.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	3,888,435	3,624,317	3,881,185	3,624,317

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

W3 GROUP, INC. CASH FLOW STATEMENTS

For the Six Months Ended June 30, 2001 and 2000 (Unaudited)

Cash Flow Statements

June 30, 2001 June 30, 2000

CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ (153,806)		\$ (135,911)
Adjustments to reconcile net loss to net cash flow from operating activities:			
Depreciation and amortization	240		240
(Increase) in receivable	(2,573)		(3,564)
(Increase) in prepaid expenses	103,126		(360,937)
Increase in due to Ameristar Capital Corporation	25,366	24,468	
Increase in payables	25,237	32,357	
Decrease in deferred offering costs	0		17,929
Increase in accrued interest	2,400		2,400
Cash Provided (Used) by Operating Activities	\$ (10)	\$ (423,018)	
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Decrease) in common stock issuable			(50,000)
Proceeds from issuance of Common Stock and conversion of Preferred Stock to Common Stock	65,198		412,500
Decrease in Preferred Stock from conversion to Common Stock	(65,198)		0
Net Cash Provided by Financing Activities	\$ 0		\$ 362,500
Net Increase (Decrease) in Cash	\$ (10)	\$ (60,518)	
CASH, BEGINNING OF THE PERIOD	\$ 120	\$ 60,826	

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CASH, END OF THE PERIOD \$ 110 \$ 308

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

W3 GROUP, INC.
STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
Statement of Stockholders' Equity
for the Six Months Ended June 30, 2001

	Preferred Series B Stock Non- Dividend Bearing Series B Convertible	Convertible Preferred Stock Purchase Warrants	Common Number of Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated	Total Stockholders' Equity (Deficit)
Balance, January 1, 2001	\$594,560	\$325,600	3,844,935	1,017,557	\$34,625	\$(1,962,790)	\$ 9,552
87,000 shares of Series B Convertible Preferred Stock converted to Common Stock (first quarter)	(65,198)		43,500	65,198			
Net loss for the Six Months Ended June 30, 2001	--	--	--	--	--	(153,806)	(153,806)
Balance, June 30, 2001 (144,254)	\$529,362	\$325,600	3,888,435	\$1,082,755	\$34,625	(2,116,596)	

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

W3 GROUP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2001

Note 1 - ORGANIZATION AND HISTORY

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

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

L'Abbigliamento, Ltd. is a New York State corporation which was incorporated in March, 1992. L'Abbigliamento, Ltd. commenced operations in August of 1992 as an importer of fine men's clothing. In October of 1995 Vista International Ltd., incorporated in the Cayman Islands, was organized to acquire raw

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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 W3 Group, Inc. (See Note 8).

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Company records income and expenses on the accrual method.

Cash and cash equivalents

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

Deferred Offering Costs

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

Sales and expenses

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

Fixed assets and accumulated depreciation

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

Use of estimates

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

Note 3 - CAPITALIZATION

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

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

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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.

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 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

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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 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.

Note 5 - LEASES AND OTHER COMMITMENTS

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

(eleven months) November 1, 1997 thru September 30, 1998	\$41,173
October 1, 1998 thru September 30, 1999	46,152
October 1, 1999 thru September 30, 2000	47,424
October 1, 2000 thru September 30, 2001	48,732
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 \$210,833 to its Executive Vice President, and \$45,000 to "Ameristar" (an affiliate corporation) since the beginning of 1996.

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

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

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

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

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

Note 7 - DIVESTITURE OF SUBSIDIARY

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

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L'Abbigliamento, Ltd. paid off the balance due on its loan from State Bank of Long Island, ending the Company's liability for said loan pursuant to a guarantee of payment previously made by the Company.

Note 8 - MERGER AND ACQUISITIONS

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

Note 9 - 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 2: Management's Discussion and Analysis of Financial Conditions and Results of Operations:

Results of Operations

The Company did not have any revenue during the three and six month periods ended June 30, 2001, or during the comparable periods for the prior year.

Operating expenses for the three month period ended June 30, 2001 were \$78,356, a decrease of \$7,140 from the prior year's period, resulting primarily from decreased professional fees and office expenses.

The net loss for the three month period ended June 30, 2001 was \$77,193 compared to a net loss of \$84,326 for the comparable period in the prior year, a decreased loss of \$7,133, resulting from the aforementioned decrease in operating expenses.

The net loss for the six month period ended June 30, 2001 was \$153,806, an increased loss of \$17,895 from the prior year's comparable period, resulting primarily from an increase in consulting expenses, while professional fees decreased by \$29,352.

The total cash and cash equivalents at March 31, 2001 totalled \$110 compared to \$120 at December 31, 2000, an insignificant decrease of \$10. Accounts Payable at June 30, 2001 totalled \$226,878 compared to \$201,641 at December 31, 2000, an increase of \$25,237, which resulted from consulting expenses.

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

Business Objectives

W3 Group, Inc. intends to acquire, finance, and restructure profitable companies that can utilize the Internet to expand their business and

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

Liquidity and Capital Resources

At June 30, 2001, the Company had an insignificant amount of cash totalling \$110. There is no assurance that the Company will be able to raise the amount of capital needed to meet its working capital needs.

General Risk Factors Affecting the Company

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

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 is not able to consummate future acquisitions and raise capital.

OTHER INFORMATION

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

SIGNATURES

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

Date: August 10, 2001

By: /s/ Robert Gordon
Robert Gordon
Acting President

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Executive Vice President
Principal Financial Officer