

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

GROUP MANAGEMENT CORP
Form 10KSB/A
May 02, 2002

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

FIRST AMENDED
FORM 10-KSB/A

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 000-32635

GROUP MANAGEMENT CORP.

(Name of Small Business Issuer in its Charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

59-2919648
(I.R.S. Employer
Identification No.)

13135 DAIRY ASHFORD
SUITE 525
SUGAR LAND, TEXAS
(Address of principal
Executive offices)

77478
(Zip Code)

(281) 295-8400
(Issuer's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act: None
Securities registered under Section 12(g) of the Exchange Act: None

Check whether the issuer: (1) filed all reports required to be filed by
Sections 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 No

Check if there is no disclosure of delinquent filers in response to Item
405 of Regulation S-B contained in this form, and no disclosure will 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
or any amendment to this Form 10-KSB.

State issuer's revenues for its most recent fiscal year: \$574,826 for the

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

year ended December 31, 2001

As of March 31, 2002, the aggregate market value of the common stock of the issuer held by non-affiliates, based on the average bid and asked price of the common stock as quoted on the OTC Bulletin Board, was \$4,850,197. As of March 31, 2002, 4,699,679 shares of common stock of the issuer were outstanding.

Transitional Small Business Disclosure Format: Yes [] No [X]

GROUP MANAGEMENT CORP. FORM 10-KSB

TABLE OF CONTENTS

PART I	2
ITEM 1. DESCRIPTION OF BUSINESS.	2
OVERVIEW	2
PORTFOLIO COMPANIES	2
PENDING ACQUISITIONS	4
BUSINESS STRATEGY	5
EVALUATION OF POTENTIAL ACQUISITIONS	5
COMPETITION	6
INTELLECTUAL PROPERTY	7
EMPLOYEES	7
FORWARD-LOOKING STATEMENTS	7
ITEM 2 DESCRIPTION OF PROPERTY	8
ITEM 3. LEGAL PROCEEDINGS	8
SWAN MAGNETICS, INC.	9
ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	10
PART II	11
ITEM 5 MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	11
MARKET PRICE INFORMATION	11
DIVIDENDS	11
RECENT SALES OF UNREGISTERED SECURITIES	11
ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS	13
OVERVIEW	13
RESULTS OF OPERATIONS	14
COMPARISON OF THE YEARS ENDED DECEMBER 31, 2001 AND DECEMBER 31, 2000	14
LIQUIDITY AND CAPITAL RESOURCES	14
GOING CONCERN CONSIDERATION	16
RISK FACTORS	17
RISKS ASSOCIATED WITH OUR BUSINESS	17
ITEM 7. FINANCIAL STATEMENTS	18
ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	18
PART III	19
ITEM 9 DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.	19
DIRECTORS AND EXECUTIVE OFFICERS	19
SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	19
ITEM 10. EXECUTIVE COMPENSATION	20
SUMMARY COMPENSATION TABLE	20

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

EMPLOYMENT AGREEMENTS	20
2000 OMNIBUS SECURITIES PLAN	21
OPTION GRANTS	21
OPTION EXERCISES AND OPTION VALUES	22
COMPENSATION OF DIRECTORS	22
ITEM 11 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	23
ITEM 12 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	24
ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.	25
INDEX TO FINANCIAL STATEMENTS	1
SWAN	14

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

OVERVIEW

We were incorporated in Florida in 1987 under the name Sci Tech Ventures, Inc. We changed our name to Strategic Ventures, Inc. in May 1991 and to Internet Venture Group, Inc. in October 1999. In March 2001, we were merged into IVG Corp., a Delaware corporation. As a result of the merger, we were reincorporated in Delaware and our name was changed to IVG Corp. In December 2001 we changed our name to Group Management Corp.

We are a holding company that intends to acquire companies and assist them by providing financial guidance, business model creation and implementation, access to equity resources, and technology. Group Management Corp provides a value-added corporate structure within its two business units, Creative Products and Business Services, enabling these groups to leverage their competencies and deploy their business strategies through the Company's corporate resources. The Company expands its business model through selective acquisitions and business development.

Within our Business Services Group, we are currently focused consolidating companies in the Human Resource Services Industry. The Company intends to roll up several HR Service firms into a Competitive Services Organization (CSO) under the brand name PeopleCorp.

GeeWhizUSA.com, is a manufacturer and distributor of proprietary novelty, gift and branded products that light up.

CyberCoupons.com, Inc., a development stage company that intended to create an internet based solution to increase the speed at which coupon transaction are processed between the coupon vendor and the retail store. Management no longer intends to pursue this business venture.

Swan Magnetics, Inc., developer of a proprietary ultra-high capacity floppy disk drive technology and the owner of 46% of the common stock of iTVr, Inc., which is developing next generation digital video recording technology. As of March 2002, we have sold our interest in Swan to concentrate on our business services model.

As used in this report, the words "we," "us," "our" and "the company" refer to Group Management Corp.; our subsidiary CyberCoupons.com, Inc.; and our division, GeeWhizUSA.com.

PORTFOLIO COMPANIES

GEEWHIZ

GeeWhiz, which is based in Houston, Texas, manufactures and distributes

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

proprietary novelty, gift and branded products that light up. To date, GeeWhiz has principally been engaged in the sale of its proprietary Starglas(R) line of fiber optic illuminated drinking containers. GeeWhiz is rapidly expanding its product line to include a wide variety of promotional, gift and souvenir items which will be sold over its website and through traditional distribution channels. GeeWhiz introduced LightArt(TM) in September 2000, which is a line of illuminated gifts and merchandise primarily aimed at the promotional product channel and secondarily at the retail gift channel. LightArt(TM) includes illuminated keychains, awards and wearable products. GeeWhiz intends to expand its product line from its proprietary Starglas(R) and LightArt(TM) lines of fiber optic illuminated products to include other promotional, gift and souvenir items for sale through both the GeeWhiz website and traditional reseller and specialty distribution channels.

GeeWhiz operates a business e-commerce website designed to access and service the promotional products, gifts and souvenir markets. Through this website, GeeWhiz plans to bring together the customers, distributors, merchandisers, concessionaires and resellers of this highly fragmented industry to meet and transact business on-line via an electronic promotional products, gifts and souvenir bazaar.

2

We acquired GeeWhizUSA.com, in a two-step transaction. In the first step, which became effective as of December 31, 1999, 37 shareholders of GeeWhiz acquired control of approximately 87% of our common stock pursuant to a share exchange agreement in which we exchanged 1,195,269 shares of our common stock for the 5,312,053 shares of GeeWhiz common stock held by the participating shareholders. In July 2000, the second step of this acquisition was completed with the merger of GeeWhiz into IVG, following which GeeWhiz ceased to exist as a separate entity and became our promotional products division. Neither party obtained a fairness opinion in connection with these transactions. Shareholder approval was not required with respect to the share exchange. A majority of the shareholders of both parties approved the merger. The terms of the transactions were the result of arm's length negotiations between the parties. Elorian Landers, who is now our Chief Executive Officer and a director, was GeeWhiz's Chief Executive Officer and principal stockholder at the time of these transactions. Thomas L. McCrimmon, who is now one of our directors, was our President and principal stockholder at the time of these transactions. GeeWhiz engaged in these transactions for the principal purpose of becoming a publicly traded company and acquiring the access to capital and liquidity associated with being publicly traded. IVG, which was a public shell company prior to these transactions, elected to be acquired by GeeWhiz in order to become an operating e-commerce business.

On January 23, 2002, the Company announced the signing of an Alliance agreement with UTEK Corporation. The goal of the Alliance is to have UTEK identify suitable technology acquisition opportunities for GeeWhiz. UTEK is an innovative technology transfer company dedicated to building bridges between university-developed technologies and commercial organizations. UTEK identifies, licenses and finances the further development of new technologies and the transfers them to growing companies.

On January 24, 2002, the Company announced that GeeWhiz has appointed Kenneth Simpson as its new Vice President of Sales. Mr. Simpson will oversee the entire marketing and sales strategy at GeeWhiz.

SWAN MAGNETICS

On September 28, 2000, we acquired approximately 88.5% of Swan Magnetics, Inc., a Santa Clara, California-based developer of proprietary ultra-high capacity

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

floppy disk drive technology. As part of a two-step purchase transaction, we first exchanged 1,000,000 shares of our common stock for approximately 88.5% of the common stock of Swan Magnetics. We then offered to exchange the common stock received by those stockholders for warrants to purchase our common stock at an exercise price equal to \$1.75. This permitted us to reduce the number of shares we were issuing in the Swan acquisition. Stockholders exchanged an aggregate of 454,590 shares of common stock for warrants to purchase our common stock. A vote of our shareholders was not required to effect this acquisition. Neither party obtained a fairness opinion in connection with this transaction. Eden Kim was the principal shareholder and President of Swan Magnetics at the time of the transaction. During this time, Mr. Kim was also our Chairman and Secretary. Elorian Landers, our Chief Executive Officer and director, and Thomas L. McCrimmon, our director, were principal shareholders at the time of this acquisition. We believe the Swan Magnetics shareholders engaged in these transactions principally because of the economic terms, the additional liquidity offered by becoming shareholders of a publicly-traded company, and the opportunity to participate in a broader business. We approved these transactions primarily because Swan Magnetics possessed \$5.4 million in cash that could assist us in financing our business strategy, and because we intended to market Swan Magnetics' proprietary technology. We initially intended to pursue strategic alliances with manufacturers of similar products and services in order to bring the Swan Magnetics' technology to market. Subsequent to the closing of our acquisition, however, we determined to pursue other revenue-producing activities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

In February 2001, Swan Magnetics entered into a research and development agreement with iTVr, Inc., a company based in Santa Clara, California. iTVr is developing next generation digital video recording technology intended to record, play back and time shift certain broadband electronic transmission events. iTVr has developed a high performance, low cost, multi-function personal video recorder for a variety of applications, including time shift television recording, digital imaging and manipulation, distance education, HDTV, karaoke, videoconferencing, music videos, video e-mails and home gateway applications. Pursuant to the agreement, Swan Magnetics has invested \$750,000 in iTVr to date and acquired 46% of iTVr's common stock.

On March 6, 2002 we sold our 88.5% interest in Swan Magnetics, Inc. to Lumar Worldwide Industries, Inc.

3

CYBERCOUPONS

CyberCoupons was formed to employ the infrastructure of the Internet to allow manufacturers to offer coupons, consumers to retrieve the offers and merchants to redeem the coupons virtually in real time. Much of the advertiser expense on coupons consists of the printing, distribution and logistics associated with coupon-based marketing activities. CyberCoupons believes that the disintermediation of coupon distribution and redemption can result in a significant savings to the billions of dollars spent by manufacturers and merchants to print, distribute and redeem paper coupons for grocery, household, beauty and other products. CyberCoupons intends to allow shoppers to select specific grocery coupons from the manufacturer's website or a merchant's website for use at retail outlets nationwide. CyberCoupons has tested its virtual coupon delivery and redemption process with a regional grocery store for point-of-sale redemption of electronically downloaded coupons. CyberCoupons intends to enter into alliances with national manufacturers and merchants and test its process on a large scale. CyberCoupons does not have any preliminary plans, proposals, arrangements or understandings to enter into alliances with any national manufacturers or merchants at this time.

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

On January 9, 2001, we executed a Reorganization Agreement and Plan of Exchange pursuant to which we exchanged 118,631 shares of our common stock for approximately 35% of the common stock of CyberCoupons, Inc., a Houston, Texas-based company. CyberCoupons is a development stage company that intends to be a source for consumers to obtain coupons for grocery, household and beauty products via the Internet. The terms of the transaction were the result of arm's length negotiations between the parties and were not required to be approved by our shareholders. Neither party obtained a fairness opinion in connection with this transaction. Rodney Hamp was the principal shareholder and President of CyberCoupons at the time of the transaction, and continues to serve in that capacity. Elorian Landers, our Chief Executive Officer and director, Thomas L. McCrimmon, our director, and Eden Kim, our former Chairman and Secretary, were principal shareholders at the time of this acquisition. We believe the CyberCoupons shareholders engaged in the transaction principally because of the economic terms, the additional liquidity offered by becoming shareholders of a publicly-traded company, and the opportunity to participate in a broader business. We approved these transactions primarily because of CyberCoupons' business strategy to distribute coupons over the Internet.

Our investment in CyberCoupons was diluted immediately, in the sense that the CyberCoupons shares acquired in exchange for our common stock have a book value that was far less than the trading price of our common stock at January 9, 2001. No assurance can be given that our investment in CyberCoupons will appreciate in value, or that it will appreciate to a value comparable to the value of the shares of our common stock that were delivered to the CyberCoupons stockholders. Management does not intend to pursue this business venture.

PENDING ACQUISITIONS

BESTSTAFF SERVICES, INC.

On February 29, 2002, the Company announced that it has signed a Letter of Intent to acquire a 45% of the common stock BestStaff Services, Inc. Together we will form PeopleCorp to launch our new business services model.

BestStaff is a provider of temporary staffing personnel, contract staffing, managed staffing and HR services for regional and national clients BestStaff has secured major contracts with Fortune 500 and large corporations. BestStaff recorded unaudited revenues of approximately \$10 Million in 2001.

STRATEGIC ALLIANCE

APPLIED BEHAVIORAL SCIENCE, LLC.

On January 29, 2002, the Company announced that it has signed a strategic alliance agreement with Applied Behavioral Science LLC (ABS). The company's objective is to strengthen the positioning of GPMT in the consolidation of the HR Services Industry. Applied Behavioral Science LLC will assist GPMT in its strategy to integrate and deliver a bundle of services that business customers will use to extend their competitiveness.

Founded in 1978, ABS's expertise is employee selection and development. Using state-of-the-art, Internet-based diagnostics, ABS advises its clients on the selection and hiring of the best applicants to meet the specific requirements of the position. ABS also provides programs in the prevention of workplace violence (through recognition of employees who pose risk), analysis of key players in acquisitions and mergers, and employee development and training. Dr. Moser has appeared on Bloomberg Television News and USA Radio Network, as well

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

as in USA Today. His articles and case studies have appeared in many professional publications, as well as in over 40 management textbooks.

BUSINESS STRATEGY

We have decided to focus our acquisition activity on two industries - the human resources services industry and the creative products industry. Based on our experience, we believe that these industries are highly fragmented and represent profitable business models that can be enhanced through consolidation. During 2002, the Company intends to devote most of its time and resources to principals of the human resources services industry.

We plan to acquire companies that our management believes can become profitable market leaders in their respective industry segment by virtue of a compelling business model, technology and/or proprietary service. We plan to help these portfolio companies by providing corporate and strategic development resources and financial support and by leveraging the collective knowledge, experience, industry relationships and other resources of our management, board of advisors, strategic corporate partners and portfolio companies. We intend to build value in our portfolio companies by leveraging their corporate assets through cross-marketing and affinity marketing programs with our other portfolio companies.

We intend to devote significant resources to the development of our subsidiaries and the acquisition of additional businesses. Additionally, we intend to continue to evaluate new opportunities to further our investment in our other portfolio companies and seek out opportunities to increase stockholder value. For instance, we may consider selling selected investments or having separate subsidiaries sell a minority interest to outsiders, either privately or by means of a spin-off initial public offering of one or more of our portfolio companies.

THE HUMAN RESOURCES MARKET. We intend to focus on accumulating a significant revenue base in the professional employer organization (PEO), staff leasing, and human resources consulting industries. Professional employer organizations typically provide employee payroll, human resource and benefit services on an outsourced basis. Unlike temporary employment agencies, professional employer organizations carry client companies' full-time employees on the professional employer organization payroll and bill the client a surcharge each payroll period. Because professional employer organizations provide employee-related services to a large number of employees, they can achieve economies of scale as a professional employer and perform employment-related functions at a level typically available only to large corporations with substantial resources.

We believe we can apply our resources to increase the profit margins of professional employer organizations by helping them transition from a paper-centric human intensive operation to a paper-less, web-centric electronic operation. We also hope to leverage the employee base of PEOs by creating cross marketing and affinity marketing programs between the professional employer organizations and our other portfolio companies and strategic partners. Furthermore, we intend to expand upon the services presently provided by PEOs by introducing new services for the small and medium-sized businesses they serve.

THE CREATIVE PRODUCTS MARKET. We intend to explore opportunities to increase the value of Gee Whiz, including the possible additional acquisition and strategic alliance with related businesses. This market consists of a consumer element and a business element. The consumer segment of the industry is comprised of companies that produce consumer art and gift products, such as posters and prints, calendars, greeting cards, stationary and gift items. The business segment of the industry includes companies that market business promotional products, such as our GeeWhizUSA.com division, which manufactures a variety of illuminated logo merchandise.

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

EVALUATION OF POTENTIAL ACQUISITIONS

DEVELOPING A SUCCESSFUL BUSINESS MODEL. Any new company must develop a business model that eventually makes money and provides a return on investment. Some companies have focused on gaining market share or revenues without regard to profitability. Until recently, some of these companies were able to sustain this approach due, in large part, to the tremendous run-up in their stock prices as investors flocked to scoop up the newest Internet public offering. This high valuation provided these companies with an Internet currency that allowed them to grow through the acquisition of other Internet companies or to raise working capital by issuing new securities to the Internet-starved financial community.

5

However, our management does not believe that this approach equates to a sustainable, successful business model. The recent decline in stock prices for the technology sector also lends support to the view that focusing on market share or revenues without regard to profit may not be successful over the long term. Our mission is to find businesses that can obtain a leadership position within their market segment and to help them capitalize on their position by implementing a successful earnings business model.

FINDING THE BEST PEOPLE. The single most important resource for any new company is the people that manage, operate and execute the business and strategy of the company. Therefore, we will look for companies that are led by entrepreneurs with the vision to guide a new business to its market space to satisfy its market demand. To facilitate our success, we intend to augment management with professionals who have expertise in the applicable market, the ability to manage rapid growth and the flexibility to adapt to the changing marketplace. Such people are highly sought after and are few in number. To be successful, each venture must be able to attract and retain such people.

When evaluating a potential portfolio company, we consider whether we believe the particular company can meet the foregoing challenges. Management also evaluates a variety of other factors, including the following:

- o MARKET POSITION. Is the company well positioned within the segment compared to competitors? Is the company first in its space? Does the company have some other market advantage?
- o INDUSTRY LEADERSHIP. Does the company have the products, services and skills necessary to become an industry leader in the market segment?
- o PROPRIETARY TECHNOLOGY. Does the company possess some proprietary technology or other technical competitive edge?
- o MANAGEMENT TEAM. Does the management team exhibit the traits or potential necessary to recognize and quickly exploit a market opportunity and focus the company to seize market share?
- o BUSINESS MODEL. Does the company have, or is it open to adopting, a business model and strategy that will allow the company to mature and eventually generate earnings per share that result in a return on investment?
- o NETWORK SYNERGY. Does the company contribute to, or will it benefit from, relationships with our other portfolio companies?

COMPETITION

COMPETITION IN THE PROFESSIONAL EMPLOYER ORGANIZATION INDUSTRY. Competition

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

within the professional employer organization industry generally focuses on the quality and breadth of services, choice and quality of benefits packages, reputation and price. We believe leading professional employer organizations will be distinguished by reputation, national presence, regulatory expertise, financial resources, risk management and information technology capabilities.

The professional employer organization industry is highly fragmented, and many professional employer organizations have limited operations that serve fewer than 1,000 worksite employees. We believe that companies we may acquire in the industry will face competition from the traditional in-house provision of employee-related services, regional and national professional employer organizations and fee-for-service providers such as payroll processing firms and human resource consultants. National competitors in the professional employer organization industry include Administaff, Inc. and Staff Leasing, Inc. and the professional employer organization divisions of large business services companies such as Automatic Data Processing, Inc. and Paychex, Inc. As professional employer organizations expand nationally, competition will likely intensify in the industry.

6

COMPETITION IN THE PROMOTIONAL PRODUCTS INDUSTRY. Competition within the promotional products industry is highly fragmented and competitive, and some of our competitors have substantially greater financial and other resources than we do. Our promotional products compete with the services of in-house advertising, promotional products and purchasing departments and with designers and vendors of single or multiple product lines. Our promotional products also compete for advertising dollars with other media such as television, radio, newspapers, magazines and billboards. Entry into the promotional products industry is not difficult and new competitors are continually commencing operations.

The primary methods of competition are creativity in product design, quality and style of products, prompt delivery, customer service, price and financial strength. While some of our competitors may enjoy an advantage in one or more of these areas, we are unique in the production of our patented illuminated drinking containers and do not compete with others in the industry for customers who wish to market their company, product or brand on drinking glasses that light up. In the promotional products industry in general, major competitors include Cyrk, Inc. and Ha-Lo, Industries, Inc.

INTELLECTUAL PROPERTY

Our success and ability to compete may be dependent on our ability to develop and maintain the proprietary aspects of technology and operate without infringing on the proprietary rights of others. We rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect the proprietary aspects of our technology. We hold a license under US Patent Numbers 5,211,699 and 5,575,553 on proprietary fiber optic illuminated drinking containers, as well as registered trademarks on Starglas(R) (Reg. No. 2,216,216) and Fyrglas(R) (Reg. No. 1,995,482). In addition, Fyrglas(R) is also a registered trademark in Canada. We also have a patent pending with the United States Patent and Trademark Office (Application No. 09/842,701). We have no reason to believe that this patent application will not be granted. These legal protections afford only limited protection for our technology.

Despite efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information regarded as proprietary. Litigation may be necessary in the future to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such litigation could result in substantial

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

costs and diversion of resources and could have a material adverse effect on our business, results of operations and financial condition. There can be no assurance that our means of protecting our proprietary rights will be adequate or that competitors will not independently develop similar technology. Any failure by us to meaningfully protect our property could have a material adverse effect on our business, results of operations and financial condition.

To date, we have not been notified that our products or services infringe the proprietary rights of third parties, but there can be no assurance that third parties will not claim infringement with respect to our current or future products and services. Any such claims, with or without merit, could be time-consuming to defend, result in costly litigation, divert management's attention and resources, cause product shipment delays or require us to enter into royalty or licensing agreements. Such royalty or licensing agreements may not be available on terms acceptable to us or at all. A successful claim of product infringement against us and our failure or inability to license the infringed technology or develop or license technology with comparable functionality could have a material adverse effect on our business, results of operations and financial condition.

EMPLOYEES

As of March 31, 2002, we had 6 employees, of which 3 were employed by our GeeWhiz Division. We believe our relationship with our employees is good. None of our employees are a party to a collective bargaining agreement.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by (or on behalf of) us. You can sometimes identify these statements by the use of forward-looking words such as "may," "will," "expect," "anticipate," "estimate," "continue" or other similar words, although such words are not used in every sentence in which we present anticipated future outcomes or occurrences. Except for historical information contained in this report, the statements included in the Business section, Management's Discussion and Analysis or Plan of Operations, including the risk factors, and elsewhere in this report contain forward-looking statements that are dependent upon a number of risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. The factors listed under "Risk Factors" in Item 6, as well as cautionary language in this report, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. We do not intend to provide updated information about the matters referred to in these forward-looking statements, other than in the context of Management's Discussion and Analysis or Plan of Operations contained in this report and other disclosures in the filings we make with the Securities and Exchange Commission (the "SEC").

7

ITEM 2. DESCRIPTION OF PROPERTY

Our principal executive offices are located in approximately 4,994 square feet in Sugar Land, Texas. Our monthly rental payments for this space are \$10,668. The lease for this space expires on November 30, 2005. We also lease approximately 7,000 square feet of warehouse space in Sugar Land, Texas. Our monthly rental payments for this space are \$4,712.00 per month pursuant to a lease expiring March 31, 2003.

ITEM 3. LEGAL PROCEEDINGS

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

CONVERTIBLE NOTE HOLDERS. On February 2, 2001 we issued \$1.1 million of convertible notes to four investors in a private placement. The convertible notes mature on January 1, 2003 and bear interest at the rate of 6% per year. The events of default under the notes are described in this report under the section captioned "Convertible Notes".

As part of the financing transactions involving the convertible notes, we agreed to file a registration statement for the resale by the note holders of the common stock underlying the convertible notes and to have the registration statement declared effective by June 17, 2001. The registration statement was not declared effective by June 17, 2001 and has not been declared effective as of the time of the filing of this report.

On September 10, 2001 we entered into a Security Agreement with the noteholders and certain of our shareholders, including Elorian Landers, our Chief Executive Officer and a director, and Thomas L. McCrimmon, a director. Under the Security Agreement, Mr. Landers and his wife pledged 150,000 shares of our common stock, Mr. McCrimmon pledged 10,900 shares of our common stock and other shareholders pledged 89,250 shares of our common stock, all as security for our obligations under the financing agreements with the noteholders. As part of this agreement, the note holders waived the default and penalties under the convertible notes for failure to make the registration statement effective by June 17, 2001, provided that we file an amendment to the registration statement by October 20, 2001 and cause the registration statement to be declared effective by December 10, 2001. The note holders also lent us an additional \$55,000 and we signed a promissory note agreeing to repay this amount by the earlier of December, 2001 or the occurrence of an event of default under the Security Agreement.

On February 7, 2002, the convertible note holders declared a default on the notes for failure to have the registration statement declared effective and made demand for payment of the convertible notes and promissory notes. In addition, the collateral agent under the Security Agreement released 239,400 shares of our stock to the convertible note holders. The note holders further requested that we deliver an opinion to our transfer agent so that they would be able to sell in the public markets under Rule 144 the shares released by the collateral agent and have the shares reissued in the note holders' names. One of the note holders has also submitted a notice to convert a portion of its notes into our common stock. Because of certain disputes with the note holders, we have not complied with these requests.

On or about March 21, 2002, Alpha Capital Aktiengesellschaft, Amro International, S. A., Markham Holdings, LTD, and Stonestreet Limited Partnership, the holders of the convertible notes, filed a complaint in United States District Court for the Southern District of New York naming us, Elorian Landers and his wife as defendants. In their complaint, the note holders allege, among other things, the following:

8

- o fraud in connection with the sale of the convertible notes resulting from alleged misrepresentations as to our cash position;
- o breach of contract on the notes for failure to have an effective registration statement covering the resale of the common stock underlying the notes;
- o failure to honor conversion requests;
- o failure to repay the convertible notes and promissory notes and ;
- o anticipatory breach of contract on the notes.

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

In their complaint, the noteholders assert monetary damages and seek relief (i) in the amount of \$1,155,000 plus interest, liquidated damages and attorneys fees and other costs of enforcement for the breach of contract on the notes, (ii) unspecified monetary damages for failure to cause the registration statement to be effective and failure to take the steps necessary for the noteholders to sell the shares under the Security Agreement pursuant to Rule 144, and (iii) unspecified damages for failure to honor conversion notices. In addition, the noteholders are seeking an order directing us to (i) cause the registration statement to be effective, (ii) to enforce conversion of the notes into common stock, and (iii) to have us and the Landers take necessary actions to permit plaintiffs to sell the common stock received from the collateral agent under Rule 144.

SWAN MAGNETICS, INC.

In March 2002, the Company was served with a lawsuit brought by Swan Magnetics, Inc. in the Superior Court of the State of California, County of Santa Clara. The only defendant in the action is the Company.

The Complaint alleges, among other things, that the Company breached its obligations under a promissory note in the principal amount of \$2,843,017, that the Company has breached its obligations under a series of settlement documents entered into between Swan and the Company, and that the Company has interfered with contractual relationships between Swan and certain third parties. The total relief sought by Swan is \$3,040,000, plus interests, costs, and punitive damages.

In separate correspondence, Mr. Eden Kim has alleged that the Company never owned a majority interest in Swan Magnetics, Inc.

The Company is vigorously defending this lawsuit although the Company believes that the action lacks merit. The case is at a stage where no discovery has been taken and no prediction can be made as to the outcome of this case.

9

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

The Board of Directors of the Company called a Special Meeting of Shareholders on December 3, 2001. There were three matters submitted to a vote. A majority of the shareholders voted as follows:

1. A proposal to approve an amendment to Article IV of the Company's Certificate of Incorporating and effect a one-for-twenty reverse stock split and a decrease in the Company's authorized common stock from 300,000,000 to 150,000,000 shares

For	35,438,213	Against	98,628	Abstain	0
-----	------------	---------	--------	---------	---

2. A proposal to approve a further amendment to Article IV of the Company's Certificate of Incorporation to authorize 10,000,000 shares of preferred stock and to permit such shares of preferred stock to be designated and issued from time to time, and the rights of such preferred stock to be fixed from time to time, by the Board of Directors without shareholder approval.

For	35,113,367	Against	423,474	Abstain	0
-----	------------	---------	---------	---------	---

3. A proposal to approve an amendment to Article I of the Company's Certificate of Incorporation to effect a change in the Company's name from IVG Corp. to Group Management Corp.

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

For 35,536,841

Against 0

Abstain 0

10

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET PRICE INFORMATION

Trading of our common stock commenced on the OTC Bulletin Board on July 13, 2000. Our common stock is traded on the OTC Bulletin Board under the symbol "GPMT." The reported high and low bid prices for our common stock, as reported by the OTC Bulletin Board, are shown below for the third quarter of 2000 through the fourth quarter of 2001. These over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

	BID PRICE	
	LOW	HIGH
2000		

Third Quarter (pre split) . \$	1.50	\$7.00
Fourth Quarter (pre split). \$	1.00	\$2.31
2001		

First Quarter (pre split) . \$	1.06	\$2.00
Second Quarter (pre split). \$	1.02	\$1.69
Third Quarter (pre split) . \$	0.08	\$1.03
Fourth Quarter (post split) \$	0.75	\$3.20
2002		

First Quarter \$	0.46	\$3.10

As of March 31, 2002, there were approximately 720 holders of record of our common stock.

DIVIDENDS

We have not paid any cash dividends to date and have no intention to pay any cash dividends on our common stock in the foreseeable future. The declaration and payment of dividends on our common stock is subject to the discretion of our board of directors and to certain limitations imposed under the General Corporation Law of the State of Delaware. The timing, amount and form of dividends, if any, will depend on our results of operations, financial condition, cash requirements and other factors deemed relevant by our board of directors.

RECENT SALES OF UNREGISTERED SECURITIES

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

On March 30, 2000, we sold to one investor 6,250 shares of our common stock, at a price of \$2.00 per share, for gross proceeds of \$12,500. The investor qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D.

On April 2, 2000, we sold to one investor a total of 2,500 shares of our common stock, at a price of \$1.90 per share, for gross proceeds of \$4,750. The investor qualified as a "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D.

On April 5, 2000, we sold to two investors a total of 12,500 shares of our common stock, at a price of \$2.00 per share, for gross proceeds of \$25,000. The investors qualified as "accredited investors" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D.

11

On June 5, 2000, we sold to one investor 50,000 shares of our common stock, at a price of \$2.00 per share, for gross proceeds of \$100,000. The investor qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D.

On June 12, 2000, we sold to three investors a total of 125,000 shares of our common stock, at a price of \$2.00 per share, for gross proceeds of \$250,000. The investors qualified as "accredited investors" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D.

On July 7, 2000, we merged with GeeWhiz.com, Inc. and issued 2,939,526 shares of our common stock to minority shareholders of GeeWhiz. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act.

On September 28, 2000, we exchanged 1,000,000 shares of our common stock for approximately 88.5% of Swan Magnetics, Inc., pursuant to a share exchange agreement with 84 shareholders of Swan. No more than 35 of the Swan shareholders were not "accredited investors" within the meaning of Rule 501(a) of Regulation D under the Securities Act. This share exchange was followed by an offer made to the accredited investors who participated in the original exchange to exchange the shares received in the share exchange for warrants to purchase our common stock at an exercise price of \$1.75 per share. The shareholders exchanged an aggregate 454,590 shares of common stock for warrants to purchase our common stock. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

Securities Act and Rule 506 of Regulation D.

On October 2, 2000, we issued to two persons 20,000 shares of our common stock as repayment for loans provided to the company by such persons. We valued the shares at \$1.00 per share. The two persons qualified as "accredited investors" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D.

On December 15, 2000, we issued to three persons 139,500 shares of our common stock as repayment for loans provided to the company by such persons. We valued the shares at \$1.00 per share. The three persons qualified as "accredited investors" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D.

On October 25, 2001, we sold to six investor 25,750 shares of our common stock, at a price of \$1.08 per share, for gross proceeds of \$28,000. The investors qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D.

On November 9, 2001, we issued 117,500 shares of our common stock as compensation for consultants, at a price of \$.50 per share, for gross proceeds of \$58,750. The investor qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D.

12

On December 6, 2001 we sold to six investors 24,150 shares of our common stock, at a price of \$0.95 per share, for gross proceeds of \$22,900. The investor qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

OVERVIEW

We were incorporated in Florida in 1987 under the name Sci Tech Ventures, Inc., and changed our name to Strategic Ventures, Inc. in May 1991 and Internet Venture Group, Inc. in October 1999 and to IVG Corp. in March 2002. Effective December 31, 1999, control of Internet Venture Group, Inc. was acquired by shareholders of GeeWhiz.com, Inc., a Texas corporation. We changed our name to Group Management Corp in December 2001.

We have expanded our business into other areas during 2000 and 2001 through a series of acquisitions. In September 2000, we acquired 88.5% of the common stock of Swan Magnetics, Inc., developer of a proprietary ultra-high capacity floppy

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

disk drive technology (which we sold in March 2002). During 2001, Swan Magnetics acquired 46% of the common stock of iTVr, Inc., which is developing next generation digital video recording technology. In January 2001, we acquired 35% of the common stock of CyberCoupons, Inc., a development stage company that intends to be a source for consumers to obtain coupons for grocery, health and beauty products over the Internet. We sold our interests in Swan Magnetics in March 2002.

In April 2001, we acquired SES-Corp., Inc., a professional employer organization pursuant to an Amended and Restated Asset Purchase Agreement and Agreement and Plan of Merger (the "Merger Agreement"). In the merger SES became a wholly owned subsidiary of ours. The shares of SES common stock outstanding immediately prior to the effective time of the merger were converted into the right to receive 590,964 shares of our common stock. 500,000 shares of our common stock were to be placed in an escrow account (the "Escrow Shares") to secure certain indemnification obligations set forth in the Merger Agreement.

Subsequent to our acquisition of SES, we became aware that SES was the subject of an investigation by the Internal Revenue Service relating to its actions prior to our acquisition of the company. SES also had some of its bank accounts frozen by a bank that claimed the accounts were overdrawn by over \$30 million, and subsequently filed for bankruptcy protection. In light of these developments, we entered into an agreement with the two former shareholders of SES in August 2001 in which we disposed of SES by exchanging all of the issued and outstanding shares of SES for the Escrow Shares. Pursuant to the terms of the Agreement, these shareholders each retained 45,482 shares of our common stock issued to them under the Merger Agreement.

The cost of our acquisition and subsequent disposition of SES was approximately \$522,000. Additionally, we recorded stock based compensation expense of approximately \$2,300,000, related to the approximately 90,000 shares of stock currently held by the former shareholders of SES. While no claims against us are pending or threatened related to our former ownership of SES, in the future we could incur additional expenses related to such claims.

Our financial condition and results of operations for 1999 are based solely upon the business activities of GeeWhiz.com. Our financial condition and results of operations for 2000 and 2001 are based upon the business activities of our GeeWhiz division and our Swan Magnetics, Inc. subsidiary. During these periods, we also incurred expenses relating to our corporate overhead, our investment in CyberCoupons, and Swan Magnetics' investment in iTVr. All of our revenues to date have been derived from product sales by our GeeWhiz division.

At December 31, 2001, we had current assets of approximately \$239,642 and total assets of approximately \$944,370.

13

RESULTS OF OPERATIONS

COMPARISON OF THE YEARS ENDED DECEMBER 31, 2001 AND DECEMBER 31, 2000

Revenues increased to \$574,826 for the year ended December 31, 2001, compared to \$396,300 for the comparable period in 2000. The increase was attributable principally to increased product sales. Cost of goods sold increased to \$356,071 from \$298,742 for the same periods. This increase was primarily due to increased product sales resulting from our participation in a major trade show during this period.

General and administrative expenses increased to \$14,642,133 from \$5,443,807. This increase was due primarily to expenses for shares issued in acquisitions,

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

increased stock-based compensation and increased costs due to acquisitions and expansion of our operations. We also recorded interest expense of \$28,872 and a depreciation of \$147,679 during 2001.

Our net loss for the year ended December 31, 2001 was \$14,599,929, compared to a net loss of \$21,146,513 for the year ended December 31, 2000. The loss in 2001 is related primarily to expenses for shares issued in acquisitions, increased consulting, legal and accounting fees incurred in connection with acquisition activity and increased costs due to expansion of Company operations. The larger loss in 2000 was primarily related to the \$18,039,591 expenses associated with the shares issued in our acquisition of Swan Magnetics, which was recorded as an expense for purchased in-process technology on our statement of operations.

The in-process technology consisted of a proprietary floppy disk drive technology that had reached prototype form. Our initial intent was to take this technology to market via strategic alliances with other companies providing parallel products and services to customers. We also believed the acquisition would provide us with needed cash and consolidate our common shareholders into one company. Initially, an Asian company expressed interest in acquiring Swan's technology. However, it was later determined that the technology has been replaced by inexpensive portable computer hard drives that have the capacity to store more information than Swan Magnetic's proprietary high-capacity floppy disk drive. Because we were unable to complete the sale of the technology prior to the development of more sophisticated technology by competitors, it was determined post-acquisition that we would be better served pursuing other revenue producing activities.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities was \$2,847,396 for the year ended December 31, 2001 and \$1,092,008 for the comparable period of 2000. We had approximately \$98,000 in cash at December 31, 2001.

Operations for the year ended December 31, 2001 were financed principally through loans from institutional investors, SES-Corp., Inc., which was our subsidiary until August 8, 2001, and our Swan Magnetics, Inc. subsidiary. The loan proceeds totaled approximately \$3.1 million. In addition, we obtained services or paid expenses through the issuance of common stock.

Our loan from SES-Corp., Inc. in the principal amount of \$1 million was due in September 2001. Our \$1.1 million convertible notes are due on January 1, 2003, and our note from Swan Magnetics in the principal amount of approximately \$2.8 million. In addition, we obtained services or paid expenses through the issuance of common stock.

Our acquisition of Swan Magnetics in September 2000 generated cash of approximately \$5,400,000, of which \$1,500,000 was restricted for payment of a promissory note to a vendor. Prior to obtaining funding from Swan Magnetics and subsequently acquiring Swan Magnetics in September 2000, we financed our losses from operations in 2001 and 2000 principally through the issuance of our common stock in private transactions and borrowings from our management and stockholders.

In addition, in both 2001 and 2000, we obtained services or paid expenses through the issuance of common stock.

Our loan from SES-Corp., Inc. in the principal amount of \$1 million was due in September 2001. Our \$1.1 million convertible notes are due on January 1, 2003, and our note from Swan Magnetics in the principal amount of approximately \$2.8 million is due on August 1, 2003. We need to raise additional capital in order to satisfy these obligations. See "Certain Relationships and Related Transactions" and "Financing Agreements" for descriptions of the convertible

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

notes and Swan Magnetics note.

14

On February 2, 2001 we issued \$1.1 million of convertible notes to four investors in a private placement. The convertible notes mature on January 1, 2003 and bear interest at the rate of 6% per year. If we do not pay amounts on the notes when due, the outstanding amounts will bear interest at the rate of 20% per year. At the noteholders option, all principal and interest due on the notes becomes immediately due and payable upon an event of default as set forth in the notes. The events of default under the notes are described in this report under the section captioned "Convertible Notes". Among the events of default specified in the notes are the failure to pay any amounts when due under a note and the continuation of such nonpayment for 10 days. We did not make the interest payments due on the notes on December 1, 2001.

As part of the financing transactions involving the convertible notes, we agreed to file a registration statement for the resale by the note holders of the common stock underlying the convertible notes and to have the registration statement declared effective by June 17, 2001. Further, we agreed that if the registration statement was not declared effective by June 17, 2001, we would pay the note holders liquidated damages in the amount of 1% per month of the principal of the notes for the first 30 days and 2% per month thereafter. The registration statement was not declared effective by June 17, 2001 and has not been declared effective as of the time of the filing of this report.

On September 10, 2001 we entered into a Security Agreement with the note holders and certain of our shareholders, including Elorian Landers, our Chief Executive Officer and a director, and Thomas L. McCrimmon, a director. Under the Security Agreement, Mr. Landers and his wife pledged 3 million shares of our common stock, Mr. McCrimmon pledged 218,000 shares of our common stock and other shareholders pledged 1,785,000 shares of our common stock, all as security for our obligations under the financing agreements with the note holders. As part of this agreement, the note holders waived the default and penalties under the convertible note relating to the failure to make the registration statement effective by June 17, 2001, provided that we file an amendment to the registration statement by October 20, 2001 and cause the registration statement to be declared effective by December 10, 2001. In addition, the convertible note holders lent us an additional \$55,000 for which we executed a promissory note agreeing to repay the \$55,000 on the earlier of December 20, 2001 or on event of default under the Security Agreement. The promissory note has not yet been repaid.

On February 7, 2002, the convertible note holders declared a default on the notes for failure to have the registration statement declared effective and made demand for payment of the convertible notes and promissory notes. In addition, the collateral agent under the Security Agreement released 4,788,000 shares of our stock to the convertible note holders. The note holders further requested that we deliver an opinion to our transfer agent so that they would be able to sell in the public markets under SEC Rule 144 the shares released by the collateral agent and have the shares reissued in the note holders' names. One of the note holders has also submitted a notice to convert a portion of its notes into our common stock. Because of certain disputes with the note holders, we have not complied with these requests.

On or about March 21, 2002, the note holders filed a complaint in federal court naming Elorian Landers, his wife and us as defendants. In their complaint, the note holders allege, among other things, the following: breach of contract on the notes for failure to have an effective registration statement covering the resale of the common stock underlying the notes, failure to honor conversion requests and failure to repay the convertible notes and promissory notes. In

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

their complaint, the note holders assert monetary damages and seek relief in the amount of \$1,155,000 plus interest, liquidated damages and attorneys fees and other costs of enforcement for the breach of contract on the notes, unspecified monetary damages for failure to cause the registration statement to be effective and failure to take the steps necessary for the note holders to sell the shares under the Security Agreement pursuant to Rule 144, and unspecified damages for failure to honor conversion notices. In addition, the note holders are seeking an order directing us to cause the registration statement to be declared effective. The note holders have also alleged fraud in connection with the sale of the convertible notes.

We are presently seeking to obtain alternative financing to repay the convertible notes and to work out an arrangement with the note holders for resolution of these matters. If we are not able to obtain alternative financing and the note holders are successful in their action to collect on the notes, we would be unable to make payment in full on the notes and would consider all strategic alternatives available to us, possibly including a bankruptcy, insolvency, reorganization or liquidation proceeding or other proceeding under bankruptcy law or laws providing for relief of debtors. It is also possible that one of these types of proceedings could be instituted against us. In any event, the convertible notes must be repaid or refinanced by the original maturity date of January 1, 2003.

15

Management has taken steps to revise our operating and financial requirements to accommodate our available cash flow, including the temporary suspension of management and certain employee salaries. As a result of these efforts, management believes funds on hand, cash flow from operations and additional issuance of common equity will enable us to meet our liquidity needs for at least the foreseeable future. We need to raise additional cash, however, in order to satisfy our proposed business plan, to meet obligations, and expand our operations. Management is presently investigating potential financing transactions and acquisitions that management believes can provide additional cash for our operations and be profitable long-term. Management also intends to attempt to raise funds through private sales of our common stock. Although management believes that these efforts will enable us to meet our liquidity needs in the future, there can be no assurance that these efforts will be successful. In addition any adverse outcome under either of the legal actions pending against the Company could result in a material adverse effect on the Company financial position and its ability to fund obligations and operations and to raise additional capital.

GOING CONCERN CONSIDERATION

We have continued losses from operations, negative cash flow and liquidity problems. These conditions raise substantial doubt about our ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability of reported assets or liabilities should we be unable to continue as a going concern.

We have been able to continue based upon loans from institutional investors and our subsidiaries, and the financial support of certain of our stockholders. Management believes that actions presently being taken to revise our operating and financial requirements provide the opportunity for us to continue as a going concern. Management is presently investigating potential financing transactions and acquisitions that management believes can provide additional cash for the operations and be profitable in both the short and long-term. Management also intends to attempt to raise funds through private sales of our common stock. Although management believes that these efforts will enable us to meet our liquidity needs in the future, there can be no assurance that these efforts will

be successful.

16

RISK FACTORS

RISKS ASSOCIATED WITH OUR BUSINESS

IF WE ARE UNABLE TO IDENTIFY AND PURCHASE INTERESTS IN COMPANIES THAT FIT WITHIN OUR BUSINESS PLAN, OUR BUSINESS STRATEGY WILL NOT BE SUCCESSFUL. Our success depends upon the ability of our managers to identify and close the acquisition of equity interests in companies that compliment our overall strategy and business plan. No assurances can be given that we will be able to identify complimentary companies that are interested in completing transactions with us. Even if such prospects are successfully identified, any number of factors could preclude us from successfully completing the transactions, including the failure to agree on terms, incompatibility of management teams, competitive bids from other companies, lack of capital to complete the transactions or unwillingness on the part of the prospects. If we cannot acquire substantial equity interests in attractive companies that fit within our business strategy, we may not be successful.

WE FACE SUBSTANTIAL COMPETITION AND, IN MANY CASES, BETTER-FINANCED COMPETITORS, WHICH MAY RESULT IN OUR INABILITY TO CLOSE ACQUISITIONS. The business of developing, acquiring and capitalizing companies is highly competitive. Our competitors include existing holding companies that have a longer operating history, existing portfolios of professional employer organizations, substantially greater financial resources and an established market for their publicly traded securities. We also face competition from venture capital companies, investment banks, Internet holding companies and large capitalization industrial companies with active investment and venture capital divisions. There is no assurance that we will be successful in finding suitable portfolio companies or that such companies will want to be acquired by us. If we cannot acquire suitable portfolio companies, we will not be able to implement our business plan.

BECAUSE WE HAVE A HISTORY OF LOSSES AND EXPECT TO INCUR FURTHER LOSSES, WE MAY BE UNABLE TO CONTINUE AS A GOING CONCERN. Historically, we have incurred losses from operations, and accumulated a deficit of \$36,075,555 through June 30, 2001. Our stockholders' deficit at June 30, 2001 was (\$173,056). We incurred losses of \$291,831 and \$21,146,313 for the years ended December 31, 1999 and 2000, respectively. Our independent accountants have included an explanatory paragraph in their report on our financial statements stating that our financial statements have been prepared assuming that we will continue as a going concern, but a substantial doubt exists as to our ability to do so because of these recurring losses from operations and our net capital deficiency.

WE MAY INCUR SIGNIFICANT COSTS TO AVOID INVESTMENT COMPANY STATUS AND WILL BE REQUIRED TO CHANGE THE WAY WE OPERATE IF WE ARE DEEMED TO BE AN INVESTMENT COMPANY AT SOME POINT IN THE FUTURE. We may incur significant costs to avoid investment company status and may suffer other adverse consequences if we are deemed to be an investment company under the Investment Company Act of 1940 (the "1940 Act"). Some of our equity investments in other businesses may constitute investment securities under the 1940 Act. A company may be deemed to be an investment company if it owns investment securities with a value exceeding 40% of its total assets, subject to certain exclusions. Investment companies are subject to registration under, and compliance with, the 1940 Act unless a particular exclusion or SEC safe harbor applies. If we were to be deemed an investment company, we would become subject to the requirements of the 1940 Act. As a consequence, we would be prohibited from engaging in business or issuing our securities as we have in the past. We might also be subject to civil and

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

criminal penalties for noncompliance. In addition, certain of our contracts might be voidable, and a court-appointed receiver could take control of us and liquidate our business.

Although management anticipates that our investment securities will comprise less than 40% of our total assets, fluctuations in the value of these securities or of our other assets may cause this limit to be exceeded. Unless an exclusion or safe harbor was available to us, we would have to attempt to reduce our investment securities as a percentage of our total assets. This reduction can be attempted in a number of ways, including the disposition of investment securities and the acquisition of non-investment security assets. If we were required to sell investment securities, we may have to sell some sooner than we otherwise would. These sales may be at depressed prices and we may never realize the anticipated benefits from, or may incur losses on, these investments. We may not be able to sell some investments due to contractual or legal restrictions or the inability to locate a suitable buyer. Moreover, we may incur tax liabilities when we sell assets. We may also be unable to purchase additional investment securities that may be important to our operating strategy. If we are required or decide to acquire non-investment security assets, we may not be able to identify and acquire suitable assets and businesses.

17

OUR WORKING CAPITAL REQUIREMENTS MAY CAUSE US TO SEEK ADDITIONAL FINANCING IN THE NEAR-TERM, AND, IF SUCH FINANCING IS UNAVAILABLE, WE MAY NOT BE ABLE TO IMPLEMENT OUR BUSINESS PLAN. Our working capital requirements and the cash flow provided by future operating activities, if any, will vary greatly from quarter to quarter, depending on the volume of business during the period and payment terms with our customers. There can be no assurance that adequate levels of additional financing, whether through additional equity financing, debt financing or other sources, will be available, or will be available when needed or on terms favorable to us. Additional financings could result in significant dilution to our existing stockholders or the issuance of securities with rights superior to our current outstanding securities. If adequate capital is not available or is not available on acceptable terms, we may be unable to fully implement our business plan, develop or enhance our services, take advantage of future opportunities or respond to competitive pressures on a timely basis, if at all. If we are unable to obtain additional financing as needed, we may be required to reduce the scope of our operations or our anticipated expansion.

OUR STRATEGY OF EXPANDING OUR BUSINESS THROUGH ACQUISITIONS OF OTHER BUSINESSES AND TECHNOLOGIES PRESENTS SPECIAL RISKS. We intend to continue to expand through the acquisition of businesses, technologies, products and services from other companies. Acquisitions involve a number of special problems, which we may not be capable of handling. Those problems include, but are not limited to, the following:

- o difficulty integrating acquired technologies, operations and personnel with our existing business;
- o diversion of management's attention in connection with both negotiating the acquisitions and integrating the businesses and assets;
- o potential issuance of securities in connection with the acquisition, which securities dilute the current holders of our outstanding securities;
- o strain on managerial and operational resources as management tries to oversee larger operations;
- o exposure of unforeseen liabilities of acquired companies; and

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

- o the requirement to record additional future operating costs for the amortization of goodwill and other intangible assets, which amounts could be significant.

ITEM 7. FINANCIAL STATEMENTS

Our audited Consolidated Financial Statements as of and for the years ended December 31, 2000 and 2001 are included on pages F-1 through F-20 of this report.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

18

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

DIRECTORS AND EXECUTIVE OFFICERS

The name, age and position of our executive officers and directors are as follows:

NAME	AGE	POSITION
----	---	-----
Elorian Landers	53	Chief Executive Officer and Director
Thomas McCrimmon	58	Director
Clay Border	36	Chief Development Officer, Secretary and Director

Our directors serve until the next annual meeting of our shareholders and until their respective successors are elected and qualified. Our officers serve at the pleasure of our board of directors.

ELORIAN LANDERS has served as our Chief Executive Officer and as a director of the company since December 1999. He has also served as a consultant to and director of GeeWhiz since February 1996, and as the President of GeeWhiz since October 1998. Mr. Landers holds a B.A. in Advertising from Art Center College in Pasadena, California. He also attended Texas A&M University, where he studied architecture.

THOMAS MCCRIMMON has served as a director of the company since 1987. Mr. McCrimmon was involved in merger and acquisition work, SEC and management consulting to private and public companies from 1976 through 1983 as the founder and owner of Bay Business Consultants, a business brokerage and consulting firm. Mr. McCrimmon has been the President and founder of Florida Hi-Tech Capital, Inc., Tampa, Florida, a privately held financial management consulting firm since 1984. From 1988 to 1990, Mr. McCrimmon was president of Paragon Acquisitions Group, Inc., a public company which acquired Sun Up Foods, Inc., Benton, Kentucky, a processor of citrus juice concentrate for resale to dairies nationwide. Mr. McCrimmon was President of Baystar Capital, Inc., a public shell company which merged with American Clinical Laboratories, Tampa, Florida, from 1988 to 1991. Mr. McCrimmon also serves as the President and a director of Global Assets & Services, Inc., a public shell company.

CLAY BORDER has served as our Chief Development Officer and Secretary since July 2001. He became one of our directors on October 3, 2001. From October 1999 until

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

joining IVG, Mr. Border was Vice President of Business Development for EC Outlook, a developer of business to business software. From 1993 until early 2000, Mr. Border was employed by UBS Paine Webber, where he served as a First Vice President. While at Paine Webber, Mr. Border served as an investment advisor to corporations and high net worth individuals. Mr. Border received his Bachelors of Business Administration from the University of Texas at Austin in 1989.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, none of the required parties are delinquent in their 16(a) filings.

19

ITEM 10. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth the summary of compensation paid to our named executive officers and directors in fiscal years 2000 through 2001. The "named executive officers" are our chief executive officer, regardless of compensation, and our only other executive officer who was serving as an executive officer at December 31, 2001 and whose annual salary and bonus exceeded \$100,000.

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS
		SALARY	Bonus	SECURITIES UNDERLYING (\$) OPTIONS (#)
Elorian Landers, Chief Executive Officer and Director	2001	\$220,000	25,000	175,000
	2000	\$210,000	-	-
Eden Kim, Chairman of the Board and Secretary (1)	2001	\$105,000	-	18,750
	2000	\$200,000	-	-
Tom McCrimmon, Director	2001	-	25,000	231,250
	2000	-	-	-

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

Clay Border, Secretary and Director	2001	\$ 87,500	25,000	206,250
	2000	-	-	-

EMPLOYMENT AGREEMENTS

On October 8, 2001, we entered into employment agreements with Elorian Landers, our Chief Executive Officer, and Clay Border, our Chief Development Officer. Mr. Lander's employment agreement provides for an annual base salary of \$250,000 and Mr. Border's employment agreement provides for an annual base salary of \$150,000. Each of the agreements also grants each of the employees a stock option giving them each the right to purchase up to 150,000 shares of our common stock at an exercise price of \$.56 per share. The stock options expire on October 8, 2006. The option exercise price was 70% of the closing price of the common stock on the grant date, and was determined by the Board to be equal to fair market value because the common stock underlying the option is subject to transfer restrictions under applicable securities laws. One half of the stock options vested on the date of grant and the remaining 75,000 shares will vest over one year at a rate of 18,750 shares per quarter. The employment agreements also provide for reimbursement of certain expenses of each of the employees, including a car allowance of \$800 per month, payment of cellular phone service and a health club membership.

In addition, pursuant to their respective agreements, we may terminate Mr. Landers and Mr. Border at any time for "cause," as defined in the agreement. In the event Mr. Landers or Mr. Border is terminated "without cause" or leaves his employment with us for "good reason," each as defined in the agreement, then upon termination he will receive a severance payment equal to his salary for the remainder of his term of employment. If Mr. Landers or Mr. Border is terminated without cause or with good reason within one year of a "change of control," as defined in the agreement, then upon such termination he will receive a severance package equal to two times the sum of his salary at the time of his termination plus any annual bonus he would have received for such period.

-
- 1 Mr. Kim resigned from these positions in July 2001
 - 2 Mr. Border joined the Company June 1, 2001

20

2000 OMNIBUS SECURITIES PLAN

Our board of directors adopted our 2000 Omnibus Securities Plan in October 2000. Under the plan, our employees, directors and consultants may be awarded options to purchase our common stock. We may also make awards of restricted common stock and grant stock appreciation rights under the plan. The maximum number of shares of common stock reserved and available for issuance under the plan is 500,000, subject to certain adjustments. We believe that the award of options, restricted stock and stock appreciation rights will provide incentive to key personnel as well as offer an attractive benefit for the new managers that we must recruit. To date, 65,985 shares of our common stock have been issued under the plan. The plan will be presented to stockholders for approval at our next annual meeting of stockholders. Awards that are made under the plan prior to it being approved by our stockholders are subject to such stockholder approval.

2002 OMNIBUS SECURITIES PLAN

Our board of directors adopted our 2002 Omnibus Securities Plan in March 2002. Under the plan, our employees, directors and consultants may be awarded options

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

to purchase our common stock. We may also make awards of restricted common stock and grant stock appreciation rights under the plan. The maximum number of shares of common stock reserved and available for issuance under the plan during the first plan year is 500,000, subject to certain adjustments, and will increase to ten percent (10%) of the outstanding common stock in subsequent years. We believe that the award of options, restricted stock and stock appreciation rights will provide incentive to key personnel as well as offer an attractive benefit for the new managers that we must recruit. As of March 31, 2002, no shares of stock or options have been granted under the plan.

OPTION GRANTS

The following table sets forth certain information concerning individual grants of stock options made during the last completed fiscal year to each of the named executive officers.

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE	EXPIRATION DATE
Elorian Landers	156,250	24%	\$.56	(1)
Clay Border	206,250	35%	.56	(1)
Tom McCrimmon	231,250	39%	.56	(1)

21

OPTION EXERCISES AND OPTION VALUES

The following table sets forth certain information concerning the exercise of options during the last completed fiscal year by each of the named executive officers and the fiscal year-end value of such named executive officers' unexercised options on an aggregated basis.

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT YEAR-END (#)	UNEXERCISED OPTION VALUE AT YEAR-END

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

Elorian Landers	85,250	\$ 20,460	56,250/119,750	\$ 47,
Clay Border	85,250	\$ 20,460	56,250/168,750	\$ 47,2
Tom McCrimmon	85,250	\$ 20,460	56,250/197,750	\$ 47,2

(1) The value of unexercised options is determined by calculating the difference between the fair market value of the securities underlying the options at fiscal year end and the exercise price of the options.

COMPENSATION OF DIRECTORS

Other than being reimbursed for the expenses incurred in attending meetings of the board of directors, members of our board of directors do not receive cash compensation for their services as a director. On July 14, 2000, we granted each of our outside directors an option to purchase 15,000 shares of our common stock at an exercise price of \$15.00 per share. On the date of grant, 12,500 shares vested; the remaining shares vest at the rate of 25,000 shares per quarter over three years. Each vested portion of options expires three years after the date of vesting. An outside director will forfeit any unvested options upon his ceasing to serve as a director. As of October 10, 2001, 16,250 shares were vested under these options and 20,000 were forfeited because two of the outside directors granted options ceased to serve as directors of the Company.

On February 5, 2000, we granted Mr. McCrimmon an option to purchase 75,000 shares of our common stock at an exercise price of \$5.00 per share. Twenty-five percent of the option vested on the date of grant, and 25% vests each six months thereafter. The option expires on August 5, 2004. We also paid Mr. McCrimmon \$40,000 for consulting services he provided to the company in 2000. On October 8, 2001, we entered into a consulting agreement with Mr. McCrimmon, in which he agreed to provide us with consulting services in connection with the identification, analysis and evaluation of possible merger and acquisition opportunities. In consideration of Mr. McCrimmon's services, we granted him the option to purchase up to 150,000 shares of our common stock at an exercise price of \$.56 per share. 75,000 shares vested on the date of grant and the remaining 75,000 vest over a one year period at a rate of 18,750 shares per quarter. The option exercise price was 70% of the closing price of the common stock on the grant date, and was determined by the Board to be fair market value because the common stock underlying the option is subject to transfer restrictions under applicable securities laws. The option expires on October 8, 2006.

22

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock as of March 31, 2002, for the following: (1) each person who is known by us to own beneficially five percent or more of our outstanding common stock, (2) each of our directors and officers who beneficially own such shares and (3) our officers and directors as a group.

SHARES OF COMMON STOCK BENEFICIALLY OWNED

NAME OF BENEFICIAL OWNER

NUMBER (1)

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

Elorian Landers (3)	796,9
Eden Kim.	460,2
Clay Border	362,5
Thomas L. McCrimmon (4)	430,1
Executive officers and directors as a group (3 persons)	1,589,5
Alpha Capital Aktiengesellschaft.	267,1
AMRO International, S.A..	222,6
Markham Holdings Ltd.	311,6
Stonestreet Limited Partnership	178,0

- (1) Pursuant to Rule 13d-3 under the Exchange Act of 1934, as amended, a person has beneficial ownership of any securities as to which such person, directly or indirectly, through any contract, arrangement, undertaking, relationship or otherwise, has or shares voting power and/or investment power as to which such person has the right to acquire such voting and/or investment power within 60 days. Percentage of beneficial ownership as to any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person by the sum of the number of shares outstanding as of such date and the number of unissued shares as to which such person has the right to acquire voting and/or investment control within 60 days. The number of shares shown includes outstanding shares owned as of March 31, 2002, by the person indicated and shares underlying warrants and/or options owned by such person on March 31, 2002, that were exercisable within 60 days of that date.
- (2) Based on 4,699,679BALBrian A. Lebrecht Update to as of 3/31/02. shares of common stock issued and outstanding as of the close of business on March 31, 2002.
- (3) Includes 118,750 shares subject to options exercisable within 60 days of March 31, 2002.
- (4) Includes 193,750 shares subject to options exercisable within 60 days of March 31, 2002. Mr. McCrimmon's address is 3816 West Linebaugh Avenue, Suite 200, Tampa, Florida 33624.
- (5) Includes 168,750 shares subject to options exercisable within 60 days of March 31, 2002.
- (6) Includes 263,389 shares of common stock issuable on conversion of convertible notes at an assumed conversion price of \$1.13 per share, and 3,750 shares of common stock issuable on the exercise of immediately exercisable warrants. Alpha Capital Aktiengesellschaft's address is Pradafant 7, 9490 Furstentums, Vaduz, Lichtenstein.
- (7) Includes 219,491 shares of common stock issuable on conversion of convertible notes at an assumed conversion price of \$1.13 per share, and 3,125 shares of common stock issuable on the exercise of immediately exercisable warrants. Amro International's address is care of Ultra Finanz, Grossmuensterplatz 6, Zurich, Switzerland CH8022.
- (8) Includes 307,287 shares of common stock issuable on conversion of convertible notes at an assumed conversion price of \$1.13 per share, and 4,375 shares of common stock issuable on the exercise of immediately exercisable warrants. Markham Holdings Ltd.'s address is care of Mr. David Hassan, 50 Town Range, P.O. Box 472, Gibraltar.
- (9) Includes 175,592 shares of common stock issuable on conversion of convertible notes at an assumed conversion price of \$1.13 per share, and 2,500 shares of common stock issuable on the exercise of immediately exercisable warrants. Stonestreet Limited Partnership's address is care of Carol Harrop/Michael Finkelstein, 260 Town Center Blvd., Suite 201, Markham, ON, L3R 8H8.

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On September 28, 2000, we acquired approximately 88.5% of the outstanding common stock of Swan Magnetics, Inc. Eden Kim, the beneficial owner of 17.3% of our common stock and, until July 1, 2001, our Chairman of the Board and Secretary, is the Chairman of the Board and Chief Executive Officer of Swan Magnetics. Prior to the acquisition of our majority interest in Swan, we issued a secured convertible promissory note in the original principal amount of \$1,000,000 to Swan Magnetics in connection with a loan by Swan Magnetics to us. Following the acquisition of our majority interest in Swan Magnetics, we borrowed additional funds from Swan Magnetics on several occasions, some of which were evidenced by promissory notes. These borrowings are secured by all of the capital stock and holdings of the company in any other entity, collateral and equipment, accounts receivable and other intangibles and intellectual property of the company as evidenced by a Security Agreement, dated July 18, 2000, between Swan Magnetics and the company. In August 2001, all prior notes and advances from Swan Magnetics, and an additional loan of \$150,000, were memorialized in a new note in the principal amount of \$2,843,017.33. This note is due on August 1, 2003, bears interest at 8% per year, and is subject to the July 18, 2000 Security Agreement. Up to \$1,000,000 of the principal on the note is convertible into our common stock at a price of \$2.00 per share.

In August 2001, we entered into a Voting Agreement with Swan Magnetics, pursuant to which we agreed to amend the bylaws of Swan to provide:

- o for a four person board of directors,
- o that the affirmative vote of three directors is required to approve any board action,
- o that a 95% shareholder vote or a board action is required to amend the bylaws, and
- o that the CEO could take certain actions without board approval.

We further agreed to vote all shares of stock of Swan Magnetics we own in favor of two directors nominated by us, the CEO of Swan Magnetics, and one person nominated by the CEO of Swan Magnetics. We agreed to cause our nominees to the Swan board to approve an employment agreement with Eden Kim as CEO of Swan Magnetics.

In August 2001, we also entered into a Settlement and General Release Agreement with Swan Magnetics, pursuant to which we agreed to enter into the note and Voting Agreement described above. We also agreed to a mutual release of claims with Swan Magnetics. Until February 2002, we agreed to permit any former Swan Magnetics shareholder who received IVG common stock or warrants in the transactions through which IVG acquired its interest in Swan Magnetics to exchange his IVG shares and warrants for Swan shares. We also agreed to use our best efforts to register the common stock underlying the warrants issued to the former Swan Magnetics shareholders in the above-referenced transactions. On October 23, 2001, we received requests on behalf of eleven former Swan Magnetics shareholders to exchange their IVG shares and warrants for Swan Magnetics shares held by us. We requested further documentation from the requesting parties (including evidence of their authority to act for the shareholders listed in the request letters and surrender of their IVG stock certificates and warrant certificates). If all of the shareholders listed in the request letters exchange all of their IVG shares and warrants, our outstanding shares would be reduced by approximately 6.2 million shares, and our ownership of Swan Magnetics common stock would be reduced from approximately 88.5% to approximately 33.3%.

A dispute has arisen between the Company and Eden Kim arising out of Kim's refusal to produce adequate financial statements, books, and records of Swan to

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

the Company and its auditors. The Company believes these actions are a breach of the Voting Agreement and the Settlement Agreement and General Release Agreement, and as a result removed all of the Directors and Officers of Swan in February 2002, replacing them with Elorian Landers, Clay Border, and Thomas L. McCrimmon. As of the date of this filing, Mr. Kim has refused to acknowledge his removal as a Swan Director and Officers, and has refused to relinquish any of Swan's books and records.

We paid Thomas McCrimmon, one of our outside directors, \$40,000 for consulting services provided to the company in 2000.

24

During 2000, Elorian Landers, our Chief Executive Officer and a director, advanced us an aggregate of \$160,000, of which \$93,000 has been repaid to date. These advances bear interest at six percent per year.

In September 2001, Mr. Landers and Mr. McCrimmon pledged 150,000 and 10,900 shares of our common stock, respectively, to a collateral agent for investors that purchased an aggregate of \$1.1 million of our convertible notes due 2003. These stock pledges, and similar pledges of an aggregate of 1.785 million shares by four other shareholders, secure our obligations under financing agreements with the investors. See "Management's Discussion and Analysis - Subsequent Events -- Financing." In consideration of these stock pledges, which led the investors to waive an event of default and penalties under the notes, we entered into a Common Stock Issuance Agreement with each of these shareholders. Under this agreement, the shareholders agreed to pledge their shares as collateral for the notes, and we agreed to issue to each shareholder a number of shares of our common stock equal to 46% of the shares pledged by such shareholder. We also agreed to issue shares to each shareholder in the future equal to the number of his pledged shares that are foreclosed upon by the investors, if any.

On October 8, 2001, we entered into employment agreements with Elorian Landers and Clay Border, see "Employment Agreements" and a consulting agreement with Tom McCrimmon, one of our directors. See "Compensation of Directors."

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

EXHIBIT NO.	TITLE
-----	-----
2.1(1)	Agreement and Plan of Reorganization between GeeWhizUSA.com, Inc. and the company
2.2(2)	Agreement and Plan of Exchange between Swan Magnetics, Inc. and the company
2.3(3)	Agreement and Plan of Exchange, dated June 28, 2000, between Swan Magnetics, Inc. and the company
2.4(4)	Amended and Restated Agreement and Plan of Exchange, dated June 28, 2000, among Swan Magnetics, Inc., certain stockholders of Swan Magnetics, Inc. and the company
2.5(5)	Form of Warrant Certificate issued to former stockholders of Swan Magnetics, Inc.
2.6(5)	Reorganization Agreement and Plan of Exchange, dated July 15, 2000, among CyberCoupons.com, Inc., certain stockholders of CyberCoupons.com, Inc. and the company
2.7(6)	Amended and Restated Asset Purchase Agreement and Agreement and of Merger, dated March 31, 2001, among SES Acquisition 2001, Inc., Cheyenne Management Company, Inc., SES-Corp., Inc., certain other

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

- persons and the company
- 2.8(7) Agreement, dated as of August 8, 2001 among the company, Dennis Lambka and Ronald Bray
- 2.9(11) Asset and Stock Purchase Agreement, dated October 24, 2001, by and among GMS Acquisition LLC, Group Management Services, Inc., E. Michael Kahoe, James Kahoe and the company
- 3.1(5) Certificate of Incorporation
- 3.2(5) Bylaws
- 4.1(5) Specimen Certificate of Common Stock
- 4.2(8) 2000 Omnibus Securities Plan
- 10.1(5) Office Lease between G.P.I. Development, Ltd. and the company
- 10.2(5) Lease Agreement, dated December 2, 1997, between Southwest Beltway Limited Partnership and Fyrglas, Inc.
- 10.3(5) Inventory Credit Line Agreement, effective as of January 22, 2001, between Swan Magnetics, Inc. and the company
- 10.4(5) Security Agreement, dated July 18, 2000, between Swan Magnetics, Inc. and the company
- 10.5(5) Secured Convertible Promissory Note issued by the company to Swan Magnetics, Inc. on July 18, 2000
- 10.6(5) Secured Promissory Note issued by the company to Swan Magnetics, Inc. on October 31, 2000
- 10.7(5) Secured Promissory Note issued by the company to Swan Magnetics, Inc. on December 12, 2000

25

- 10.8(5) Subscription Agreement, dated February 2, 2001, among AlphaCapital Aktiengesellschaft, AMRO International, S.A., MarkhamHoldings Ltd., Stonestreet Limited Partnership and the company
- 10.9(5) Form of Convertible Note issued by the company to Alpha Capital Aktiengesellschaft, AMRO International, S.A., Markham Holdings Ltd. and Stonestreet Limited Partnership on February 2, 2001
- 10.10(5) Form of Common Stock Purchase Warrant issued by the company to Alpha Capital Aktiengesellschaft, AMRO International, S.A., Markham Holdings Ltd. and Stonestreet Limited Partnership on February 2, 2001
- 10.11(5) Research and Development Agreement, dated November 15, 2000, between iTVr, Inc. and Swan Magnetics, Inc.
- 10.12(5) Promissory Note issued by the company to SES-Corp., Inc. on March 30, 2001
- 10.13(10) Warrant, dated April 30, 2001, issued by the company to Union Atlantic Capital, L.C.
- 10.14(9) Secured Promissory Note issued by the company to Swan Magnetics, Inc. on August 1, 2001
- 10.15(9) Voting Agreement, dated August 1, 2000, between the company and Swan Magnetics, Inc.
- 10.16(9) Settlement Agreement and General Release, dated August 1, 2000, between the company and Swan Magnetics, Inc.
- 10.17(9) Security Agreement, dated September 10, 2001, among Alpha Capital Aktiengesellschaft, AMRO International, S.A., Markham Holdings, Ltd., Stonestreet Limited Partnership, the Collateral Agent (as defined therein), the Shareholders (as defined therein) and the company
- 10.18(9) Common Stock Issuance Agreement, dated September 10, 2001, among the company and the Shareholders (as defined therein)
- 10.19(11) Employment Agreement, effective as of October 8, 2001, by and between Elorian Landers and the company
- 10.20(11) Employment Agreement, effective as of October 8, 2001, by and between Clay Border and the company
- 10.21(11) Consulting Agreement, effective as of October 8, 2001, by and between Thomas L. McCrimmon and the company
- 21.1(11) Subsidiaries
- 23.1(11) Consent of Wrinkle, Gardner and Company, P.C.

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

-
- (1) Incorporated by reference from the company's Current Report on Form 8-K dated April 14, 2000, as filed with the SEC on April 17, 2000.
 - (2) Incorporated by reference from the company's Current Report on Form 8-K dated July 10, 2000, as filed with the SEC on July 11, 2000.
 - (3) Incorporated by reference from the company's Current Report on Form 8-K/A dated July 17, 2000, as filed with the SEC on July 18, 2000.
 - (4) Incorporated by reference from the company's Current Report on Form 8-K dated September 28, 2000, as filed with the SEC on October 13, 2000.
 - (5) Incorporated by reference from the company's Annual Report on Form 10-KSB, as filed with the SEC on April 18, 2001.
 - (6) Incorporated by reference from the company's Current Report on Form 8-K dated April 1, 2001, as filed with the SEC on April 16, 2001.
 - (7) Incorporated by reference from the company's Current Report on Form 8-K dated August 30, 2001.
 - (8) Incorporated by reference from the company's Registration Statement on Form S-8, SEC File No. 333-48792, as filed with the SEC on October 27, 2000.
 - (9) Incorporated by reference from the company's Registration Statement on Form SB-2/A dated October 10, 2001.

26

- (10) Incorporated by reference from the company's Registration Statement on Form SB-2 dated May 2, 2001.
 - (11) Filed herewith.
- (b) Reports on Form 8-K

On November 1, 2001, the Company filed an Amended Current Report on Form 8-K/A, which amended an 8-K filed on October 13, 2000 and further amended on May 9, 2001. The purpose of the amendment was to file historical financial statements of Swan and unaudited pro forma condensed financial data of the Company, which give effect to the Swan acquisition.

On August 30, 2001, the Company filed a Current Report on Form 8-K describing the disposition of its interest in SES-Corp., Inc.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GROUP MANAGEMENT CORP.

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

Date: April 29, 2002

By: /s/ Elorian Landers

Elorian Landers, Chief Executive
Officer and Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Elorian Landers

Elorian Landers, Chief Executive Officer and Director
(Principal Executive Officer and Principal Financial
Officer and Principal Accounting Officer)

/s/ Thomas McCrimmon

Thomas McCrimmon, Director

/s/ Clay Border

Clay Border, Chief Development Officer and Director

27

FINANCIAL STATEMENTS
GROUP MANAGEMENT CORP.

INDEX TO FINANCIAL STATEMENTS

For the years ended December 31, 2001 and 2000

Independent Auditors' Report	F-2
Consolidated Balance Sheet	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Changes in Stockholders' Equity	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

F-1

Wrinkle, Gardner & Company, P. C.
Certified Public Accountants
211 E. Parkwood, Suite 100
Friendswood, Texas 77546
(281) 992-2200

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Group Management Corp.

We have audited the accompanying consolidated balance sheet of Group Management Corp (a Delaware corporation) as of December 31, 2001, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

We conducted our audit in accordance with U. S. 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 respects, the financial position of Group Management Corp. as of December 31, 2001, and the results of its operations and its cash flows for the two years then ended in conformity with U. S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 10 to the financial statements, conditions exist which raise substantial doubt about the Company's ability to continue as a going concern unless it is able to generate sufficient cash flows to meet its obligations and sustain its operations. Those conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Wrinkle, Gardner & Company, P.C.
Friendswood, Texas
April 10, 2002

F-2

GROUP MANAGEMENT CORP.
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2001

ASSETS

CURRENT ASSETS:

Cash
Accounts receivable - net
Inventory
Due from shareholders

Total current assets.

PROPERTY AND EQUIPMENT - NET

OTHER ASSETS - NET

Total assets.

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable and accrued expenses
Notes payable and capital lease obligations

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

Total current liabilities

STOCKHOLDERS' EQUITY AND ACCUMULATED DEFICIT:

Common Stock, par value \$.002, 150,000,000 shares authorized, 3,553,258
 Issued and outstanding
 Additional paid-in capital
 Accumulated deficit

Total stockholders' deficit

See accompanying summary of accounting policies and notes to financial statements.

F-3

GROUP MANAGEMENT CORP.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
	-----	-----
REVENUES:		
Sales	\$ 574,826	\$ 396,300
COST OF GOODS SOLD	356,071	298,742
	-----	-----
GROSS PROFIT	218,755	97,558
OPERATING EXPENSES:		
General and administrative . . .	15,260,883	5,443,807
Purchased in-process technology	-	18,039,591
Depreciation expense	147,679	28,271
Interest expense	28,872	58,716
	-----	-----
	15,437,434	23,570,385
	-----	-----
OTHER INCOME:		
Interest income	-	108,789
Gain on sale of equipment . . .	-	8,000
	-----	-----
	-	116,789
MINORITY INTEREST	-	(2,209,725)
	-----	-----
NET LOSS	\$ (15,218,679)	\$ (21,146,313)
	=====	=====

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

Basic and fully diluted net (loss) per share	(.26)	(.57)
Weighted average shares outstanding, pre-split on December 17, 2001	59,293,697	37,705,300

See accompanying summary of accounting policies and notes to financial statements.

F-4

GROUP MANAGEMENT CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Common Stock		Additional Paid in Capital	A
	Number of Shares	Amount		
Balance,				
December 31, 1999	30,537,402	\$ 3,054	\$ 1,969,035	\$
Shares issued for services	2,414,200	241	3,005,992	
Shares issued for cash	213,450	21	434,079	
Shares issued in acquisitions	20,000,000	2,000	19,003,000	
Shares exchanged for warrants	(9,091,855)	(909)	2,182,859	
Warrants issued for services	-	-	71,860	
Net loss	-	-	-	
Balance,				
December 31, 2000	44,073,197	4,407	26,666,825	
Shares issued for services	21,603,100	43,206	5,941,716	
Shares issued in acquisitions, net of 10,000,000 cancelled shares	4,320,862	8,642	5,372,826	
Shares issued for cash	214,900	430	43,468	
Beneficial interest on convertible debt	-	-	468,258	
Effect of unconsolidated subsidiary	-	-	(4,992,885)	
Effect of 1 to 20 reverse stock split	(66,658,801)	(49,578)	-	
Net loss	-	-	-	
Balance,				
December 31, 2001	3,553,258	\$ 7,107	\$ 33,500,208	\$

See Accompanying summary of accounting policies and notes to financial statements.

F-5

GROUP MANAGEMENT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

	2001

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net (loss)	\$ (15,218,679)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:	
Minority interest	-
Depreciation	122,879
Amortization	24,800
Purchased in process technology	-
Stock based compensation	11,316,812
Beneficial interest on convertible debt	468,258
Changes in operating assets & liabilities:	
Accounts receivable	20,489
Inventory	(11,247)
Other assets	(55,876)
Accounts payable and accrued expenses	485,168

Net cash (used in) operating activities	(2,847,396)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash acquired through purchase of subsidiary	-
Purchase of equipment	(490,328)
Notes receivable	102,200

Net cash provided by (used in) investing activities	(388,128)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from stock issuance	43,898
Proceeds from notes payable	3,127,890
Payments on notes payable	(126,793)
Restricted cash	-

Net cash provided by (used in) financing activities	3,044,995

Increase (decrease) in cash and cash equivalents	(190,529)
Cash and cash equivalents - beginning of year	288,440

Cash and cash equivalents - end of year	\$ 97,911
	=====
Supplemental cash flow information:	
Cash paid for interest	\$ -
	=====

See accompanying summary of accounting policies and notes to financial statements.

GROUP MANAGEMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - ORGANIZATION AND PRESENTATION

On March 9, 2001, IVG Corp changed its name from Internet Venture Group, Inc. to IVG Corp. and its state of incorporation from Florida to Delaware. The name change and reincorporation were accomplished by merging Internet Venture Group, Inc., a Florida corporation, into IVG Corp., a Delaware corporation formed for the purpose of these transactions. Each issued and outstanding share of common stock of Internet Venture Group, Inc. was automatically converted in the merger into one share of common stock of IVG Corp. The Company was incorporated in the state of Florida on March 19, 1987 under the name Sci Tech Ventures, Inc. and changed its name to Strategic Ventures, Inc. in May 1991. On October 18, 1999, Strategic Ventures, Inc. changed its name to Internet Venture Group, Inc. Effective December 31, 1999, the Company acquired all issued and outstanding shares of GeeWhiz.com, Inc. (a Texas Corporation) for 1,326,870 shares of the Company's stock by the purchase method. For accounting purposes, the acquisition was treated as a reverse acquisition (a recapitalization of GeeWhiz.com), with GeeWhiz.com, Inc. as the acquirer and Strategic Ventures, Inc. as the acquiree. The acquisition qualified as a reverse acquisition because the officers and directors of GeeWhiz.com assumed management control of the resulting entity and the value and ownership interest received by current GeeWhiz.com, Inc. stockholders exceeded that received by Strategic Ventures, Inc. In December 2001, the company changed its name to Group Management Corp (the Company)

The Company is a Houston-based human resource and technology company that focuses on the acquisition, development and operation of promising revenue-generating companies. The Company's business strategy is to acquire, develop and operate unique companies that are leaders in their commercial niche by virtue of a compelling business model, technology and/or proprietary service. The Company provides a value-added corporate structure intended to enable its portfolio companies to quickly leverage their expertise and deploy their business strategy by utilizing the management, financial and corporate resources of the Company. On September 28, 2000, the Company acquired ownership of approximately 88.5% of the issued and outstanding common stock of Swan Magnetics, Inc. (a California corporation), for shares of the Company's stock. Swan Magnetics, Inc., (Swan) which operates as a majority-owned subsidiary of the Company, is involved in the development of a proprietary ultra-high capacity, floppy disk drive technology. The transaction was accounted for under the purchase method. See Note 11. The Company sold its 88.5% interest in swan in March 2002.

The primary business of GeeWhiz.com, which now operates as a division of the Company, is the development, acquisition, marketing and distribution of proprietary products as specialty products and items for the worldwide gift, novelty and souvenir industries.

The Company's fiscal year-end is December 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on the accrual method of accounting in accordance with generally accepted accounting principles. Significant principles followed by the Company and the methods of applying those principles, which materially affect the determination of financial position and cash flows, are summarized below:

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

Principles of Consolidation

The Company's consolidated financial statements as of and for the year ended December 31, 2001 and 2000 reflect its operations on a consolidated basis and include the accounts of the Company, including its divisions, and its majority-owned subsidiary. All significant intercompany accounts and transactions have been eliminated. Swan Magnetics, Inc has not been consolidated for 2001 as the Company lacks control due to Swan's former CEO withholding financial records, making control impracticable. Litigation has been initiated to gain control of the books and records.

F-1

Cash and Cash Equivalents

The Company considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. This amount is not consolidated in 2001.

Inventories

Inventories are stated at cost, determined using the first-in, first-out (FIFO) method, which is not in excess of market. Finished products comprise all of the Company's inventories.

Property and Equipment

Property and equipment is stated at cost. The cost of ordinary maintenance and repairs is charged to operations while renewals and replacements are capitalized. Depreciation is computed on the straight-line method over the following estimated useful lives:

Automobiles	4 years
Manufacturing Equipment	2 - 5 years
Furniture and Equipment	5 years
Leasehold Improvements	5 years

Patents, Trademarks, and Licenses

The Company capitalizes certain legal costs and acquisition costs related to patents, trademarks, and licenses. Accumulated costs are amortized over the lesser of the legal lives or the estimated economic lives of the proprietary rights, generally seven to ten years, using the straight-line method and commencing at the time the patents are issued, trademarks are registered or the license is acquired.

Revenue Recognition

Product sales are sales of on-line products and specialty items. Revenue is recognized at the time products are shipped, as this is the point at which customers are liable to the Company for products ordered. The customer may return items if they are found to be defective. Returns are usually minimal. Other revenue and commission income is recognized when the earnings process has been completed.

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

Income Taxes

The Company accounts for income taxes under SFAS No. 109, which requires the asset and liability approach to accounting for income taxes. Under this method, deferred tax assets and liabilities are measured based on differences between financial reporting and tax bases of assets and liabilities using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

Net Earnings (Loss) Per Share

Basic and diluted net loss per share information is presented under the requirements of SFAS No. 128, Earnings Per Share. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period, less shares subject to repurchase. Diluted net loss per share reflects the potential dilution of securities by adding other common stock equivalents, including stock options, shares subject to repurchase, warrants and convertible preferred stock, in the weighted-average number of common shares outstanding for a period, if dilutive. All potentially dilutive securities have been excluded from the computation, as their effect is anti-dilutive.

F-2

Fair Value of Financial Instruments

The carrying amount of cash, accounts receivable, accounts payable and accrued expenses are considered to be representative of their respective fair values because of the short-term nature of these financial instruments. The carrying amount of the notes payable are reasonable estimates of fair value as the loans bear interest based on market rates currently available for debt with similar terms.

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." Under these new standards, all acquisitions subsequent to June 30, 2001 must be accounted for under the purchase method of accounting, and purchased goodwill is no longer amortized over its useful life. Rather, goodwill will be subject to a periodic impairment test based on its fair value. SFAS 142 is effective for fiscal years beginning after December 15, 2001, although earlier adoption is permitted. The company does not expect that the adoption of these standards will have a material impact on its financial statements.

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 supersedes SFAS 121. SFAS 144 primarily addresses significant issues relating to the implementation of SFAS 121 and develops a single model for long-lived assets to be disposed of, whether primarily held, used or newly acquired. The provisions of SFAS 144 will be effective for fiscal years beginning after December 15, 2001. We will apply this standard beginning in 2002. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31, 2001

Furniture and equipment.	\$ 308,407
Manufacturing equipment.	109,670
Leasehold improvements	170,381
Automobiles.	41,857

	630,315
Less accumulated depreciation.	(218,325)

Net Property, Plant and Equipment.	\$ 411,990
	=====

F-3

NOTE 4 - OTHER ASSETS

At December 31, 2001, other assets consisted of the following:

	Historical Cost	Accumulated Amortization	Book Va
	-----	-----	-----
Licensing, patents, trademarks.	\$ 364,846	\$ 127,984	\$ 236
Other assets (note receivable)	55,876	-	55
	-----	-----	-----
	\$ 420,722	\$ 127,984	\$ 292
	=====	=====	=====

NOTE 5 - NOTES PAYABLE

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

Notes payable consisted of the following:

Borrowings against a \$50,000 line-of-credit agreement with a financial institution Secured by a general security agreement covering substantially all assets of the Company, bearing an interest rate of 6.75% due on demand or May 2002 if no demand is made

Note payable to an individual stockholder, interest at 8%, due on demand
Notes payable on two stockholders, interest at 10.5%, payable on demand
6% convertible notes to institutional investors (see Note 13)

Note payable to financing company, secured by 2001 GMC Yukon bearing 3.9% interest, requiring monthly principle and interest payments of \$895, due December 2005

Note payable to financial institution, secured by company held certificate of deposit, bearing interest at 7.5%, due on demand or May 2002 if no demand is made

Note payable to a company, interest at 8%, due on demand
Capital lease obligated (see Note 9)

Note payable to a company, interest at 10%, payable on demand

NOTE 6 - INCOME TAXES

There has been no provision for U.S. federal, state, or foreign income taxes for any period because the Company has incurred losses in all periods and for all jurisdictions.

Deferred income taxes reflect the net tax affects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets are as follows:

F-4

	December 31, 2001

Deferred tax assets	
Net operating loss carryforwards	\$38,459,557
Valuation allowance for deferred tax assets	(38,459,557)

Net deferred tax assets	-
	=====

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The Company had net operating loss carryforwards for federal income tax purposes of approximately \$ 38,459,557 and \$23,240,878 as of December 31, 2001 and 2000, respectively. These carryforwards, if not utilized to offset taxable income begin to expire in 2003. Utilization of the net operating loss may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. The annual limitation could result in the expiration of the net operating loss before utilization.

NOTE 7 - CONVERTIBLE PREFERRED STOCK

After the acquisition of Swan Magnetics, Inc., there remained Swan convertible preferred stock outstanding, which had not been converted to Swan common stock or IVG common stock. After the acquisition of Swan, there were 612,957 shares of Series B outstanding with a historical cost of \$221,000, 2,010,000 shares of Series D outstanding with a historical cost of \$1,423,303 and 706,000 shares of Series G shares outstanding with a historical cost of \$3,512,000. Upon acquisition, the preferred stock has been valued at \$2,191,819, the liquidation preference value, due to the going concern question of IVG. The rights, preferences and privileges of the Swan Series B, D and G preferred stock holders are as follows:

Dividend Rights

Dividends are non-cumulative and payable only upon declaration of the Board of Directors at a rate of \$0.132 per share for Series B preferred stock, \$0.05 per share for Series D preferred stock and \$0.05 per share for Series G preferred stock. No distributions will be made on any share of Series D preferred stock until holders of Series B preferred stock have been paid. No distribution will be paid on any Series G preferred stock until holders of Series B and D have been paid.

Liquidation Preference

Holders of Series B shares have a liquidation preference over Series D and G and common shareholders of \$1.10 per share plus any declared but unpaid dividends, holders of Series D shares have a liquidation preference over Series G and common shareholders of \$2.50 per share plus any declared but unpaid dividends, and holders of Series G shares have a liquidation preference over common shareholders of \$5.00 per share plus any declared but unpaid dividends.

Conversion Rights

Each share of preferred stock is convertible into one share of common stock at the option of the holder, subject to protection against dilution. Preferred stock automatically converts upon an effective initial public offering or upon the vote or written consent of at least two-thirds of the number of outstanding shares of the preferred stock into common stock (except Series B which does not have this feature).

Warrants

There are outstanding common stock warrants attached to Series D and Series G preferred stock. The Series D preferred stock warrants give the warrant holder the right to purchase one share of Swan common stock at \$0.83 per share. The Series G preferred stock warrants give the warrant holder the right to purchase

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

shares of Swan common stock. The Series D warrants expire in 2001 and the Series G warrants expire in 2006.

F-5

Voting Rights

Each holder of Series B, D, and G preferred stock is entitled to vote on matters presented to the common stockholders of Swan as if the holder had converted such shares of preferred stock into common stock. In addition, the Series G preferred stockholders also have the right to elect one director to the Swan Board of Directors.

NOTE 8 - STOCK COMPENSATION PLANS

Stock Option Plan

The Company has granted options to purchase shares of common stock to employees, directors, consultants, and investors at prices as determined by the Board of Directors, at date of grant. A summary of Company's stock options granted is presented below:

	Number of Shares	Weighted Average Exerci
	-----	-----
Balance, December 31, 1999	365,681	
Granted	218,750	
Exercised	-	
Canceled	-	
	-----	-----
Balance, December 31, 2000	584,431	
Granted	1,162,500	
Exercised	281,750	
Canceled	-	
	-----	-----
Balance December 31, 2001	1,465,181	\$
	=====	=====

The fair value of each stock option was estimated on the date of grant using the Black-Schoales option-pricing model with the following weighted-average assumption on stock options issued on or before June 30, 2000: an expected life of four (4) years, expected volatility of 87%, and a dividend yield of 0% and on stock options issued after June 30, 2000 but before January 1, 2001: an expected life of 18 months, expected volatility of 90%, and a dividend yield of 0% and on options issued between January 1, 2001 and June 30, 2001: an expected life of 5 years, expected volatility of 100%, and a dividend yield of 0% and on options issued after June 30, 2001: an expected life of 0 years, expected volatility of 100% and a dividend yield of 0%.

2000 Omnibus Securities Plan

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

The 2000 Omnibus Securities Plan ("2000 Plan") was adopted in October 2000 and reserved 500,000 shares of Group Management Corp. common stock for stock options, including incentive and non-qualified stock options, restrictive stock awards, unrestricted stock awards, performance stock awards, dividend equivalent rights, and stock appreciation rights to directors, officers, and key employees of the company and certain consultants.

The following summary presents information with regard to the securities issued under the 2000 Plan as of December 31, 2001:

F-6

Balance, December 31, 2001 -----	Number of Shares -----
Unrestricted stock awards:	54,010
Restricted stock awards:	11,975

Shares available under the 2000 Plan as of December 31, 2001 totaled 434,015. In accordance with APB 25, non-cash stock-based compensation expense of \$1,592,450 has been recognized in the accompanying statements of operations for the year ended December 31, 2000 related to these stock awards. An equal amount has been recognized in shareholders' equity. No stock awards were made in 2001 under this plan.

2002 Omnibus Securities Plan

Our board of directors adopted our 2002 Omnibus Securities Plan in March 2002. Under the plan, our employees, directors and consultants may be awarded options to purchase our common stock. We may also make awards of restricted common stock and grant stock appreciation rights under the plan. The maximum number of common stock reserved and available for issuance under the plan during the first plan year is 500,000, subject to certain adjustments, and will increase to ten percent (10%) of the outstanding common stock in subsequent years. We believe that the award of options, restricted stock and stock appreciation rights will provide incentive to key personnel as well as offer an attractive benefit for the new managers that we must recruit. As of March 31, 2002, no shares of stock or options have been granted under the plan.

Non-Employee Directors Stock Option Plan

The Non-Employee Directors Stock Option Plan adopted in July 2000 permitted the issuance of up to 45,000 shares of common stock to directors who are not employees of Group Management Corp. Under the plan, options to purchase 5000 shares of common stock at the fair market value on the date of grant are granted to each non-employee director annually. As of December 31, 2000, options for 15,000 shares had been granted to three non-employee directors under this plan, of which 150,000 shares are available for exercise. The exercise price of these options is \$15.00 per share. The exercise price was deemed fair value by the Company's Board of Directors due to the uncertain public market for the shares, the vesting schedule of the shares and the restricted nature of the shares issuable upon exercise of the option.

On February 5, 2000, an option to purchase 3750 shares of common stock was granted to a member of the Board of Advisors as consideration for additional services he rendered to the Company. The option has an exercise price of \$5.00

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

per share. On the date of grant, 100% of the shares were vested. The option expires August 5, 2004. Compensation expense was not recorded because the stock was not trading on the date of grant. The exercise price was deemed fair value by the Company's Board of Directors in light of the lack of public market for the shares, the vesting schedule of the shares and the restricted nature of the shares issuable upon exercise of the option.

Accounting Issues Relating to All Stock Compensation Plans

The Company accounts for these plans under APB Opinion No. 25 and related interpretations. Had compensation cost for these plans been determined using the fair value method of SFAS No. 123, pro forma net earnings and diluted earnings per share would have been \$(29,287,366) and \$(35,215,000) and \$(.49) and \$(.94), for 2001 and 2000, respectively.

F-7

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The company is involved in several operating leases including leases for office and warehouse space, telecommunication services, and screen printers. The lease commitments are as follows:

- o Office facilities are leased for a minimum monthly payment of \$9,988. The lease expires November 2002.
- o Another office and warehouse facilities are leased for a minimum monthly payment of \$6,719. The lease expires November 2005.
- o The company leases two screen printers. One lease requires a minimum monthly payment of \$130 and expires August 2002 and the other requires minimum monthly payments of \$600 and expires August 2004.
- o The Company also has a lease commitment for telecommunication services that require a minimum monthly lease of \$1,306 with the lease expiring in December 2003.

The rent expense for the years ended December 31, 2001 and 2000 were \$179,074 and \$84,777, respectively.

The minimum future lease payments are summarized in the following table for the years ended December 31:

2002	\$ 212,679
2003	142,732
2003	124,659
2004	109,868
2005	0
Thereafter	0

Capital Leases

The company entered into a capital lease agreement for telephone equipment during 2001. As required by the Financial Accounting Standards Board and GAAP, the Company recorded the telephone system obtained through this capital lease as a fixed asset in the accompanying financial statements. The telephone system was recorded at a cost of \$57,801 along with the related capital lease obligation in the same amount. During 2001 the Company recognized depreciation

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

expense in the amount of \$28,901. The capital lease requires minimum monthly principal and interest payments of \$1363 and expires in November 2002. At the end of the lease the Company has the option to purchase the equipment at fair market value. The minimum principal payments due during the year ended December 31, 2002 are \$18,493, and there are no commitments to make payments after 2002 under this agreement.

NOTE 10 - GOING CONCERN

The accompanying financial statements have been prepared in conformity with U. S. generally accepted accounting principles, which contemplates continuation of the Company as a going concern. The Company has incurred substantial operating losses. As shown in the financial statements, the Company incurred net losses of \$ 15,218,679, on gross sales of \$574,826 for the year ended December 31, 2001. These factors indicate there is substantial doubt about the Company's ability to continue as a going concern. The future success of the Company is likely dependent on its ability to obtain additional capital to develop its proposed products and ultimately, upon its ability to attain future profitable operations. There can be no assurance that the Company will be successful in obtaining such financing, or that it will attain positive cash flow from operations.

F-8

Management believes that actions presently being taken to revise the Company's operating and financial requirements provide the opportunity for the Company to continue as a going concern. The Company has been able to continue based upon the financial support of certain of its stockholders, and the continued existence of the Company is dependent upon this support and the Company's ability to acquire assets by the issuance of stock.

NOTE 11 - ACQUISITION OF SUBSIDIARY

On September 28, 2000, the Company acquired ownership of approximately 88.5% of the common stock of Swan Magnetics, Inc. Swan is a hardware development company specializing in ultra high capacity floppy disk drives and media. As part of a two step purchase transaction, the Company exchanged 1,000,000 shares of restricted common stock for approximately 88.5% of the outstanding common shares of Swan. These shares were valued at \$19,005,000 based upon the market value of shares issued, discounted for restrictions. The Company then offered, to those stockholders, an exchange of restricted common stock for warrants to purchase common stock at an exercise price equal to the market value on September 28, 2000, or \$35.00. The warrants expire August 1, 2004. Stockholders exchanged an aggregate of 454,590 shares of restricted common stock of the Company for common stock warrants. The fair value of the common stock warrants was estimated on September 28, 2000 using the Black-Scholes option-pricing model with the following weighted-average assumption on stock warrants issued: an expected life of 18 months, expected volatility of 90%, and a dividend yield of 0%. This transaction adjusted the purchase price to approximately \$21,188,000. The acquisition was accounted for using the purchase method. The assets and liabilities of Swan were recorded at fair market value, which approximates net book value on the date of acquisition. Upon consummation of the Swan acquisition, the Company expensed \$18,040,000 representing purchased in-process technology that had not reached technological feasibility and had no alternative future use. The Company's statement of income includes the income and expenses of Swan for the three months ended December 31, 2000, in accordance with the purchase method of accounting.

Prior to the acquisition of its majority interest in Swan, the company issued a secured convertible promissory note in the original principal amount of

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

\$1,000,000 to Swan in connection with a loan by Swan to the company. Following the acquisition of its majority interest in Swan, the company borrowed additional funds from Swan on several occasions, some of which were evidenced by promissory notes. These borrowings are secured by all of the capital stock and holdings of the company in any other entity, collateral and equipment, accounts receivable and other intangibles and intellectual property of the company as evidenced by a Security Agreement, dated July 18, 2000, between Swan and the company. In August 2001, all prior notes and advances from Swan, and an additional loan of \$150,000, were memorialized in a new note in the principal amount of \$2,843,017.33. This note is due on August 1, 2003, and bears interest at 8% per year, and is subject to the July 18, 2000 Security Agreement. Up to \$1,000,000 of the principal on the note is convertible into the company's common stock at a price of \$2.00 per share.

These loans did not affect the terms of the Swan acquisition.

In 1996, Swan entered into a joint development agreement with a Japanese company and in 1997 entered into a letter of intent for a joint venture with a U.S. company. In the subsequent months, the Japanese company began to assert that it had rights to the technology that was being developed and filed a lawsuit against Swan in December 1998 in an attempt to gain exclusive rights to the technology. As a result of this activity, it became impossible for Swan to complete and commercialize the technology, and in late 1998, Swan ceased normal operations. In May 1999, the Board of Directors formally suspended its remaining activities except for two contractors who remained to preserve Swan's technology and maintain corporate records.

As a result of this litigation, effective April 12, 2000, Swan entered into a Settlement Agreement and Release with the Japanese company that resulted in a payment by the Japanese company of \$25 million, termination of the joint development agreement, release of all obligations between Swan and the Japanese company and surrender of the Series F preferred stock that had been acquired by the Japanese company. In addition, Swan granted to the Japanese company a worldwide, non-transferable, fully paid-up, royalty-free (except as provided for under the agreement), nonexclusive license under Swan's rights in and to all technology owned by Swan as of April 12, 2000 to develop, make, have made, use, import, market, sell, offer to sell and distribute high-capacity flexible-media magnetic storage drives, media and components using the technology. The Japanese company also granted to Swan a similar license for any technology that it owned related to specific products. Royalty payments are required by the Japanese company for any products shipped by them prior to April 14, 2001. No amounts have been received to date.

F-9

NOTE 12 - ACQUISITIONS

SES-CORP, INC./CHEYENNE MANAGEMENT COMPANY, INC. On April 1, 2001, the Company acquired SES-Corp., Inc., a Delaware corporation, pursuant to an Amended and Restated Asset Purchase Agreement and Agreement and Plan of Merger (the "Merger Agreement"), dated as of March 30, 2001, by and among the Company, SES, Cheyenne Management Company, Inc., a Michigan corporation, SES Acquisition 2001, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Sub"), and Dennis Lambka and Ronald Bray, shareholders of SES (the "Shareholders"). Under the terms of the Merger Agreement, Sub merged with and into SES and SES became a wholly owned subsidiary of the Company (the "Merger"). The shares of SES common stock outstanding immediately prior to the effective time of the merger were converted into the right to receive 590,961 shares of the Company's common stock. Five hundred thousand shares of the Company's common stock were to be placed in an escrow account (the "Escrow Shares") to secure certain indemnification obligations set forth in the Merger Agreement.

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

On August 8, 2001, the Company entered into a share exchange agreement with the Shareholders (the "Share Exchange Agreement"), in which the Company disposed of SES by exchanging all of the issued and outstanding shares of SES for the Escrow Shares. As a result, the Company received 100% of the Escrow Shares and the Shareholders received 100% of SES. The Shareholders also released the Company from any obligations to issue additional shares of the Company to the Shareholders under the Merger Agreement. Pursuant to the terms of the Share Exchange Agreement, the Shareholders each retained 45,000 shares of the Company's Common Stock issued to them under the Merger Agreement.

The cost of the acquisition and subsequent disposition of SES was approximately \$522,000. Additionally, the Company recorded stock based compensation expense of approximately \$2,300,000, related to the approximately 90,000 shares of stock currently held by the former shareholders of SES. While no claims against the Company are pending or threatened related to its former ownership of SES, in the future the Company could incur additional expenses related to such claims.

CYBERCOUPONS. On January 9, 2001, the Company executed a Reorganization Agreement and Plan of Exchange pursuant to which the Company exchanged up to 118,631 shares of its common stock for approximately 35% of the issued and outstanding common stock of CyberCoupons.com, Inc., a Houston, Texas-based company. The Company's investment in CyberCoupons was diluted immediately, in the sense that the CyberCoupons shares acquired in exchange for IVG common stock have a book value that is far less than the trading price of IVG common stock at January 9, 2001. No assurances can be given that the Company's investment in CyberCoupons will appreciate in value, or that it will appreciate to a value comparable to the value of IVG shares that were delivered to the CyberCoupons stockholders.

CyberCoupons was formed to be an Internet source for consumers to obtain on-line-printable manufacturer coupons for grocery, household and beauty products. The Company does not intend to pursue this business venture.

ITVR. In November 2000, Swan entered into a Research and Development Agreement with iTVr, Inc. to further develop technology intended to record, play back and time-shift certain broadband electronic transmission events such as live television, video email, and music videos. The initial development fee of \$250,000 was paid and expensed in 2000. The agreement required iTVr to provide certain deliverables prior to December 31, 2000 and, upon completion of an evaluation of those deliverables, to determine whether to provide additional funding. As a result of this evaluation, an additional development fee of \$500,000 was made to iTVr in January 2001. The agreement also requires Swan to use its best efforts to pursue additional financing for iTVr of up to \$2 million. The initial funding of \$250,000 was convertible into 2 million shares of common stock of iTVR within 60 days of the completion of the initial development phase. In addition, The initial development fee of \$500,000 was convertible into \$1 million shares of common stock of iTVR and a cashless warrant to acquire an additional 1 million shares of common stock at no additional cost if an additional investment of at least \$2 million is arranged for by Swan. Swan exercised its conversion rights related to the \$750,000 funding and received 3 million shares of common stock of iTVr in February 2001. This represents a 46% ownership in iTVr. The additional \$2 million financing, if acquired, will also be convertible into 2.5 million shares of common stock of iTVr by the lender.

F-10

iTVr has developed a high performance, multi-function, low cost personal video recorder for a variety of applications including time shift television recording, digital imaging and manipulation, distance education, HDTV, karaoke,

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

video conferencing, music videos, video emails and home gateway applications.

iTVr's business model is to provide cost effective multi-function solutions at affordable prices without requiring ongoing service charges. iTVr expects to begin shipments of its first product in China in the fourth quarter of 2001.

NOTE 13 - CONVERTIBLE NOTES

On February 2, 2001, Alpha Capital Aktiengesellschaft, AMRO International, S.A., Markham Holdings Ltd. and Stonestreet Limited Partnership (the "investors") purchased from the company an aggregate \$1,100,000 of its 6% convertible notes due 2003. The notes are secured by 250,150 shares of the company's common stock that has been pledged by six of its shareholders, including two of its directors.

Until a note is paid in full, the holder of a note may convert the outstanding principal and interest due on the note into shares of the company's common stock at a conversion price equal to the lower of (1) \$1.5825 and (2) 85% of the average of the three lowest closing bid prices for our common stock on the principal market on which it is trading for the 22 trading days prior to but not including the date of conversion of the note. As of October 8, 2001, and at an assumed conversion price of \$1.13 per share, the notes would have been convertible into 965,759 shares of the company's common stock. This number of shares could be significantly higher in the event of a decrease in the closing bid price of the company's common stock. The notes are payable on January 1, 2003.

The company is also obligated to issue additional shares of common stock to the investors if the closing bid price of its common stock is not equal to or greater than \$2.374 for 10 consecutive trading days during the 180-day period beginning on the effective date of the registration statement filed to register the shares underlying the convertible notes.

In consideration for their investment, the company issued the investors warrants to purchase an aggregate of 13,750 shares of common stock at an exercise price of \$32.94. These warrants expire on February 2, 2006. In partial consideration for serving as the company's financial advisor and private placement agent in connection with the issuance of the notes, the company issued Union Atlantic Capital, L.C. a warrant to purchase 50,000 shares of common stock at an exercise price of \$1.647. This warrant expires April 30, 2005. The exercise price of \$1.647 represents 120% of the average closing price of the company's common stock for the five trading days prior to February 2, 2001, the date of issuance of the notes.

In connection with the financing, the company agreed to file a registration statement for the shares underlying the notes and warrants. The company was originally required to make the registration statement effective by June 17, 2001. The investors waived this default and penalties under the convertible notes relating to the failure to make the registration statement effective by June 17, 2001, provided that the company file an amendment to the registration statement by October 10, 2001 and cause the registration statement to be declared effective by December 10, 2001. If the registration statement is not declared effective within the required time periods or ceases to be effective for a period of time exceeding 30 days in the aggregate per year but not more than 20 consecutive calendar days, the company must pay damages equal to one percent of the principal of the notes per month for the first 30 days and two percent of the principal of the notes per month for each subsequent 30-day period. The company also must pay these damages if 120% of all shares of common stock underlying the convertible notes and warrants are not included in an effective registration statement as of and after December 10, 2001, as determined using the conversion price in effect on the effective date of the

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

registration statement.

F-11

NOTE 14 - SUBSEQUENT EVENTS - FINANCING AGREEMENT

On April 2, 2002 the Company announced that it has engaged Roger Shelley and The Shelley Group LLC to provide the capital foundation for its plan to acquire a range of human resource services firms and blend them into a consolidated business model.

The Company has engaged with The Shelley Group because it believes Shelley can successfully drive its capital formation needs, assist in the alignment of its plan with the needs of investors, and help increase investor awareness of its HR rollup. The funding objective to successfully execute its plan consists of raising \$6.0 million, primarily through the issuance of common stock.

The Shelley Group LLC provides strategic senior management counseling and financing to early and mezzanine stage companies. The company also provides value-added services in the areas of capital formation; development of strategic alliances; corporate and investor relations and venture development. The Shelley Group works closely with its client's senior management to assist in the development of their business plans, sales and marketing projections, and growth targets.

NOTE 15 - SUBSEQUENT EVENTS - SALE OF A SUBSIDIARY

On March 6, 2002, the Company sold its entire ownership in Swan Magnetics to Lumar Worldwide Industries, Inc, for \$2.5 million to be paid by a promissory note payable in seven years. The transaction is in line with a strategic decision to focus on its consolidation of the business services industry, and its equity in Swan no longer fits with its business plan.

A key asset of Swan Magnetics is its interest in iTVr technology, which is used in the manufacture of set-top boxes. Swan had previously acquired a 46% equity interest in iTVr Inc. Swan is also the developer of its UHC ("ultra high-capacity") removable disk drive that combines high performance and high capacity in a standard floppy-disk form-factor.

Lumar Worldwide Industries, Inc. and its strategic partners develop software applications for digital technologies, which fit with Swan's iTVr technology.

NOTE 16 - RELATED PARTY TRANSACTIONS - 2000

The Company paid \$110,918 in legal fees to a law firm owned by an outside director. The Company also issued the firm 300,000 shares of common stock in lieu of a cash retainer and director fees. These shares were valued at \$75,000, which the board determined was the fair market value of the shares.

The Company paid \$55,000 to two related parties, one an outside director and one a current employee. These payments were for consulting services.

The Company granted a member of the board of advisors an option to purchase 3750 shares of common stock as consideration for services rendered to the Company. The option has an exercise price of \$5.00 and expires on August 5, 2004. On the grant date, February 5, 2000, 25% of the shares vested. The remaining shares vest at the rate of 25% each six months thereafter. The Company's Board of Directors deemed the exercise price fair value in light of the lack of public market for the shares, the vesting schedule of shares and the restricted nature of the shares upon exercise of the option.

NOTE 17 - LEGAL PROCEEDINGS

CONVERTIBLE NOTE HOLDERS. On February 2, 2001, the Company issued \$1.1 million of convertible notes to four investors in a private placement. The convertible notes mature on January 1, 2003 and bear interest at the rate of 6% per year. The events of default under the notes are described in this report under the section captioned "Convertible Notes".

As part of the financing transactions involving the convertible notes, the Company agreed to file a registration statement for the resale by the note holders of the common stock underlying the convertible notes and to have the registration statement declared effective by June 17, 2001. The registration statement was not declared effective by June 17, 2001 and has not been declared effective as of the time of the filing of this report.

On September 10, 2001, the Company entered into a Security Agreement with the noteholders and certain of its shareholders, including Elorian Landers, the Chief Executive Officer and a director, and Thomas L. McCrimmon, a director. Under the Security Agreement, Mr. Landers and his wife pledged 150,000 shares of common stock, Mr. McCrimmon pledged 10,900 shares of common stock and other shareholders pledged 89,250 shares of common stock, all as security for obligations under the financing agreements with the noteholders. As part of this agreement, the note holders waived the default and penalties under the convertible notes for failure to make the registration statement effective by June 17, 2001, provided that the Company file an amendment to the registration statement by October 20, 2001 and cause the registration statement to be declared effective by December 10, 2001. The note holders also lent the Company an additional \$55,000 and the Company signed a promissory note agreeing to repay this amount by the earlier of December, 2001 or the occurrence of an event of default under the Security Agreement.

On February 7, 2002, the convertible note holders declared a default on the notes for failure to have the registration statement declared effective and made demand for payment of the convertible notes and promissory notes. In addition, the collateral agent under the Security Agreement released 239,400 shares of stock to the convertible note holders. The note holders further requested that the Company deliver an opinion to the transfer agent so that they would be able to sell in the public markets under SEC Rule 144 the shares released by the collateral agent and have the shares reissued in the note holders' names. One of the note holders has also submitted a notice to convert a portion of its notes into common stock. Because of certain disputes with the note holders, the Company has not complied with these requests.

On or about March 21, 2002, Alpha Capital Aktiengesellschaft, Amro International, S. A., Markham Holdings, LTD, and Stonestreet Limited Partnership, the holders of the convertible notes, filed a complaint in United States District Court for the Southern District of New York naming the Company, Elorian Landers and his wife as defendants. In their complaint, the note holders allege, among other things, the following:

- o fraud in connection with the sale of the convertible notes resulting from alleged misrepresentations as to the Company's cash position;
- o breach of contract on the notes for failure to have an effective registration statement covering the resale of the common stock underlying the notes;
- o failure to honor conversion requests;

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

- o failure to repay the convertible notes and promissory notes and ;
- o anticipatory breach of contract on the notes.

In their complaint, the noteholders assert monetary damages and seek relief (i) in the amount of \$1,155,000 plus interest, liquidated damages and attorneys fees and other costs of enforcement for the breach of contract on the notes, (ii) unspecified monetary damages for failure to cause the registration statement to be effective and failure to take the steps necessary for the noteholders to sell the shares under the Security Agreement pursuant to Rule 144, and (iii) unspecified damages for failure to honor conversion notices. In addition, the noteholders are seeking an order directing the Company to (i) cause the registration statement to be effective, (ii) to enforce conversion of the notes into common stock, and (iii) to have the Company and the Landers' take necessary actions to permit plaintiffs to sell the common stock received from the collateral agent under Rule 144.

F-13

SWAN

In March 2002, the Company was served with a lawsuit brought by Swan Magnetics, Inc. in the Superior Court of the state of California, County of Santa Clara. The only defendant in the action is the Company.

The Complaint alleges, among other things, that the Company breached its obligations under a promissory note in the principal amount of \$2,843,017, that the Company has breached its obligations under a series of settlement documents entered into between Swan and the Company, and that the Company has interfered with contractual relationships between Swan and certain third parties. The total relief sought by Swan is \$3,040,000, plus interests, costs and punitive damages.

In separate correspondence, Mr. Eden Kim has alleged that the Company never owned a majority interest in Swan Magnetics, Inc.

The Company is vigorously defending this lawsuit although the Company believes that the action lacks merit. The case is at a stage where no discovery has been taken and no prediction can be made as to the outcome of this case.

NOTE 18 - EMPLOYMENT AGREEMENTS

On October 8, 2001, the Company entered into employment agreements with Elorian Landers, its Chief Executive Officer, and Clay Border, its Chief Development Officer. Mr. Lander's employment agreement provides for an annual base salary of \$250,000 and Mr. Border's employment agreement provides for an annual base salary of \$150,000. Each of the agreements also grants each of the employees a stock option giving them each the right to purchase up to 150,000 shares of the Company's common stock at an exercise price of \$.56 per share. The option exercise price was 70% of the closing price of the common stock on the grant date, and was determined by the Board to be fair market value because the common stock underlying the option is subject to transfer restrictions under applicable securities laws. The stock options expire on October 8, 2006. One half of the stock options vested on the grant date and the remaining 75,000 shares will vest quarterly over one year at a rate of 18,750 shares per quarter. The employment agreements also provide for reimbursement of certain expenses of each of the employees, including a car allowance of \$800 per month, payment of cellular phone service and a health club membership.

CONSULTING AGREEMENT

Edgar Filing: GROUP MANAGEMENT CORP - Form 10KSB/A

On October 8, 2001, the Company entered into a consulting agreement with Thomas McCrimmon, in which he agreed to provide consulting services in connection with the identification, analysis and evaluation of possible merger and acquisition opportunities. In consideration of his services, the Company granted him the option to purchase up to 150,000 shares of the Company's common stock at an exercise price of \$.56 per share over a five year period. The option exercise price was 70% of the closing price of the common stock on the grant date, and was determined by the Board to be fair market value because the common stock underlying the option is subject to transfer restrictions under applicable securities laws. One half of the stock options vested on the grant date and the remaining 75,000 shares will vest quarterly over one year at a rate of 18,750 shares per quarter.

F-14

NOTE 19 - SUBSEQUENT EVENT - PENDING ACQUISITION - BESTSTAFF SERVICES, INC.

On February 28, 2002, the Company announced that it had signed a Letter of Intent to acquire 45% of the outstanding common stock of BestStaff Services, Inc. in exchange for cash and common stock of the Company. Terms of the agreement have not been finalized as of the date of this report.

NOTE 20 - COMMON STOCK

On December 3, 2001, the Board of Directors called a Special Meeting of Shareholders to vote on three matters as follows:

- A. A proposal to amend Article IV of the Company's Certificate of Incorporation and effect a 1 for 20 reverse stock split and to decrease the number of shares of authorized common stock of the Company from 300,000,000 to 150,000,000. The measure passed and became effective December 17, 2001. All references to common stock and stock options or awards in the accompanying statements and related notes are post-split, unless specifically noted as pre-split.
- B. A proposal to amend Article IV of the Company's Certificate of Incorporation to authorize 10,000,000 shares of preferred stock and to permit such shares to be designated and issued from time to time, and the rights of such preferred stock to be fixed from time to time, by the Board of Directors without shareholder approval. The measure passed. No preferred stock is outstanding as of December 31, 2001.
- C. A proposal to amend Article I of the Company's Certificate of Incorporation to effect a change in the Company's name from IVG Corp. to Group Management Corp. The measure passed.

F-15