GROUP MANAGEMENT CORP
Form 10QSB
December 13, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002

[ ] 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.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| DELAWARE | 59-2919648 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. employer Identification No.) |

| | |
|---|---|
| 101 Marietta St., Suite 1070 Atlanta, GA | 30303 |
| (Address of principal executive offices) | (Zip Code) |

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (404) 522-1202

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No.
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APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE
PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No.______

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of September 30, 2002, there were 9,616,000 shares of common stock issued and outstanding.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT
(check one):

Yes _____ No __X__ .

GROUP MANAGEMENT CORP

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PART I

EXPLANATORY NOTE

Included in this Quarterly Report on Form 10-QSB is a consolidated balance sheet of Group Management Corp as of September 30, 2002, and the related consolidated statements of operations for the three and six month periods ended September 30, 2002 and 2001, and statements of cash flows for the six month periods ended September 30, 2002 and 2001.

This Quarterly Report includes forward-looking statements within the meaning of the securities Exchange Act of 1934 (the "Exchange Act"). These statements are based on management's beliefs and assumptions, and on information currently available to management. Forward-looking statements include the information concerning possible or assumed future results of operations of the Company set forth under the heading

"Management's Discussion and Analysis of Financial Condition or Plan of operation." Forward-looking statements also include statements in which words such as "expect," "anticipate," "intend," "plan," "believe," "estimate," "consider" or similar expressions are used.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. The Company's future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

GROUP MANAGEMENT CORP
Consolidated Balance Sheet (UNAUDITED)
As of September 30, 2002

ASSETS

| | | |
|---|---|---|
| Current Assets | | |
| Cash | $ | 28,266 |
| Accounts receivable-net | | 29,330 |
| Inventory | | 71,734 |
| Total Current Assets | | 129,331 |
| Property and Equipment, Net | | 173,363 |
| Other Assets, Net | | 154,931 |
| | $ | 457,624 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|---|---|
| Current Liabilities | | |
| Accounts payable and accrued expenses | $ | 593,003 |
| Notes payable and capital lease obligations | | 5,332,936 |
| Total Current Liabilities | | 5,925,939 |
| Stockholders' Equity and Accumulated Deficit | | |
| Common stock: par value $.0002, 300,000,000 shares authorized, 9,616,000 issued and outstanding | | 19,232 |
| Additional paid in capital | | 34,600,970 |
| Accumulated deficit | | (40,088,517) |
| Total Stockholders' deficit | | (5,468,315) |
| | $ | (457,624) |

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

GROUP MANAGEMENT CORP
Consolidated Statements of Operations (UNAUDITED)

| | For the Nine Months Ended September 30 | | For the Three Months Ended September 30 | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| Revenues: | | | | |
| Sales | $ 169,776 | $ 524,280 | $ 49,013 | $ |
| Cost of Goods Sold | 104,999 | 435,294 | | |
| Gross Profit | 64,777 | 88,986 | 25,601 | |
| Operating Expenses | | | | |
| General and administrative | 1,566,454 | 12,856,532 | | |
| Depreciation expense | 112,500 | 40,228 | | |
| Interest expense | 14,783 | 580,142 | | |
| Research and development | - | 60,000 | | |
| Loss on investment in ITVR | - | 500,000 | | |
| | 1,693,737 | 14,036,902 | 30,223 | 8 |
| Other Income | | | | |
| Interest income | - | 94,124 | | |
| Minority interest | - | (201,590) | | |
| Net Income | $ (1,628,960) | $(13,652,202) | $ (4,622) | |
| Basic and fully diluted net loss per share | (0.39) | (0.26) | (.00) | (0.01) |
| Weighted average number of shares outstanding for basic and diluted net loss per share | 4,180,682 | 52541378 | 4180628 | 60952059 |

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

GROUP MANAGEMENT CORP
Consolidated Statements of Changes in Stockholders' Equity (UNAUDITED)
For the Period from December 31, 2001 to September 30, 2002

| Common Stock | | Additional | |
|---|---|---|---|
| Number of Shares | Amount | Paid in Capital | Accumulated Deficit |

Balance, December 31, 2000 44,073,197 $ 4,407
Shares issued for services 21,603,100 43,206
Shares issued in acquisitions,
net of 10,000,000
cancelled shares 4,320,862 8,642
Shares issued for cash
214,900 430 43,46
Beneficial interest on
convertible debt - -
Effect of unconsolidated
subsidiary - - (4,
Effect of 1 to 20
reverse stock split (66,658,801) (49,578)
Net loss - -
Balance, December 31, 2001 3,553,258 7,107
Shares issued for services 450,000 900
Shares issued in
acquisitions - - -
Shares issued on convertible debt 5,612,742 11,225
Net loss - -
Balance, September 30, 2002 9,616,000 $ 19,232

See accompanying summary of accounting

policies and notes to financial statements.

GROUP MANAGEMENT CORP
Consolidated Statements of Cash Flows (UNAUDITED)

For the Nine Months Ended For the Three Months Ende
September 30, September 30,
2002 2001 2002 2001

(UNAUDITED) (UNAUDITED) (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:
Net (Loss) $ (1,628,960) $(13,652,202) $ (4,622)
Adjustments to reconcile net (loss)
to net cash provided by (used in)
operating activities:
Minority interest - (201,590)
Depreciation amortization 112,500 40,228
Stock based compensation 1,100,762 8,720,509
Purchased in-process technology - -
Loss on investment in iTVr - 500,000
Beneficial interest on convertible debt - 4
Changes on operating assets and liabilities:
Accounts receivable (22,785) 10,037
Inventory 17,452 (43,070)
Other assets - 232,476
Accounts payable and accrued expenses 46,726 2

| | | |
|---|---|---|
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | (374,305) | (3,684,324) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash acquired through purchase of subsidiary | | - |
| Investment in iTVr | - | (500,000) |
| Purchase of equipment | (100) | (245,362) |
| Notes receivable | - | (144,857) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | (100) | (890,219) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of stock | 250,000 | 55,500 |
| Net change in notes payable | 54,760 | 2,248,200 |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 304,760 | 2,303,700 |
| Increase (decrease) in cash and cash equivalents | (69,645) | |
| Cash and cash equivalents at beginning of period | 97,911 | |
| Cash and cash equivalents at end of period | $ 28,266 | $ 61 |

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

NOTE A - BASIS OF PRESENTATION

The accompanying un-audited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10 and Item 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required for generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six- and three-month periods ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002. These financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2001.

ITEM 2 MANAGEMENTS DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Our independent accountant included an explanatory paragraph in their report, stating that the audited financial statements of Group Management Corp. for the year ending December 31, 2001 have been prepared assuming the company will continue as a going concern. They note that the Company's continued existence is dependent upon its ability to generate sufficient cash flows from operations to support its daily operations as well as provide sufficient resources to retire existing liabilities and obligations on a timely basis. 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 from inter-company transfers from 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 acquisitions that management believes can rebuild operations that can be profitable in the long-term. 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.

Management is currently attempting to restructure the operations of Group Management Corp. However, there can be no assurances that the restructuring will be successful, management is of the opinion and of the business judgment, that a restructuring will fundamentally assists the operations of Group Management Corp.

During the quarter management substantially deceased operations of Group Management Corp. to attempt to restructure the company. In the restructuring, management moved the principal place of business from 12503 EXCHANGE BOULEVARD, SUITE 554 STAFFORD, TEXAS, to 101 Marietta St., Suite 1070, Atlanta, GA 30303. Management in its business judgment, settled outstanding obligations of the company for equipment, office furniture and the leasehold improvement was terminated in agreement with its landlord.

Management in its restructuring and in its business judgment reduced the deferred revenue of $2,500,000 in a note receivable from Lumar Worldwide to zero on the balance sheet.

A loan of $250,000 at the interest rate of 8% for a one year term was made to ITVR in April through June 2001. The note is currently in default and litigation by the company to collect the outstanding balance will be initialed.

RESULTS OF OPERATIONS

Revenue

Total revenues for the three months ended September 30, 2002 were $49,013 as compared to $96,685 for the three months ended September 30, 2001. This decrease was due to a decrease in product sales in the Company's GeeWhiz, Inc. subsidiary which constituted substantially all of the revenues for the three months ended September 30, 2002, and further a result of management's decision to restructure Group Management Corp.'s operation and seek acquisition candidates.

Costs and Expenses
Cost of goods sold was $23,412, or approximately 47.77% of sales, for the three months ended September 30, 2002, as compared to $105,287 or approximately 91.83% of sales, for the three months ended September 30, 2001. The decrease in cost of goods sold reflects lower sales for the period.

General and administrative expenses were $0.0 for the three months ended September 30, 2002, a decrease of approximately 100% as compared to $814,062 for

Results of operations - continued

the three months ended September 30, 2001. This decrease is attributable to a decrease of over $7,310,952 in stock based compensation, and our overall decreased sales activity.

Total costs and expenses were $30,223 for the three months ended September 30, 2002, as compared to $857,982 for the three months ended September 30, 2001. This decrease of over 97% reflects a decreased in general and administrative expenses and cost of goods sold, as discussed above.
Net Losses
The net loss for the three months ended September 30, 2002 was $4,622 as compared to $817,525 for the three months ended September 30, 2001. The primary cause of this approximately 99% decrease is the decrease in total costs and expenses, discussed above.

LIQUIDITY AND CAPITAL REQUIREMENTS

Net cash provided in operating activities was $27,663 for the three months ended September 30, 2002, as compared to net cash used of $678,772 for the three months ended September 30, 2001, a decrease of over 95%. We had $28,266 in cash at September 30, 2002, a decrease of $75,256 during the quarter.

Our net cash used by financing activities was $97,308 for the three months ended September 30, 2002 as compared to net cash provided of $33,501 for the period ending September 30, 2001.

At September 30, 2002, our current assets were $129,331, while our current liabilities were $5,925,939. Total current liabilities consists of $593,003 in accounts payable and accrued expenses, and $5,925,939 in notes payable and capital lease obligation.

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.

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 short-term foreseeable future.

We need to raise additional cash, however, in order to satisfy our proposed restructuring plan, to meet obligations, and expand our operations. Management is presently investigating transactions and mergers and acquisitions that management believes can provide additional cash for our operations and be profitable long-term. In the future 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 the opinion of the Company's management, lawsuits currently pending or threatened against the Company, unless dismissed or settled within a short period of time, will have a material adverse effect on the financial position and results of operations of the Company because the Company does not have the cash flow to continue to fund defense costs. Management is currently reviewing several strategies for continuing to fund defense costs while at the same time funding the development of the Company. Such strategies may include acquiring one or more businesses with positive cash flow, or filing for bankruptcy protection. No decisions have been made as of this time.

PART II

ITEM 1 LEGAL PROCEEDINGS

There have been no material developments to the legal proceedings described in our Form 10-QSB for the quarter ended September 30, 2002, filed with the Commission on December 13, 2002.

In the ordinary course of business, the Company is from time to time involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon the financial condition and/or results of operations of the Company.

In the opinion of the Company's management, matters currently pending or threatened against the Company, unless dismissed or settled within a short period of time, will have a material adverse effect on the financial position and results of operations of the Company because the Company does not have the cash flow to continue to fund defense costs. Management is currently reviewing several strategies for continuing to fund defense costs while at the same time funding the development of the Company. Such strategies may include selling some or all of the Company's current assets, acquiring one or more businesses with positive cash flow, or filing for bankruptcy protection. No decisions have been made as of this time.

ITEM 2 CHANGES IN SECURITIES AND USE OF PROCEEDS

There have been no events which are required to be reported under this Item.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

There have been no events which are required to be reported under this Item.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There have been no events which are required to be reported under this Item.

ITEM 5 OTHER INFORMATION

Effective December 13, 2002, the Company changed its principal business address to: 101 Marietta St., Suite 1070, Atlanta, GA 30303, telephone number (404) 522-1202.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: December 13, 2002

Group Management Corp

/s/ Elorian Landers

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By: Elorian Landers

Its: Chief Executive Officer

(a) Exhibits

99.1 Certification as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 USC, SECTION 1350, AS ADOPTED PURSUANT TO
SECTIONS 302 AND 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Group Management Corp. (the "Company") on Form 10-QSB for the quarter ended September 30, 2002 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Elorian Lander, Chief Executive Officer and Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 USC 1350, as adopted pursuant to Sec.302 and promulgated as 18 USC 1350 pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report referenced above has been read and reviewed by the undersigned.

2. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

3. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

4. Based upon my knowledge, the Report referenced above does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to makes the statements made, in light of the circumstances under which such statements were made, not misleading.

5. Based upon my knowledge, the financial statements, and other such financial information included in the Report, fairly present in all material respects the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

6. I acknowledge that the Chief Executive Officer and Chief Financial Officer:

A. are responsible for establishing and maintaining "disclosure controls and procedures" for the Company;

B. have designed such disclosure controls and procedures to ensure that material information is made known to us, particularly during the period in which the Report was being prepared;

C. have evaulated the effectiveness of the Company's disclosure controls and procedures within 90 days of the date of the Report; and
D. have presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures based on the required evaluation.

E. have disclosed to the issuer's auditors and to the audit committee of the Board of Directors of the Company (or persons fulfilling the equivalent function):

(i) all significant deficiencies in the design or

operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and
(ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls; and

F. have indicated in the Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Elorian Landers
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Elorian Landers
Chief Executive Officer and Chief Financial Officer
Dated: December 13, 2002

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