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GROUP MANAGEMENT CORP
Form 8-K
May 02, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): APRIL 15, 2002

GROUP MANAGEMENT CORP
(Exact name of registrant as specified in its charter)

DELAWARE	33-19196A	59-2919648
(State or other	(Commission	(I.R.S. Employer
jurisdiction of incorporation)	File Number)	Identification No.)

13135 DAIRY ASHFORD, SUITE 525	
SUGAR LAND, TEXAS	77478
(Address of principal executive offices)	(zip code)

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

(Former name or former address, if changed since last report.)

ITEM 1. CHANGES IN CONTROL OF REGISTRANT

Not applicable.

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

Not applicable.

ITEM 3. BANKRUPTCY OR RECEIVERSHIP

Not applicable.

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ITEM 4. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 5. OTHER EVENTS

On April 15, 2002, Group Management Corp filed its Annual Report on Form 10-KSB dated April 8, 2002 (the "Initial 10-KSB"). On May 1, 2002, the Company filed an amended Annual Report on Form 10-KSB/A dated April 29, 2002 (the "Amended 10-KSB").

In both the Initial 10-KSB and the Amended 10-KSB, the Company included a consolidated balance sheet of Group Management Corp. as of December 31, 2001, and the related consolidated statements of operations, cash flows, and changes in stockholders' equity for the two years then ended. The Amended 10-KSB included the Independent Auditors' Report of Wrinkle, Gardner & Company, P.C.

The Company elected to list its 88.5% owned subsidiary, Swan Magnetics, Inc. (Swan) as an unconsolidated affiliate because it was precluded from obtaining the necessary information to allow a consolidated financial filing due to Swan's former CEO withholding financial records, making control impractical. Litigation has been initiated to gain control of the books and records.

The short history of this Company's merger with Swan and the problems that ensued is as follows. At all relevant times prior to June 30, 2001, Eden Kim was the Chairman of the Board and President of Swan. He was also Chairman of the Board of the Company. After the Company purchased 88.5% of the stock of Swan, and while Kim remained the Chairman of the Board of both Swan and the Company, all the needed financial and other information of Swan was provided to the Company. This information was used for the continued management of Swan and for the requisite SEC filings. A dispute with Kim arose in June 2001 and Kim resigned as the Chairman of the Company. Kim remained the President and Chairman of Swan. Thereafter, although Kim continued to agree to provide the Company audited financial statements and other information of Swan he in fact never did. There were numerous requests, both telephonically and written, to Kim requesting and demanding audited financials and other pertinent information regarding Swan. However, despite continued promises to do so, the information was never provided.

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On February 26, 2002, the Company terminated Kim as the President and Chairman of the Board of Swan. In March 2002 the Company sold its interest in Swan to Lumar Worldwide, 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.

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The Company intends to request that the court in the above-referenced case order Kim and Swan to turn over to the Company necessary books and records for a full and accurate review as necessary for the Company to include Swan as a consolidated subsidiary. At such time, the Company will amend its Form 10-KSB to include financial statements reflecting the consolidation. Management of the Company is unable to determine what the exact effect of Swan's operations will be on the Company's consolidated financial statements, or when the necessary financial information might be made available.

ITEM 6. RESIGNATIONS OF DIRECTORS AND EXECUTIVE OFFICERS

Not applicable.

ITEM 7. FINANCIAL STATEMENTS

Not applicable.

ITEM 8. CHANGE IN FISCAL YEAR

Not applicable.

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ITEM 9. REGULATION FD DISCLOSURE

Not applicable.

EXHIBITS

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 1, 2002

Group Management Corp.

/s/ Elorian Landers

By: Elorian Landers
Its: Chief Executive Officer

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