

MORGAN GROUP HOLDING CO  
Form 10-Q  
November 13, 2012

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2012

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 333-73996

**MORGAN GROUP HOLDING CO.**  
(Exact name of small business issuing as specified in its charter)

Delaware  
(State or other jurisdiction of  
Incorporation of organization)

13-4196940  
(IRS Employer  
Identification Number)

401 Theodore Fremd Avenue, Rye, New York  
(Address of principal executive offices)

10580  
(Zip Code)

(914) 921-1877  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer   
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No  
State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date.

<u>Class</u> Common Stock, \$.01 par value	<u>Outstanding at October 30, 2012</u> 3,359,055
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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

Unaudited Financial Statements

Condensed Balance Sheets as of  
September 30, 2012, December 31, 2011 and September 30, 2011

Condensed Statements of Operations for the  
Three and Nine Months Ended September 30, 2012 and 2011

Condensed Statements of Cash Flows for the  
Nine Months Ended September 30, 2012 and 2011

Condensed Statement of Shareholders' Equity for the  
Nine Months Ended September 30, 2012

Notes to Condensed Financial  
Statements as of September 30, 2012

Morgan Group Holding Co.  
Condensed Balance Sheets  
(Unaudited)

	September 30, 2012	December 31, 2011	September 30, 2011
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$369,267	\$216,384	\$264,355
Investment in marketable securities	--	123,700	120,680
Prepaid expenses	7,908	--	--
Total current assets	377,175	340,084	385,035
Total assets	\$377,175	\$340,084	\$385,035
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	\$12,885	\$4,108	\$22,798
Total current liabilities	12,885	4,108	22,798
Total liabilities	12,885	4,108	22,798
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none outstanding	--	--	--
Common stock, \$0.01 par value, 10,000,000 shares authorized, 3,359,055 outstanding	33,591	30,553	30,553
Additional paid-in-capital	5,650,928	5,611,447	5,611,447
Accumulated deficit	(5,320,229)	(5,306,024)	(5,279,763)
Total shareholders' equity	364,290	335,976	362,237
Total liabilities and shareholders' equity	\$377,175	\$340,084	\$385,035

*See accompanying notes to condensed financial statements*

Morgan Group Holding Co.  
Condensed Statements of Operations  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues	\$--	\$--	\$--	\$--
Administrative expenses	(4,991)	(22,813)	(32,394)	(42,292)
Other income				
Interest and dividends	417	324	715	924
Realized and unrealized gains on marketable securities	500	2,094	2,288	8,032
Reimbursement of previously incurred expenses	15,186	--	15,186	--
Net income (loss) before income taxes	11,112	(20,395)	(14,205)	(33,336)
Income taxes	--	--	--	--
Net income (loss)	\$11,112	(\$20,395)	(\$14,205)	(\$33,336)
Net income (loss) per share, basic and diluted	\$0.00	(\$0.01)	(\$0.00)	(\$0.01)
Shares outstanding, basic and diluted	3,146,458	3,055,345	3,283,128	3,055,345

See accompanying notes to condensed financial statements

Morgan Group Holding Co.  
Condensed Statements of Cash Flows  
(Unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash Flows from Operating Activities</b>		
Interest received	\$25	\$48
Cash paid to suppliers	(31,526)	(19,494)
Reimbursement of previously incurred expenses	15,186	--
Net cash used in operating activities	(16,315)	(19,446)
<b>Cash Flows from Investing Activities</b>		
Purchases of marketable securities	(309,639)	(989,240)
Proceeds from the sale of marketable securities	435,628	1,080,132
Dividends received	690	876
Net cash provided by investing activities	126,679	91,768
<b>Cash Flows from Financing Activities</b>		
Issuance of replacement shares	42,519	--
Net cash provided by financing activities	42,519	
Net increase (decrease) in cash and cash equivalents	152,883	72,322
Cash and cash equivalents, beginning of the period	216,384	192,033
Cash and cash equivalents, end of the period	\$369,267	\$264,355
<b>Reconciliation of net loss to net cash used in operating activities:</b>		
Net loss	(\$14,205)	(\$33,336)
Realized gains from the sale of marketable securities	2,087	(7,403)
Change in unrealized gains from investment in marketable securities	(4,376)	(629)
Dividends received	(690)	(876)
Increase in prepaid expenses	(7,908)	--
Increase in accrued liabilities	8,777	22,798
Net cash used in operating activities	(\$16,315)	(19,446)
Cash paid for interest	\$--	\$--
Cash paid for income taxes	\$--	\$--

See accompanying notes to condensed financial statements

Morgan Group Holding Co.  
Condensed Statement of Shareholders' Equity  
Nine Months Ended September 30, 2012

	Common Stock Shares	Par Value	Additional Paid in Capital	Accumulated Deficit	Total
Shareholders' equity, December 31, 2011	3,055,345	\$30,553	\$5,611,447	(\$5,306,024)	\$335,976
Issuance of replacement shares	303,710	3,038	39,481		42,519
Net loss for nine months ended September 30, 2012	--	--	-	(14,205)	(14,205)
Shareholders' equity, September 30, 2012	3,359,055	\$33,591	\$5,650,928	(\$5,320,229)	\$364,290

*See accompanying notes to condensed financial statements*



Morgan Group Holding Co.  
Notes to Financial Statements

Note 1. Basis of Presentation

Morgan Group Holding Co. ( Holding or the Company ) was incorporated in November 2001 as a wholly-owned subsidiary of LICT Corporation ( LICT, formerly Lynch Interactive Corporation ) to serve, among other business purposes, as a holding company for LICT's controlling interest in The Morgan Group, Inc. ( Morgan ). On January 24, 2002, LICT spun off 2,820,051 shares of Holding common stock through a pro rata distribution ( Spin-Off ) to its stockholders and retained 235,294 shares.

On October 3, 2002, Morgan ceased its operations when its liability insurance expired and it was unable to secure replacement insurance. On October 18, 2002, Morgan and two of its operating subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Indiana, South Bend Division for the purpose of conducting an orderly liquidation of Morgan's assets. On March 31, 2008, the bankruptcy proceeding was concluded and the bankruptcy court dismissed the proceeding. The Company received no value for its equity ownership from the bankruptcy proceeding.

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States 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 three and nine months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Note 2. Significant Accounting Policies

All highly liquid investments with maturity of three months or less when purchased are considered to be cash equivalents. The carrying value of cash equivalents approximates its fair value based on its nature.

At September 30, 2012, December 31, 2011 and September 30, 2011 all cash and cash equivalents were invested in a United States Treasury money market fund, of which an affiliate of the Company serves as the investment manager.

The Company invests in marketable securities that are bought and held principally for the purpose of selling them in the near term and are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in current assets, with the change in fair value during the period included in earnings.

Note 3. Income Taxes

The Company is a C corporation for Federal tax purposes, and has provided for deferred income taxes for temporary differences between the financial statement and tax bases of its assets and liabilities. The Company has recorded a full valuation allowance against its deferred tax asset of approximately \$1.7 million arising from its temporary basis differences and tax loss carryforward, as its realization is dependent upon the generation of future taxable income during the period when such losses would be deductible.

Pursuant to Sections 382 and 383 of the Internal Revenue Code, annual use of any of the Company's net operating loss carry forwards may be limited if cumulative changes in ownership of more than 50% occur during any three year period.

Note 4. Commitments and Contingencies

From time to time the Company may be subject to certain asserted and unasserted claims. It is the Company's belief that the resolution of these matters will not have a material adverse effect on its financial position.

The Company has not guaranteed any of the obligations of Morgan and believes it currently has no commitment or obligation to fund any creditors.

Note 5. Shareholders' Equity

In August 2010, the Company's stock transfer agent mistakenly escheated to the State of Connecticut the 276,250 shares of the Company's stock owned by Mario J. Gabelli, the Company's Chairman of the Board and Chief Executive Officer. Those shares represented 9.0415% of the Company's stock then outstanding. All of those shares were subsequently sold by the State of Connecticut and Mr. Gabelli was unable to recover them. On August 6, 2012, Mr. Gabelli reached a settlement agreement with the transfer agent under which the transfer agent made a payment to the Company of \$57,705, the amount required to pay the price of \$0.19 per share for 303,710 shares of its stock. That is the number of shares required to return Mr. Gabelli to his previous ownership position of 9.0415% of the Company's outstanding stock. The Company subsequently issued 303,710 shares of its stock to Mr. Gabelli. With the issuance of such shares, there are 3,359,055 shares of the Company's stock outstanding. For accounting purposes, the Company recorded the issuance of shares at \$0.14 per share, \$42,519. The remaining amount of \$15,186 was treated as a reimbursement of previously incurred legal expenses relating to the settlement of the erroneous escheatment and has been recognized as Other Income in the enclosed Condensed Statement of Operations.

Effective November 1, 2012, the Company appointed Jonathan P. Evans as its Chief Executive Officer. The Company may negotiate a sale of shares of its common stock to Mr. Evans and may also negotiate some form of equity compensation or participation for him.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Overview**

The Company currently has no operating businesses and will seek acquisitions as part of its strategic alternatives. Its only costs are the administrative expenses required to make the regulatory filings needed to maintain its public status. These costs are estimated at \$25,000 to \$50,000 per year.

**Results of Operations**

For the three months ended September 30, 2012, the Company incurred \$4,991 of administrative expenses down from \$22,813 of expenses in the three months ended September 30, 2011, due to decreased legal fees for various administrative matters. For the nine months ended September 30, 2012, the Company incurred \$32,394 of expenses, down from \$42,292 of expenses in the nine months ended September 30, 2011, due to decreased legal and accounting fees.

The company invests in marketable securities that are subject to a publicly disclosed acquisition offer but are trading below the proposed acquisition price. During the three months ended September 30, 2012, the company recorded \$500 of net realized and unrealized gains from this activity, as compared to net gains of \$2,094 in the three months ended September 30, 2011. During the nine months ended September 30, 2012, the Company recorded \$2,288 of net realized and unrealized gains from this activity, as compared to net gains of \$8,032 in the nine months ended September 30, 2011. In addition, the Company also received \$400 in dividend income for the three months ended September 30, 2012 as compare to \$324 for the three months ended September 30, 2011, also as a result of this marketable security program. During the nine months ended September 30, 2012, the company recorded \$690 of dividend income as compared to \$876 of dividend income in the nine months ended September 30, 2011. Interest income from the Company investment in a United States Treasury money market fund was \$17 during the three months ended September 30, 2012 as compared to \$0 during the three months ended September 30, 2011 period as the result of the lower investments in Treasury securities in 2011. Comparable amounts for the nine month periods ended September 30, were \$25 in 2012 and \$48 in 2011, as a result of lower rates of return on Treasury securities in 2012.

During the three months ended September 30, 2012, the Company received reimbursement from its transfer agent, American Stock Transfer & Trust Company, LLC, of \$15,186 for previously incurred legal fees (see Note 5 to the Condensed Financial Statements).

### **Liquidity and Capital Resources**

As of September 30, 2012, the Company's principal assets consisted of cash and cash equivalents of \$369,267 and a capital loss carry forward of about \$4.5 million which it expects will substantially expire in 2013. The ability to utilize this carry forward is dependent on the Company's ability to generate a capital gain prior to its expiration.

As discussed in Note 5 to the Condensed Financial Statements, during August 2012, the Company received a settlement of \$57,705 from its transfer agent to settle a mistaken escheatment of the Company's shares owned by its Chairman of the Board and Chief Executive Officer. The settlement was used to reimburse the Company for legal expenses in the amount of \$15,186, and as payment for the issuance of replacement shares to its Chairman of the Board and Chief Executive Officer in the amount of \$42,519.

### **Off Balance Sheet Arrangements**

None.

### **Item 3. Quantitative and Qualitative Analysis of Market Risk**

The Company is a smaller reporting company as defined in Item 10(f)(1) of Regulation S-K and thus is not required to report the Quantitative and Qualitative Analysis of Market Risk specified in Item 305 of Regulation S-K.

### **Item 4. Controls and Procedures**

#### **a) Evaluation of Disclosure Controls and Procedures**

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report were designed and were functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. The Company believes that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

#### **(b) Changes in Internal Controls**

During the period covered by this report, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our financial statements.

#### **Forward Looking Discussion**

This report contains a number of forward-looking statements, including statements regarding the prospective adequacy of the Company's liquidity and capital resources in the near term. From time to time, the Company may make other oral or written forward-looking statements regarding its anticipated operating revenues, costs and expenses, earnings and other matters affecting its operations and condition. Such forward-looking statements are subject to a number of material factors, which could cause the statements or projections contained therein to be materially inaccurate. Such factors include the estimated administrative expenses of the Company on a going-forward basis.

**PART II - OTHER INFORMATION**

**Item 6. Exhibits.**

Exhibit 3.1	Certificate of Incorporation of the Company*
Exhibit 3.2	By-laws of the Company*
Exhibit 31.1	Chief Executive Officer Rule 15d-14(a) Certification.
Exhibit 31.2	Principal Financial Officer Rule 15d-14(a) Certification.
Exhibit 32.1	Chief Executive Officer Section 1350 Certification.
Exhibit 32.2	Principal Financial Officer Section 1350 Certification.
EX-101.INS	XBRL INSTANCE DOCUMENT
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE
EX-101.LAB	XBRL TAXONOMY LABEL LINKBASE
EX-101-CAL	XBRL TAXONOMY EXTENSION CALCULATION
EX-101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE

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\* Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-1 (Registration No. 333-73996).

**SIGNATURES**

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

MORGAN GROUP HOLDING CO.

By: /s/ Robert E. Dolan  
ROBERT E. DOLAN  
Chief Financial Officer

November 9, 2012