

MORGAN GROUP HOLDING CO  
Form 10-Q  
November 12, 2013

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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, 2013

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.

Class  
Common Stock, \$.01  
par value

Outstanding at November 8, 2013  
3,359,055



MORGAN GROUP HOLDING CO.  
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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

Unaudited Financial Statements

Condensed Balance Sheets as of  
September 30, 2013, December 31, 2012 and September 30, 2012

Condensed Statements of Operations for the  
Three and Nine Months Ended September 30, 2013 and 2012

Condensed Statements of Cash Flows for the  
Nine Months Ended September 30, 2013 and 2012

Condensed Statement of Shareholders' Equity for the  
Nine Months Ended September 30, 2013

Notes to Condensed Financial  
Statements as of September 30, 2013

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Morgan Group Holding Co.  
Condensed Balance Sheets  
(Unaudited)

	September 30, 2013	December 31, 2012	September 30, 2012
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$294,786	\$355,518	\$369,267
Prepaid expenses	11,470	5,931	7,908
Total current assets	306,256	361,449	377,175
Equipment Net	1,389	1,879	--
Total assets	\$307,645	\$363,328	\$377,175
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	\$1,388	\$16,374	\$12,885
Total current liabilities	1,388	16,374	12,885
Total liabilities	1,388	16,374	12,885
<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	33,591	33,591
Additional paid-in-capital	5,772,368	5,762,368	5,650,928
Accumulated deficit	(5,499,702)	(5,449,005)	(5,320,229)
Total shareholders' equity	306,257	346,954	364,290
Total liabilities and shareholders' equity	\$307,645	\$363,328	\$377,175

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,	
	2013	2012	2013	2012
Revenues	\$--	\$--	\$-	\$-
Administrative expenses net	(12,343)	10,195	(50,720)	(17,208)
Other income:				
Interest and dividends	3	417	23	715
Realized and unrealized gains on marketable securities	--	500	--	2,288
Net (loss)profit before income taxes	(12,340)	11,112	(50,697)	(14,205)
Income taxes	--	--	--	--
Net (loss)profit	(\$12,340)	\$11,112	(\$50,697)	(\$14,205)
Net (loss) profit per share, basic and diluted	(\$0.00)	\$0.00	(\$0.02)	(\$0.00)
Shares outstanding, basic and diluted	3,359,055	3,283,128	3,359,055	3,146,458

See accompanying notes to condensed financial statements

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

	<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash Flows used in Operating Activities</b>		
Interest received	\$23	\$25
Cash paid to suppliers	(70,755)	(16,340)
Net cash used in operating activities	(70,732)	(16,315)
<b>Cash Flows from Investing Activities</b>		
Purchase of marketable securities	--	(309,639)
Proceeds from the sale of marketable securities	--	435,628
Dividends received	--	690
Net cash provided by investing activities	--	126,679
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of warrants	10,000	--
Issuance of replacement shares		42,519
Net cash provided by financing activities	10,000	42,519
Net (decrease) increase in cash and cash equivalents	(60,732)	152,883
Cash and cash equivalents, beginning of the period	355,518	216,384
Cash and cash equivalents, end of the period	\$294,786	\$369,267
<b>Reconciliation of net loss to net cash used in operating activities:</b>		
Net loss	(\$50,697)	(\$14,205)
Depreciation	490	--
Realized gains from the sale of marketable securities	--	(4,376)
Change in unrealized gains from investment in marketable securities	--	2,087
Dividends received	--	(690)
Increase in prepaid expenses	(5,539)	(7,908)
(Decrease) increase in accrued liabilities	(14,986)	8,777
Net cash used in operating activities	(\$70,732)	(\$16,315)
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, 2013

	Common Stock Shares	Par Value	Additional Paid in Capital	Accumulated Deficit	Total
Shareholders' equity, December 31, 2012	3,359,055	\$33,591	\$5,762,368	(\$5,449,005)	\$346,954
Issuance of warrants	--	--	10,000	--	10,000
Net loss for nine months ended September 30, 2013	-	-	-	(50,697)	(50,697)
Shareholders' equity, September 30, 2013	3,359,055	\$33,591	\$5,772,368	(\$5,499,702)	\$306,257

*See accompanying notes to condensed financial statements*

Morgan Group Holding Co.  
Notes to Condensed 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 September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. 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, 2013, December 31, 2012 and September 30, 2012 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 of the money market fund.

The Company may from time to time invest 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.

Basic earnings per share is based on the weighted-average number of common shares outstanding during each period. Diluted earnings per share is based on basic shares plus the incremental shares that would be issued upon the assumed exercise of in-the-money stock options and unvested restricted stock using the treasury stock method and, if dilutive.

Certain line items in the previously reported financial statements have been reclassified to conform to the current presentation.

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 \$1.6 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.

Note 5.

Shareholders' Equity and Stock Options and Warrants

On December 21, 2012, the Company and Jonathan P. Evans, currently Chief Executive Officer of the Company, entered into a Nonqualified Stock Option Agreement, whereby the Company granted to Mr. Evans an option (the "Option") to purchase 800,000 shares of the Company's Common Stock at an exercise price of \$0.15 per share of Common Stock, which is the closing price of the Common Stock as quoted on the OTC Markets inter-dealer quotation service on December 20, 2012. The Options are exercisable at any time and the exercise period expires December 21, 2015. As of September 30, 2013, these are the only options outstanding.

Also on December 21, 2012, the Company issued a warrant to purchase up to 1,000,000 shares of the Company's Common Stock at \$1.00 per share to Jonathan P. Evans in exchange for \$10,000, which was received in 2013. In addition on that date, the Company issued a warrant to purchase up to 200,000 shares of the Company's Common Stock to Robert E. Dolan, Chief Financial Officer of the Company, in exchange for \$2,000. Both warrants are exercisable currently through December 21, 2017. As of September 30, 2013, these are the only warrants outstanding.

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 then 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 to a third party and the State and Mr. Gabelli were 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.

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

**Overview**

The Company currently has no operating businesses and actively seeking acquisitions as part of its strategic alternatives. The primary, but not exclusive, focus of this search is on US based manufacturing businesses with EBITDA between \$5-\$20 million. Its only costs are the expenses required to make the regulatory filings needed to maintain its public status and to find and evaluate potential acquisitions. These costs are estimated at \$25,000 to \$75,000 per year.



## Results of Operations

For the three months ended September 30, 2013, the Company incurred \$12,343 of administrative expenses as compared to \$10,195 of reimbursements in excess of administrative expenses in the three months ended September 30, 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 above). The amount exceeded the actual expenses recorded during the three months ended September 30, 2012 of \$4,991. 2013 expenses were greater than this amount due primarily to the costs of Directors and Officers Insurance and additional professional fees. For the nine months ended September 30, 2013, the Company incurred \$50,720 of administrative expenses an increase of \$33,512 from the \$17,208 of expenses in the nine months ended September 30, 2012. Aside from the previously noted reimbursement of administrative expenses increase due to activity associated with acquisition evaluation, the cost of Directors and Officers Insurance and other administrative costs of maintaining its public status.

The company may from time to time invest in marketable securities that are subject to a publicly disclosed acquisition offer but are trading below the proposed acquisition price. No investments have been made during 2013. During the three and nine months ended September 30, 2012, the company recorded \$500 and \$2,288, respectively, of net realized and unrealized gains from this activity, no realized or unrealized gains or losses were recorded during 2013. Also during the three and nine months ended September 30, 2012, received \$400 and \$690, respectively, in dividend income for the three and nine months ended September 30, 2012 as compared to \$0 for the three and nine months ended September 30, 2013, also as a result of this marketable security program.

Interest income from the Company investments in a money market fund that invests in United States Treasury securities and in United States Treasury securities was \$3 and \$23, respectively, during the three and nine months ended September 30, 2013 as compared to \$17 and \$25, respectively, during the three and nine months ended September 30, 2012.

## Liquidity and Capital Resources

As of September 30, 2013, the Company's principal assets consisted of cash and cash equivalents of \$294,786 and a capital loss carry forward of about \$4.4 million which it expects will substantially expire at the end of this year. The ability to utilize this carry forward is dependent on the Company's ability to generate a capital gain prior to its expiration, which is unlikely at this time.

## 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 but not limited to 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 11, 2013