MORGAN GROUP HOLDING CO
Form 10-Q
November 05, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

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	13-4196940
(State or other jurisdiction of Incorporation of organization)	(IRS Employer Identification Number)
401 Theodore Fremd Avenue, Rye, New York	10580
(Address of principal executive offices)	(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. [X] 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 [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [X] 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	Outstanding atOctober 29, 2010
Common Stock, $.01 par value	3,055,345

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

Unaudited Financial Statements

Morgan Group Holding Co.
Condensed Balance Sheets
(Unaudited)

	September 30, 2010	December 31, 2009	September 30, 2009
ASSETS			
Current assets:			
Cash and cash equivalents	$ 307,413	$ 376,684	$ 387,572
Investments in marketable securities	97,840	--	--
Prepaid expenses	--	7,000	--
Total current assents	405,253	383,684	387,572
Total assets	$ 405,253	$ 383,684	$ 387,572
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accrued liabilities	$ --	$ --	$ --
Total current liabilities	--	--	--

SHAREHOLDERS' EQUITY			
Preferred stock, $0.01 par value, 1,000,000 shares authorized, none outstanding	--	--	--
Common stock, $0.01 par value, 10,000,000 shares authorized, 3,055,345 outstanding	30,553	30,553	30,553
Additional paid-in-capital	5,611,447	5,611,447	5,611,447
Accumulated deficit	(5,236,747)	(5,258,316)	(5,254,428)
Shareholders' equity	405,253	383,684	387,572
Total liabilities and shareholders' equity	$ 405,253	$ 383,684	$ 387,572

See accompanying notes to condensed financial statements

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

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Month Ended September 30, 2010	Nine Month Ended September 30, 2009
Revenues	$ --	$ --	$ --	$ --
Administrative expenses	(4,286)	(5,228)	(23,281)	(25,570)
Investment income	43,562	148	44,850	766
Net profit(loss)	$ 39,276	$ (5,080)	$ 21,569	$ (24,804)
Basic and diluted net loss per share	$ 0.01	$ (0.00)	$ 0.01	$ (0.01)
Weighted average shares outstanding	3,055,345	3,055,345	3,055,345	3,055,345

See accompanying notes to condensed financial statements

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

Nine Months Ended

	September 30, 2010	September 30, 2009
Cash Flows from Operating activities:		
Interest received	$ 134	$ 7
Cash paid to suppliers	(16,281)	(18,0
Net cash used in operating activities	(16,147)	(17,3
Cash Flow from Investing Activities:		
Purchases of marketable securities	(1,014,037)	
Proceeds from the sale of marketable securities	960,913	
Net cash used in Investing activities	(53,124)	
Cash Flow from Financing Activities	--	
Net decrease in cash	(69,271)	(17,3
Cash, Beginning of Period	376,684	404,8
Cash, End of Period	$ 307,413	$ 387,5

Reconciliation of net loss to net cash used in operating activities:		
Net profit (loss)	$ 21,569	$ (24,8
Realized gains from the sale of marketable securities	(44,516)	
Unrealized gains on investment in marketable securities	(200)	
Decrease in prepaid expenses	7,000	7,5
Net cash used in operating activities	$ (16,147)	$ (17,3

See accompanying notes to condensed financial statements

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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. Holding received no value for its equity ownership from the bankruptcy proceeding.

The accompanying unaudited condensed consolidated 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, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. 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.

Recently Issued Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2010-06, Fair Value Measurements and Disclosures (Topic 820) -- Improving Disclosures about Fair Value Measurements ("ASU 2010-06"), which amends Accounting Standards Codification 820 to require the disclosure of additional information related to fair value measurement and provide clarification to existing requirements for fair value measurement disclosure. ASU 2010-06 was effective for the Company beginning January 1, 2010. The Company's disclosures conform to the requirements of ASU 2010-06.

Note 2. Marketable Securities and Related Party Transactions

Marketable securities consist of publicly traded common stocks. The Company's investments in marketable securities are classified as trading under ASC 320 (formerly FASB 115, "Accounting for Certain Investments in Debt and Equity Securities") and are carried at their estimated fair value based on current market quotes. The Company acquires its marketable securities on the open market through an affiliate of its Chairman and securities are held in an account at the same affiliate. The Company reports the unrealized gains or losses through the current period Statement of Operations. At September 30, 2010, there was $200 of unrealized gains on the Company's investments in marketable securities which was included in earning for the three and nine months ended September 30, 2010.

Note 3. Fair Value of Financial Instruments

On January 1, 2008, the Company adopted ASC 820-10 (formerly Statement of Financial Accounting Standard No. 157, "Fair Value Measurements") and subsequently adopted the related FASB Staff Positions. The Company measures fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal market on the measurement date. The hierarchy established by the FASB prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized into the following levels:

Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices that are observable, either directly or indirectly, for identical or similar assets and liabilities in active or non-active markets; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liability.

Level 3 - Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best available information, including management assumptions.

Market value was determined using Level 1 inputs, which are quoted prices for identical securities in active markets.

At September 30, 2010, the Gross Unrealized Gains are as follows:

Description	Cost Basis	Gross Unrealized Gains	Estimated Fair Value
Equity	$ 97,640	$ 200	$ 97,840

While the above Estimated Fair Value was based on quoted prices (unadjusted) in active markets for identical assets at the reporting date, the quoted price was significantly impacted by an offer to acquire all of the outstanding of stock of that entity. The transaction closed subsequent to the reporting date at an amount in excess of the above Estimated Fair Value.

Note 4. 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 5. Commitments and Contingencies

On March 31, 2008, the bankruptcy court dismissed Morgan's bankruptcy proceeding. Holding had not guaranteed any of the obligations of Morgan. Management believes that the Company has no commitment or obligation to fund any creditors of Morgan.

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

Overview

On October 18, 2002, Morgan adopted the liquidation basis of accounting and accordingly, Morgan's assets and liabilities have been adjusted to estimate net realizable value. As the carrying value of Morgan's liabilities exceeded the fair value of its assets, the liabilities were reduced to equal the estimated net realizable value of the assets.

The Company currently has no operating businesses but is continuing actively to seek acquisitions of such businesses as its primary strategic alternative. Its only costs are the administrative expenses required to make the regulatory filings needed to maintain its public status. These costs are estimated at $30,000 to $40,000 per year.

Results of Operations

For the three months ended September 30, 2010, the Company incurred $4,286 of expenses down from $5,228 of expenses in the three months ended September 30, 2009. Lower professional fees in 2010 caused the slight decrease in this quarter. For the nine months ended September 30, 2010, the Company incurred $23,281 of expenses down from $25,570 of expenses in the nine months ended September 30, 2009, also due to lower professional fees in 2010.

Investment income was $43,562 in the three months ended September 30, 2010 as compared to $148 in the three months ended September 30, 2009. During the third quarter of 2010, the Company recorded $43,526 of realized and unrealized gains from the purchase and sale of certain marketable securities. There was no activity in marketable securities in 2009. The remaining investment income of $36 is as a result of the Company's investment in a United States Treasury money market fund. Investment income was $44,850 in the nine months ended September 30, 2010 as compared to $766 in the nine months ended September 30, 2009. Realized and unrealized gains in marketable securities of $44,716 were the cause of the increase. The Company intends to use such cash management activities to cover its administrative expenses.

Liquidity and Capital Resources

As of September 30, 2010, the Company's assets consisted of approximately $405,253 in cash, cash equivalents and marketable securities and a capital loss carry forward of about $4.5 million. The ability to utilize this asset is dependent on the Company's ability to generate a capital gain prior to its expiration (2013).

Off Balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Analysis of Market Risk

As of September 30, 2010, the Company only asset or liability that is market sensitive is its investment in marketable securities. Because the Company primarily invests in marketable securities that are subject to a publicly disclosed acquisition offer but are trading below the proposed acquisition price, management believes that the Company that is minimally exposed to changes in market risk.

Recently Issued Accounting Pronouncements

For a discussion of accounting standards updates that have been adopted or will be adopted in the future, please read Note 1 of the Notes to Condensed Financial Statements included under Item 1.

Item 4T. 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 go forward basis.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

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.

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

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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 5, 2010

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