

MORGAN GROUP HOLDING CO
Form 10-K
March 08, 2013

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2012

or

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

For the transition period from _____ to _____

Commission file number: 333-73996

MORGAN GROUP HOLDING CO.
(Exact name of Registrant as specified in its charter)

Delaware

State of other jurisdiction
incorporation or organization

13-4196940

(I.R.S. Employer
Identification No.)

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

10580
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-KSB.

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.

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Large accelerated filer []

Accelerated filer []

Non-accelerated filer []

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) Yes [X] No []

As of February 4, 2013, the aggregate market value of the Registrant's voting and nonvoting common equity held by non-affiliates of the Registrant was approximately \$621,000, which value, solely for the purposes of this calculation, excludes shares held by the Registrant's officers, directors, and their affiliates. Such exclusion should not be deemed a determination or an admission by the issuer that all such individuals are, in fact, affiliates of the issuer.

The number of outstanding shares of the Registrant's Common Stock was 3,359,055 as of February 22, 2013

MORGAN GROUP HOLDING CO.
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PART I

Item 1. Business.

Morgan Group Holding Co. (the Company or Holding) was incorporated in November 2001 to serve, among other business purposes, as a holding company for LICT Corporation s (LICT) controlling interest in The Morgan Group, Inc. (Morgan). On January 24, 2002, LICT spun off all but 235,294 of its shares in the Company to its stockholders.

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. On March 31, 2008, the bankruptcy proceeding was concluded and the bankruptcy court dismissed the proceeding. There was no appeal from the bankruptcy court s dismissal of the proceeding, and that proceeding is now entirely ended. Morgan received no value for its equity ownership from the bankruptcy proceeding.

Effective November 1, 2012, Jonathan P. Evans has been appointed as the Company s Chief Executive Officer, replacing Mario J. Gabelli, who remains Chairman of the Board of Directors.

We are continuing to evaluate all options available to the Company at this time. Under Mr. Evans, the Company is looking to implement a growth strategy by acquiring US-based businesses of an appropriate type and size.

At present, we have one full time employee.

Item 1A. Risk Factors

We are a smaller reporting company as defined in Item 10(f)(1) of Regulation S-K and thus are not required to report the risk factors specified in Item 503(c) of Regulation S-K.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

The Company does not own any property.

Item 3. Legal Proceedings.

The Company is not a party to any legal proceedings.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

PART II**Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.**

The shares of our common stock trade on the over-the-counter market in the Pink Sheets, under the symbol: MGHL. The following table sets forth the high and low market prices of the common stock for the periods indicated, as reported by published sources. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

| | High | Low |
|------------------|---------|--------|
| 2012 Fiscal Year | | |
| First Quarter | \$0.30 | \$0.13 |
| Second Quarter | \$0.24 | \$0.14 |
| Third Quarter | \$0.16 | \$0.13 |
| Fourth Quarter | \$0.40 | \$0.12 |
| 2011 Fiscal Year | | |
| First Quarter | \$0.10 | \$0.09 |
| Second Quarter | \$0.135 | \$0.10 |
| Third Quarter | \$0.145 | \$0.10 |
| Fourth Quarter | \$0.13 | \$0.13 |

As of February 22, 2013 there were approximately 650 holders of record of the Company's common stock.

The Company has never declared a cash dividend on its common stock and its Board of Directors does not anticipate that it will pay cash dividends in the foreseeable future.

During the fiscal year ended December 31, 2012, the Company issued 303,710 unregistered shares of its common stock to its Chairman. These were issued to replace shares that were erroneously escheated by the Company's Transfer Agent, see Note 7 to our Financial Statements.

During the fiscal year ended December 31, 2012 did not repurchase any of its shares from its shareholders.

Item 6. Selected Financial Data.

We are a smaller reporting company as defined in Item 10(f)(1) of Regulation S-K and thus are not required to report the selected financial data specified in Item 303 of Regulation S-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.**Forward-Looking Statements and Uncertainty of Financial Projections**

Forward-looking statements are not based on historical information but relate to future operations, strategies, financial results or other developments. Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, us.

Overview

As of December 31, 2012, the Company's only assets consisted of \$355,518 in cash and cash equivalents and a capital loss carry forward of approximately \$4.4 million which it expects will expire in 2013. The ability to utilize this loss carry-forward is dependent on the Company's ability to generate a capital gain prior to its expiration.

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The Company currently has no operating businesses and will seek acquisitions as part of its strategic alternatives. 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.

We are evaluating all options available to the Company at this time.

Results of Operations

For the year ended December 31, 2012, the Company incurred administrative expenses of \$35,641 versus \$67,879 in 2011. In December 2012, the Company issued to its Chief Executive Officer and Chief Financial Officer options and warrants in the Company's common shares. Under the FASB Accounting Standard Codification (*ASC*) 718, *Stock Compensation*, during 2012 the Company expensed, as a non-cash charge, \$109,440 representing the difference between the fair value of the options and warrants issued, determined under a Black Scholes methodology, and the amount paid for the options and warrants by the officers. In addition, during 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 7 to the Condensed Financial Statements). In addition, the Company incurred lower expenses in 2012 because it did not hold an Annual Shareholders Meeting.

During 2010, the company began to invest from time to time in marketable securities that are subject to a publicly disclosed acquisition offer but are trading below the proposed acquisition price and selected mutual funds. During the year ended December 31, 2012 the Company recorded approximately \$1,355 of net realized and unrealized gains from this activity as compared to \$7,357 in 2011. In addition, the company also received \$690 in dividend income from these transactions in 2012 as compared to \$876 in 2011. The relative amount of gains, or losses, and dividends in any period is very dependent on the number and timing of the available transactions over that period. Interest income from the Company investment in a United States Treasury money market fund was \$55 during the year ended December 31, 2012 as compared to \$49 during 2011 as a result of the slightly higher investment balances in 2012.

Liquidity and Capital Resources

At December 31, 2012, we had \$355,518 in cash and cash equivalents as compared to \$340,084 in cash, cash equivalents, and marketable securities at December 31, 2011.

Item 7A. Quantitative and Qualitative Analysis of Market Risk

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

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

Balance Sheets as of
December 31, 2012 and 2011

Statements of Operations for the
Years Ended December 31, 2012 and 2011

Statements of Cash Flows for the
Years Ended December 31, 2012 and 2011

Statements of Shareholders' Equity for the
Years Ended December 31, 2012 and 2011

Notes to Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Morgan Group Holding Co.
Rye, New York

We have audited the accompanying balance sheets of Morgan Group Holding Co. (the Company) as of December 31, 2012 and 2011 and the related statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free to material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morgan Group Holding Company as of December 31, 2012 and 2011 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Daszkal Bolton LLP

Boca Raton, Florida
March 8, 2013

**Morgan Group Holding Co.
Balance Sheets**

| | December 31, 2012 | 2011 |
|---|----------------------|-------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$355,518 | \$216,384 |
| Investment in marketable securities | -- | 123,700 |
| Prepaid expenses | 5,931 | -- |
| Total current assets | 361,449 | 340,084 |
| Property and equipment, net | 1,879 | -- |
| Total assets | \$363,328 | \$340,084 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$16,374 | \$4,108 |
| Total current liabilities | 16,374 | 4,108 |
| COMMITMENTS AND CONTINGENCIES | | |
| 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, 3,359,055 and 3,055,345 outstanding at December 31, 2012 and 2011, respectively | 33,591 | 30,553 |
| Additional paid-in-capital | 5,762,368 | 5,611,447 |
| Accumulated deficit | (5,449,005) | (5,306,024) |
| Total shareholders' equity | 346,954 | 335,976 |
| Total liabilities and shareholders' equity | \$363,328 | \$340,084 |

See accompanying notes to financial statements

Morgan Group Holding Co.
Statements of Operations

| | Year Ended December 31, | |
|--|-------------------------|------------|
| | 2012 | 2011 |
| Revenues | \$-- | \$-- |
| Administrative expenses | (35,641) | (67,879) |
| Stock Based Compensation (See Note 7) | (109,440) | -- |
| Other income | | |
| Interest and dividends | 745 | 925 |
| Realized and unrealized gains on marketable securities | 1,355 | 7,357 |
| Net loss before income taxes | (142,981) | (59,597) |
| Income taxes | -- | -- |
| Net loss | (\$142,981) | (\$59,597) |
| Loss per share, basic and diluted | (\$0.05) | (\$0.02) |
| Average shares outstanding, basic and diluted | 3,176,829 | 3,055,345 |

See accompanying notes to financial statements

Morgan Group Holding Co.
Statements of Cash Flows

| | Year Ended December 31, | |
|--|--------------------------------|-------------|
| | 2012 | 2011 |
| Cash Flows from Operating Activities | | |
| Interest received | \$55 | \$49 |
| Cash paid to suppliers | (29,225) | (63,771) |
| Net cash used in operating activities | (29,170) | (63,722) |
| Cash Flows from Investing Activities | | |
| Purchases of marketable securities | (617,164) | (1,123,603) |
| Proceeds from the sale of marketable securities | 742,220 | 1,210,800 |
| Purchase of equipment | (1,961) | -- |
| Dividends received | 690 | 876 |
| Net cash provided by investing activities | 123,785 | 88,073 |
| Cash Flows from Financing Activities | | |
| Issuance of replacement shares | 42,519 | -- |
| Issuance of warrants | 2,000 | -- |
| Cash provided by financing activities | 44,519 | -- |
| Net increase in cash | 139,134 | 24,351 |
| Cash and cash equivalents, beginning of the year | 216,384 | 192,033 |
| Cash and cash equivalents, end of the year | \$355,518 | \$216,384 |
| Reconciliation of net loss to net cash used in operating activities: | | |
| Net loss | (\$142,981) | (\$59,597) |
| Stock based compensation | 109,440 | -- |
| Depreciation | 82 | -- |
| Realized gains from the sale of marketable securities | (3,443) | (3,707) |
| Change in unrealized (gains) losses from the investment in marketable securities | 2,087 | (3,649) |
| Dividends received | (690) | (876) |
| Increase in accounts payable | 12,266 | 4,108 |
| Increase in prepaid expenses | (5,931) | -- |
| Net cash used in operating activities | (\$29,170) | (\$63,722) |

See accompanying notes to financial statements

**Morgan Group Holding Co.
Statements of Shareholders' Equity**

| | Preferred Stock | | Common Stock | | Additional Paid in Capital | Accumulated Deficit | Total |
|--|-----------------|-----------|--------------|-----------|----------------------------------|------------------------|-----------|
| | Shares | Par Value | Shares | Par Value | | | |
| Balance, December 31, 2010 | -- | \$-- | 3,055,345 | \$30,553 | \$5,611,447 | (\$5,246,427) | \$395,573 |
| Net loss for year ended December 31, 2011 | -- | -- | -- | -- | - | (59,597) | (59,597) |
| Balance, 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 |
| Issuance of warrants | -- | -- | -- | -- | 2,000 | -- | 2,000 |
| Stock based compensation | -- | -- | -- | -- | 109,440 | -- | 109,440 |
| Net loss for year ended December 31, 2012 | -- | -- | -- | -- | - | (142,981) | (142,981) |
| Balance, December 31, 2012 | -- | \$-- | 3,359,055 | \$33,591 | \$5,762,368 | (\$5,449,005) | \$346,954 |

See accompanying notes to financial statements

Morgan Group Holding Co.
Notes to Financial Statements

Note 1. Basis of Presentation and Significant Accounting Principles

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 and it was entirely concluded at that time. The Company received no value for its equity ownership from the bankruptcy proceeding.

Significant Accounting Principles

Cash and Cash Equivalents

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 December 31, 2012 and 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.

Stock Based Compensation

During 2012, the Company issued stock options and warrants to two of the Company s officers, see Note 7. The Company uses a fair value based method of accounting for stock-based compensation provided to our employees. The estimated fair value of option awards on the grant date is determined using the Black Scholes option-pricing model. This sophisticated model utilizes a number of assumptions in arriving at its results, including the estimated life of the option, the risk free interest rate at the date of grant and the volatility of the underlying common stock. There may be other factors which are not considered in the Black Scholes model but which may have an effect on the value of the options as well. The effects of changing any of the assumptions or factors employed by the Black Scholes model may result in a significantly different valuation for the options. As the option and warrants were exercisable at the grant date, the expense, which is based on the value of the warrant or option minus the amount paid by the employee, was recognized on the grant date. For the Year Ended December 31, 2012, \$109,440 was recognized for the options and warrants issued as stock-based compensation expense.

Earnings per share

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Marketable Securities

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 December 31, 2012, there were no investments in marketable securities and at December 31, 2011, there was \$2,087 of unrealized gains on the Company's investments in marketable securities, which was included in earnings for the Year Ended December 31, 2011.

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 December 31, 2012, there were no gross unrealized gains or losses.

At December 31, 2011, the gross unrealized gains/losses are as follows:

| Description | Cost Basis | Gross Unrealized Gains | Estimated Fair Value |
|-------------|------------|------------------------|----------------------|
| Equity | \$121,613 | \$2,087 | \$123,700 |

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 transactions closed subsequent to the reporting date at an amount in excess of the above Estimated Fair Value.

Note 4. Investment in Morgan Group, Inc.

Upon Morgan's bankruptcy filing, the Company deconsolidated its investment, as the Company believes it no longer has controlling or significant influence. At December 31, 2007, the estimated value of Morgan's assets in liquidation was insufficient to satisfy its estimated obligations. 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.

Note 5. Income Taxes

The Company accounts for income taxes under *ASC 740, Income Taxes*. Deferred income taxes are determined based upon differences between financial reporting and income tax bases of assets and liabilities and are measured using the enacted income tax rates and laws that will be in effect when the differences are expected to reverse. The Company recognizes any interest and penalties to unrecognized tax benefits as a component of income tax expense.

No federal current or deferred income taxes were recorded for the years ended December 31, 2012 and 2011, as the Company's income tax benefits were fully offset by a corresponding increase to the valuation allowance against its net deferred income tax assets.

At December 31, 2012 and 2011, the Company had federal and state net operating loss carryforwards of \$235,000 and \$203,340, respectively, available to offset future taxable income. These net operating loss carryforwards will expire in varying amounts beginning in 2022 through 2032. At December 31, 2012 and 2011, the Company had federal capital loss carryforwards of \$4,397,000 and 4,400,421 available to offset future taxable income. The capital loss carryforward will expire on December 31, 2013.

The Tax Reform Act of 1986 limits the annual utilization of net operating loss and tax credit carryforwards, following an ownership change of the Company. Note that as a result of the Company's equity financings in recent years, the Company underwent changes in ownership for purposes of the Tax Reform Act. Pursuant to Sections 382 and 383 of the Internal Revenue Code, annual use of any of the Company's net operating loss carryforwards may be limited if cumulative changes in ownership of more than 50% occur during any three year period.

The components of income tax provision (benefit) are as follows:

| | December 31, | |
|--------------------------------------|---------------|-----------------|
| | 2012 | 2011 |
| Current income taxes: | | |
| Federal | \$-- | \$-- |
| State | -- | -- |
| Total current income taxes | -- | -- |
| Deferred income taxes | 99,932 | (23,310) |
| Change in valuation allowance | (99,932) | 23,310 |
| Provision (benefit) for income taxes | \$-- | \$-- |

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes are as follows:

| | December 31, | |
|--|--------------|-------------|
| | 2012 | 2011 |
| Current deferred income tax assets | \$-- | \$-- |
| Noncurrent deferred income tax assets: | | |
| Net capital loss carryover | 1,701,015 | 1,655,879 |
| Net operating loss carryover difference | 90,950 | 79,200 |
| Stock option compensation | 42,338 | -- |
| Other temporary basis difference | -- | (785) |
| | 1,834,303 | 1,734,294 |
| Noncurrent deferred income tax liabilities: | | |
| Depreciation | (77) | -- |
| | (77) | -- |
| | 1,834,226 | 1,734,294 |
| Valuation allowance | (1,834,226) | (1,734,294) |
| | \$-- | \$-- |

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The reconciliation of the provision for income taxes for the years ended December 31, 2012 and 2011, and the amount computed by applying the statutory federal income tax rate to net loss is as follows:

| | December 31, | |
|---|--------------|------------|
| | 2012 | 2011 |
| Tax provision (benefit) at statutory rate | (\$48,614) | (\$20,263) |
| State taxes, net of federal expense | 4,422 | (3,047) |
| Change of valuation allowance | 99,932 | 23,310 |
| Effect of change in tax rates | (55,740) | -- |
| Effective income tax rate | \$-- | \$-- |

Note 6. 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 7. Shareholders Equity and Stock Options and Warrants

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.

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 December 31, 2012, 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.

The fair value of options and warrants granted during the year ended December 31, 2012 was estimated on the date of the grant using the Black-Sholes option-pricing model with the following assumptions with regard to the option and warrants, respectively,: risk-free rates of .38% and 0.74%; dividend yield of 0%; expected volatility of 85%; and estimated lives of 3 and 5 years. Expected volatility is based on historical volatility of the Company's common stock. The expected term of the options and warrants represents the period of time that options and warrants granted are expected to be outstanding and is derived from their terms.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not Applicable.

Item 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

As required by Rule 15d-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this report, Management carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2012. This evaluation was carried out under the supervision and with the participation of our principal executive officer as well as our principal financial officer, who concluded that our disclosure controls and procedures are effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act are accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control of Financial Reporting.

The Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in the Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended. Management conducted an assessment of the Company's internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on the assessment, management concluded that, as of December 31, 2012, the Company's internal control over financial reporting is effective.

This annual report does not include an attestation report of a registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by a registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

(c) Changes in Internal Control over Financial Reporting

There was no significant change in the Company's internal control over financial reporting that occurred during the most recently completed fiscal quarter that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

PART III**Item 10. Directors, Executive Officers and Corporate Governance.**

The following information provides the name, business address, present principal occupation, employment history, positions, offices or employments for the past five years and ages as of February 4, 2013 for our executive officers and directors. Members of the board are elected and serve for one year terms or until their successors are elected and qualify.

| Name | Age | Position |
|-------------------|-----|--------------------------------------|
| Jonathan P. Evans | 36 | Chief Executive Officer and Director |
| Robert E. Dolan | 61 | Chief Financial Officer and Director |

Jonathan P. Evans has served as our Chief Executive Officer since November 2012. From 2006 through November 2012, Mr. Evans held various positions with Crane Co.: Director Strategic Initiatives from May 2012 to November 2012, Director Marketing & Product Management (Chippenham, England) from May 2011 to May 2012, Director Operations (Chippenham, England) from May 2010 to May 2011, Currenza Product Manager from September 2007 to May 2010, and Manager of Operational Excellence from July 2006 to September 2007.

Robert E. Dolan has served as our Chief Financial Officer since November 2001. Mr. Dolan has also served in the following capacities at LICT Corporation: Executive Vice President and Chief Financial Officer from December 6, 2010, Interim Chief Executive Officer and Chief Financial Officer from May 1, 2006 to December 6, 2010, Chief Financial Officer from January 2004 to May 1, 2006, and Chief Financial Officer and Controller from September 1999 to January 2004. In addition, Mr. Dolan was, until September 14, 2009, the Assistant Secretary and director of Sunshine PCS Corporation, a public holding company, and has served in these capacities since November 2000. Also from November 17, 2007, Mr. Dolan is also the Interim Chief Executive Officer and Chief Financial Officer of CIBL, Inc.

Committees of the Board of Directors

We presently do not have an audit committee, compensation committee, nominating committee, an executive committee of our board of directors, stock plan committee or any other committees. Currently, our full board of serves as the audit committee and approves, when applicable, the appointment of auditors and the inclusion of financial statements in our periodic reports. Mr. Dolan is deemed to be an audit committee financial expert.

We have not made any changes to the process by which shareholders may recommend nominees to the board of directors since our last annual report.

Code of Ethics

We have not yet adopted a corporate code of ethics. Our board of directors is considering whether in light of the nature of our company and its lack on any operations, it is necessary or appropriate to adopt a formal corporate code of ethics. If it is determined that such a code would be necessary or appropriate, the Board will then consider establishing, over the next year, a code of ethics.

Legal Proceedings

Neither of our directors and executive officers has been involved in legal proceedings that would be material to an evaluation of our management.

Section 16(a) Beneficial Ownership Reporting Compliance

To our knowledge, based solely upon our review of copies of reports received by us pursuant to Section 16(a) of the Securities Exchange Act of 1934, we believe that all of our directors, officers and beneficial owners of more than 10 percent of our common stock filed all such reports on a timely basis during 2012.

Item 11. Executive Compensation.

The Company has not paid any compensation to any person, including its directors and executive officers, since inception. The Company does not have any employment contracts with either of its executive officers.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth information concerning ownership of our common stock as of February 4, 2013 by each person known by us to be the beneficial owner of more than five percent of the common stock, each director, each executive officer, and by all directors and executive officers as a group. We believe that each stockholder has sole voting power and sole dispositive power with respect to the shares beneficially owned by him. Unless otherwise indicated, the address of each person listed below is 401 Theodore Fremd Avenue, Rye, New York 10580.

| Name and Address * of Beneficial Owner | Number of Shares of Common Stock | |
|--|-------------------------------------|----------------------|
| | Beneficially Owned | Percent of Ownership |
| Mario J. Gabelli | 886,373 ⁽¹⁾ | 26.4% |
| Jay Gottlieb 27 Misty Brook Lane New Fairfield, CT 06812 | 305,322 ⁽²⁾ | 9.1% |
| T. Baulch 5315-B FM 1960 West, #239 Houston, TX 77069 | 300,000 ⁽³⁾ | 8.9% |
| LICT Corporation | 235,294 | 7.0% |
| Bernard Zimmerman & Company, Inc. | 216,100 ⁽⁴⁾ | 6.4% |
| Walter P. Carucci and Uncle Mills Partners | 209,499 ⁽⁴⁾ | 6.2% |

* Unless otherwise indicated, the address of each person listed above is 401 Theodore Fremd Avenue, Rye, New York 10580.

- (1) Represents 310,550 shares owned directly by Mr. Gabelli, 340,000 shares owned by a limited partnership for which Mr. Gabelli serves as a general partner (Mr. Gabelli has less than a 100% interest in the entity and disclaims beneficial ownership of the shares held by this entity which are in excess of his indirect pecuniary interest), and 235,294 shares owned by LICT Corporation (Mr. Gabelli is a control person of LICT Corporation and therefore shares owned by LICT Corporation are set forth in the table as also beneficially owned by Mr. Gabelli. Mr. Gabelli disclaims beneficial ownership of the shares owned by the partnership and LICT Corporation, except for his interest therein.)
- (2) Based solely on a Schedule 13G/A filed with the Securities and Exchange Commission by Jay Gottlieb on January 25, 2011 identifying Jay Gottlieb as having acquired and was the sole beneficial owner of 305,322 and having sole voting power and sole dispositive power with respect to such shares. No Schedule 13G/A had previously been filed for Mr. Gottlieb.
- (3) Based solely on a Schedule 13G/A filed with the Securities and Exchange Commission by T. Baulch on February 15, 2011, identifying T. Baulch as the beneficial owner of 305,000 shares, having sole voting power and sole dispositive power with respect to 198,573 shares and having shared voting power and shared dispositive power with respect to 106,427 shares which are held of record by the wife of T. Baulch.
- (4) Based solely on a Schedule 13G/A filed with the Securities and Exchange Commission by Walter P. Carucci, Uncle Mills Partners, and Bernard Zimmerman & Company, Inc. filed as of February 12, 2013, identifying (i) Walter P. Carucci as the beneficial owner of 209,499 shares (which includes 177,999 shares owned individually and 31,500 shares owned by Uncle Mills Partners) and having sole voting power and sole dispositive power with respect to such shares, (ii) Uncle Mills Partners as the beneficial owner of 31,500 shares and having sole voting power and sole dispositive power with respect to such shares, and (iii) Bernard Zimmerman & Company, Inc. as the

beneficial owner of 216,100 shares and having sole voting power and sole dispositive power with respect to such shares.

Item 13. Certain Relationships and Related Transactions.

None.

Item 14. Principal Accountant Fees and Services.

Audit Fees

The aggregate fees billed by Daszkal Bolton LLP for professional services rendered for the audit of the Company's financial statements for 2012 and 2011 were \$14,000 annually. For 2012 and 2011, Daszkal Bolton LLP billed the Company an aggregate of \$9,000 annually for reviews of the financial statements included in its quarterly Form 10-Q.

Audit-Related Fees

No audit-related fees were billed by Daszkal Bolton LLP for 2012 or 2011.

Tax Fees

No tax fees were billed by Daszkal Bolton LLP for 2012 or 2011.

All Other Fees

No other fees were billed by Daszkal Bolton LLP for 2012 or 2011 for services other than as set forth above.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

| Exhibit Number | Description |
|----------------|--|
| 3.1 | Certificate of Incorporation of the Company* |
| 3.2 | By-laws of the Company* |
| 31.1 | Rule 15d-14(a) Certification of the Chief Executive Officer |
| 31.2 | Rule 15d-14(a) Certification of the Principal Accounting Officer |
| 32.1 | Section 1350 Certification of the Chief Executive Officer |
| 32.2 | Section 1350 Certification of the Principal Accounting Officer |
| 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 Extension Label Linkbase |
| EX-101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| EX-101.DEF | XBRL Taxonomy Extension Definition Linkbase |

* 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.

Dated: March 8, 2013

By: /s/Robert E. Dolan
ROBERT E. DOLAN
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Capacity | Date |
|--|---|---------------|
| /s/ Jonathan P. Evans JONATHAN P. EVANS | Chief Executive Officer (Principal Executive Officer) and Director | March 8, 2013 |
| /s/ Robert E. Dolan ROBERT E. DOLAN | Chief Financial Officer (Principal Financial and Accounting Officer) and Director | March 8, 2013 |
| /s/ Mario J. Gabelli MARIO J. GABELLI | Director | March 8, 2013 |