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MORGAN GROUP HOLDING CO
Form 10QSB
May 16, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2005

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

Insurer's telephone number, including areacode

State the number of shares outstanding of each of the issuer's classes of common
equity, as of the latest practical date.

Class -----	Outstanding at May 31, 2005 -----
Common Stock, \$.01 par value	3,055,345

Transitional Small Business Disclosure Format (Check One): Yes () No (X)

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements and Supplementary Data.

Financial Statements Unaudited

Balance Sheets as of
March 31, 2005, December 31, 2004 and March 31, 2004

Statements of Operations for the
Three Months Ended March 31, 2005 and 2004

Statements of Cash Flows for the
Three Months Ended March 31, 2005 and 2004

Notes to Financial
Statements as of March 31, 2005

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Morgan Group Holding Co.
Balance Sheets
(Unaudited)
(Dollars in thousands)

March 31,	December 31,	March 31,
----- 2005	----- 2004	----- 2004
-----	-----	-----

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ASSETS

Current assets:

Cash and cash equivalents	\$401	\$401	\$399
	-----	-----	-----
Total current assets	401	401	399
Net assets of The Morgan Group, Inc.	--	--	--
	-----	-----	-----
Total assets	\$401	\$401	\$399
	=====	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES

Current liabilities:

Accrued expenses	\$--	\$--	\$--
	-----	-----	-----
Total current liabilities	--	--	3

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	30	30
Additional paid-in-capital	5,612	5,612	5,612
Accumulated deficit	(5,241)	(5,241)	(5,243)
	-----	-----	-----
Total shareholders' equity	401	401	399
	-----	-----	-----
Total liabilities and shareholder's equity	\$401	\$401	\$399
	=====	=====	=====

See accompanying notes to financial statements

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Morgan Group Holding Co.
Statements of Operations
(Unaudited)

(Dollars and shares in thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2005	2004
	-----	-----
Administrative expenses	\$ (2)	\$ (1)
Investment income	2	1
	-----	-----
Net loss	--	--
	=====	=====

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Basic and diluted net loss per share	\$0.00	\$ (0.00)
	=====	=====
Weighted average shares outstanding	3,055	3,055
See accompanying notes to financial statements		

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Morgan Group Holding Co.
 Statements of Cash Flows
 (Unaudited)
 (Dollars in thousands)

	Three Months Ended	
	March 31,	
	2005	2004
Operating activities:		
Net loss	\$--	\$--
Adjustments to reconcile net loss to net cash used in operating activities:		
Increase in accrued expenses	--	--
Net cash used in operating activities	--	--
Net change in cash and equivalents	--	--
Cash and cash equivalents at beginning of period	401	399
Cash and cash equivalents at end of period	\$ 401	\$399

See accompanying notes to 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 Lynch Interactive Corporation ("Interactive") to serve, among other business purposes,

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as a holding company for Interactive's controlling interest in The Morgan Group, Inc. ("Morgan"). On December 18, 2001, Interactive's controlling interest in Morgan was transferred to Holding. At the time, Holding owned 68.5% of Morgan's equity interest and 80.8% of Morgan's voting interest. On January 24, 2002, Interactive spun off 2,820,051 shares of the Company's common stock through a pro rata distribution ("Spin-Off") to its stockholders. Interactive retained 235,294 shares of the Company's common stock to be distributed in connection with the potential conversion of a convertible note that had been issued by Interactive. Such note was repurchased by Interactive in 2002 and Interactive retains the 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.

As Morgan has ceased operations and is in the process liquidating itself, in the accompanying balance sheet, the assets and liabilities of Morgan have been reflected as one line. Holding's management currently believes that it is very unlikely that Holding will realize any value from its equity ownership in Morgan. Furthermore, Holding has no obligation or intention to fund any of Morgan's liabilities, therefore, Holding's investment in Morgan was believed to have no value after the liquidation. As the liquidation of Morgan is under the control of the bankruptcy court, Holding believes it has relinquished control of Morgan and accordingly, has ceased consolidating the financial statements of Morgan.

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 carry 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.

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.

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-QSB and Articles 10 and 11 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 months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. 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 effect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

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Note 2. Net assets of Morgan Group

At March 31, 2005, December 31, 2004, and March 31, 2004, the estimated value of Morgan's assets in liquidation were insufficient to satisfy its estimated obligations.

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Note 3. Income Taxes

No income tax benefit has been recorded in the accompanying financial statements, as the realization of such losses, for income tax purposes, is dependent upon the generation of future taxable income during the period when such losses would be deductible. Therefore, the recording of the deferred tax asset of \$1.5 million would be inconsistent with applicable accounting rules.

Note 4. Commitments and Contingencies

Holding has not guaranteed any of the obligations of Morgan and it has no further commitment or obligation to fund any creditors.

Note 5. Financial Statements not reviewed by Independent Public Accountants

On May 2, 2003, the client-auditor relationship between Holding and Ernst & Young LLP ceased. As a result, these interim financial statements have not been reviewed by independent public accountants.

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

Management's Discussion and Analysis of Financial Condition and Plan of Operation.

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 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 \$50,000 to \$100,000 per year.

Results of Operations

For the three months ended March 31, 2005, the Company incurred \$2,000 of expenses as compared to \$1,000 of expenses in the first three months of 2004.

Investment income was \$2,000 in the first quarter of 2005 as compared to \$1,000

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in the first quarter of 2004.

Liquidity and Capital Resources

As of March 31, 2005, the Company's only assets consisted of \$401,000 in cash and an unrecognized asset relating to a tax loss carryforward, primarily capital, of about \$4 million.

Item 4. Controls and Procedures

As a result of the Bankruptcy, Morgan's corporate, financial and accounting staff has been substantially reduced, thereby impairing the ability of Morgan to maintain internal controls and adequate disclosure controls and procedures. On November 12, 2002, Morgan filed a Form 15 with the Securities and Exchange Commission to terminate its registration under Section 12(g) of the Exchange Act. Given the current status of Morgan, neither the chief executive officer nor the chief financial officer of Holding has been able to evaluate the effectiveness of the disclosure controls and procedures of Morgan.

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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.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) None.
- (b) Current Report on Form 8-K filed on May 17, 2004, explaining reason for not providing Rule 15d-14 and Section 906 certifications with Quarterly Report on Form 10-Q for the period ending March 31, 2005.

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SIGNATURES

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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

May 17, 2005

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