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MORGAN GROUP HOLDING CO
Form 10-K
March 30, 2004

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FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the fiscal year ended December 31, 2003 Commission file number 333-73996

OR

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

For the transition period from _____ to _____

MORGAN GROUP HOLDING CO.

(Exact name of Registrant as specified in its charter)

Delaware

13-4196940

State of other jurisdiction
incorporation or organization

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

401 Theodore Fremd Avenue, Rye, NY

10580

(Address of principal executive offices)

(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 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 X No

Indicate by 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-K. []

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No X

As of June 30, 2003, the aggregate market value of the Registrant's voting and nonvoting common equity held by non-affiliates of the Registrant was approximately \$175,700, which value, solely for the purposes of this

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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 3,055,345 as of March 25, 2004.

PART I

Item 1. Business.

Morgan Group Holding Co. (the "Company" or "MGHL") was incorporated in November 2001 to serve, among other business purposes, as a holding company for Lynch Interactive Corporation's controlling interest in The Morgan Group, Inc. Upon the Company's formation as a wholly owned subsidiary of Lynch Interactive Corporation, Lynch Interactive Corporation made a capital contribution to MGHL of \$500,000. Lynch Interactive Corporation also transferred to us 161,100 shares of The Morgan Group, Inc.'s outstanding Class A common stock, warrants to purchase an additional 161,100 such shares at \$9.00 per share, 2,200,000 shares of The Morgan Group, Inc.'s Class B common stock and warrants to purchase an additional 2,200,000 such shares at \$9.00 per share, giving MGHL control of more than 80% of The Morgan Group, Inc.'s aggregate voting power. On January 24, 2002, Lynch Interactive spun off all but 235,294 of its shares in MGHL to its stockholders.

Unfortunately, weakened by poor industry conditions and management mistakes. A combination of industry dynamics, poor management decisions, and a surge in insurance costs crippled Morgan. On October 3, 2002 Morgan ceased operations when its liability insurance expired and it was unable to secure replacement insurance. On October 18, 2002, The Morgan Group, Inc. 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. As of December 31, 2003, the Debtors were continuing to conduct an orderly liquidation of their assets.

Effective October 15, 2002, the shares of The Morgan Group, Inc., Class A Common Stock were delisted from the American Stock Exchange. The stock exchange determined that The Morgan Group, Inc.'s Class A Common Stock no longer satisfied Sections 1002, 1003 and 1009 of the listing rules.

On November 12, 2002, The Morgan Group, Inc. filed a Certification and Notice of Termination of Registration under Section 12(g) of the Securities Exchange Act of 1934.

The Company expects that its ownership interest in Then Morgan Group, Inc. will have no residual value upon completion of the liquidation of the assets of The Morgan Group Inc. The Company's strategy is to look for additional investment opportunities. However the loss did yield a capital loss of about \$4 million.

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Item 2. Properties.

The Company owns no properties.

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 during the fourth quarter of 2003.

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PART II

Item 5. Market For The Registrant's Common Equity And Related Stockholder Matters.

The common stock commenced trading on the over-the-counter market on February 21, 2002. The following table sets forth the high and low market prices of the common stock for the periods indicated, as reported by published sources.

| | High | Low |
|---|----------|----------|
| 2002 Fiscal Year | | |
| First Quarter (beginning February 21, 2002) | \$ 1.75 | \$ 0.85 |
| Second Quarter | \$ 1.40 | \$ 0.51 |
| Third Quarter | \$ 0.55 | \$ 0.12 |
| Fourth Quarter | \$ 0.20 | \$ 0.02 |
| 2003 Fiscal Year | | |
| First Quarter | \$ 0.070 | \$ 0.050 |
| Second Quarter | \$ 0.140 | \$ 0.065 |
| Third Quarter | \$ 0.140 | \$ 0.080 |
| Fourth Quarter | \$ 0.110 | \$ 0.100 |

As of March 25, 2004, there were approximately 832 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.

The Company has never repurchased any of its equity securities and does not anticipate that it will do so in the foreseeable future.

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Item 6. Selected Financial Data.

Morgan Group Holding Co.
Selected Financial Data
(Dollars and shares in thousands, except per share amounts)

| | December 31, (| |
|---|------------------------|------------------------|
| | ----- 2003 ----- | ----- 2002 ----- |
| Administrative expenses | \$ (35) | \$ (64) |
| Investment income | 3 | 6 |
| Loss from continuing operations | (32) | (58) |
| Discontinued operations: | | |
| Loss from operations before cumulative effect of accounting change of The Morgan Group, Inc. - net of income tax benefit (provision) of \$--, \$1,125, \$910, and \$(2,277) and \$(187) respectively, and minority interests of \$--, \$3,021, \$603, \$2,133 and \$(28) respectively | -- | (5,358) |
| Cumulative effect of accounting change at The Morgan Group Inc., net of minority interests of \$722 | -- | (1,568) |
| Gain from the adoption of liquidation basis of accounting at The Morgan Group, Inc. | -- | 2,182 |
| Net loss | \$ (32) | \$ (4,802) |
| Basic and diluted loss per share: | | |
| Loss from continuing operations | \$ (0.01) | \$ (0.02) |
| Loss from operations before cumulative effect of accounting change of The Morgan Group, Inc. | -- | (1.75) |
| Cumulative effect of accounting change at The Morgan Group, Inc..... | -- | (0.52) |
| Gain from the adoption of liquidation basis of accounting at The Morgan Group Inc. | -- | 0.71 |
| Net loss per common share | \$ (0.01) | \$ (1.57) |
| Weighted average shares outstanding | 3,055 | 3,055 |
| | December 31, (1) | |
| | ----- 2003 ----- | ----- 2002 ----- |
| Cash | \$ 399 | \$ 433 |
| Total Assets | \$ 399 | \$ 433 |
| Stockholders Equity | \$ 399 | \$ 431 |
| Equity, Investments by and advances from Lynch Interactive Corporation | \$ -- | \$ -- |

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- (1) We were incorporated in November 2001 to serve as a holding company for Lynch Interactive Corporation's controlling interest in The Morgan Group, Inc. The transfer of the controlling interest was made to us on December 18, 2001. The accompanying combined financial data represents the combination, on a retroactive basis, of all of Lynch Interactive Corporation's interest in The Morgan Group, Inc. and the consolidated financial statements of The Morgan Group, Inc. as if the transfer by Lynch Interactive Corporation occurred on January 1, 1998. Subsequent to December 18, 2002, the financial statements represent the consolidated results of the Company. During 2002, due to Morgan's ceasing operations, its financial results are treated as discontinued operations in the above data. On October 18, 2002, Morgan filed for bankruptcy and adopted the liquidation basis of accounting and the Company deconsolidated Morgan at that point.

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Item 7. Management's Discussion and Analysis of Financial Condition and Plan of Operation.

Overview

The Company was incorporated in November 2001 as a wholly-owned subsidiary of Lynch Interactive Corporation ("Interactive") to serve as an acquisition vehicle. Initially, we received \$500,000 cash and 68.5% of The Morgan Group, Inc. (Morgan)'s equity interest and 80.8% of Morgan's voting interest. On January 24, 2002, Interactive spun off 2,820,051 shares of our common stock through a pro rata distribution ("Spin-Off") to its stockholders. Interactive retained 235,294 shares at the time of the spin-off.

A combination of industry dynamics, poor management decisions, and a surge in insurance costs crippled Morgan. On October 3, 2002 Morgan ceased 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 is in the process liquidation, in the accompanying financial statements the assets and liabilities and results of operations of Morgan have been reflected as a discontinued operation. In addition, the Company's management currently believes that it is very unlikely that the Company will realize any value from its equity ownership in Morgan. Given the fact that Holding has no obligation or intention to fund any of Morgan's liabilities, management believes that the Company's investment in Morgan will to have no value after the liquidation. As the liquidation of Morgan is under the control of the bankruptcy court, the Company believes it has relinquished control of Morgan and accordingly has ceased consolidating the financial statements of Morgan. As the Company's investment in Morgan was a negative of \$2,182,000 at the date of adoption of the plan of liquidation. This resulted in a gain to Holdings of that amount in 2002.

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 organ's liabilities exceeded the fair value of its assets, the liabilities were reduced to equal the estimated net realizable value of the assets.

As of December 31, 2003, the Company's only assets consisted of \$399,000 in cash and an unrecognized asset relating to capital loss carryforward of about \$4 million.

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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 administrative expenses required to make the regulatory filings needed to maintain its public status. These costs are estimated at \$25,000 to \$75,000 per year.

Results of Operations

For the year ended December 31, 2003, the Company incurred administrative expenses of \$35,000 and \$64,000 of expenses were incurred during the year ended December 31, 2002. As the Company was formed in November 2001 and Lynch Interactive paid the expenses associated with the spin-off, no such expenses administration were incurred by the Company in the year ended December 31, 2001.

Investment income of \$3,000 and \$6,000 was recorded during the two years ended December 31, 2003 as a result of the Company's investment in a United States Treasury money market fund.

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Item 8. Financial Statements and Supplementary Data.

Financial Statements

Balance Sheets as of
December 31, 2003 and December 31, 2002

Statements of Operations for the
Three Years Ended December 31, 2003

Statements of Cash Flows for the
Three Years Ended December 31, 2003

Statements of Equity, Investments by
And Advances from Lynch Interactive
Corporation

Notes to Financial
Statements as of December 31, 2003

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Morgan Group Holding Co.
Balance Sheets
(Dollars in thousands, except per share amounts)

| | December 31, | |
|---|--------------|---------|
| | 2003 | 2002 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 399 | \$ 433 |
| | ----- | ----- |
| Total current assets | 399 | 433 |
| Net assets of The Morgan Group, Inc. | -- | -- |
| | ----- | ----- |
| Total assets | \$ 399 | \$ 433 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Current liabilities: | | |
| Accrued expenses | \$ -- | \$ 2 |
| | ----- | ----- |
| Total current liabilities | -- | 2 |
| 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 |
| Additional paid-in-capital | 5,612 | 5,612 |
| Accumulated deficit | (5,243) | (5,211) |
| | ----- | ----- |
| Total shareholders' equity | 399 | 431 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 399 | \$ 433 |
| | ===== | ===== |

See notes to financial statements

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

| | December 31, | | |
|---|--------------|------------|-----------|
| | 2003 | 2002 | 2001 |
| Administrative expenses | \$ (35) | \$ (64) | \$ -- |
| Investment income | 3 | 6 | -- |
| | ----- | ----- | ----- |
| Loss from continuing operations | (32) | (58) | -- |
| | ----- | ----- | ----- |
| Discontinued operations (Notes 1 and 2): | | | |
| Loss from operations before cumulative effect of accounting change of The Morgan Group, Inc. - net of income tax benefit (provision) of \$--, \$1,125 and \$910, respectively, and minority interests of \$--, \$3,021 and \$603 respectively | -- | (5,358) | (854) |
| Cumulative effect of accounting change at The Morgan Group Inc., net of minority interests of \$722 | -- | (1,568) | -- |
| Gain from the deconsolidation of The Morgan Group, Inc. | -- | 2,182 | -- |
| | ----- | ----- | ----- |
| Net loss | \$ (32) | \$ (4,802) | \$ (854) |
| | ===== | ===== | ===== |
| Basic and diluted loss per share: | | | |
| Loss from continuing operations | \$ (0.01) | \$ (0.02) | -- |
| Loss from operations before cumulative effect of accounting change of The Morgan Group, Inc. | -- | (1.75) | \$ (0.28) |
| Cumulative effect of accounting change at The Morgan Group, Inc | -- | (0.52) | -- |
| Gain from the deconsolidation of The Morgan Group Inc. | -- | 0.71 | -- |
| | ----- | ----- | ----- |
| Net loss per common share | \$ (0.01) | \$ (1.57) | \$ (0.28) |
| | ===== | ===== | ===== |
| Weighted average shares outstanding | 3,055 | 3,055 | 3,055 |

See accompanying notes

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

| | December 31, | | |
|--|--------------|------|------|
| | 2003 | 2002 | 2001 |

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| | | | |
|--|---------|------------|----------|
| ----- | | | |
| Operating activities: | | | |
| Net loss | \$ (32) | \$ (4,802) | \$ (854) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Increase (decrease) in accrued expenses | (2) | 2 | -- |
| Non-cash items and changes in operating assets and liabilities relating to the operations of The Morgan Group, Inc. | -- | 3,082 | 1,363 |
| | ----- | ----- | ----- |
| Net cash provided by (used in) operating activities | (34) | (1,718) | 509 |
| | ----- | ----- | ----- |
| Investing activities: | | | |
| Investment in the Morgan Group Inc. | -- | (11) | (2,000) |
| Investing activities relating to operations of The Morgan Group, Inc. | -- | 453 | (753) |
| | ----- | ----- | ----- |
| Net cash provided by (used in) investing activities . | -- | 442 | (2,753) |
| | ----- | ----- | ----- |
| Financing activities: | | | |
| Investment by and advances from (to) Lynch Interactive Corporation | -- | -- | 2,500 |
| Financing activities relating to operations of The Morgan Group, Inc. | -- | 1,209 | 244 |
| | ----- | ----- | ----- |
| Net cash provided by financing activities | -- | 1,198 | 2,744 |
| | ----- | ----- | ----- |
| Net increase (decrease) in cash and equivalents | (34) | (67) | 500 |
| Cash and cash equivalents at beginning of period | 433 | 500 | -- |
| | ----- | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 399 | \$ 433 | \$ 500 |
| | ===== | ===== | ===== |

See accompanying notes

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Morgan Group Holding Co.
 Statements of Equity, Investments by and
 Advances from Lynch Interactive Corporation
 (Dollars in thousands)

| Common Stock Outstanding | Common Stock | Additional Paid-in Capital | Accumulated Deficit | I C |
|-----------------------------|-----------------|----------------------------------|------------------------|--------|
|-----------------------------|-----------------|----------------------------------|------------------------|--------|

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| | | | | | |
|---|------------------|--------------|-----------------|-------------------|-----------|
| Balance at January 1, 2001 | -- | \$ -- | \$ -- | \$ -- | 3 |
| Capital transactions of The Morgan Group, Inc. | -- | -- | -- | -- | |
| Investment of Lynch Interactive Corporation | -- | -- | -- | -- | |
| Net loss through December 18, 2001 | -- | -- | -- | -- | |
| Issuance of shares by Lynch Interactive Corporation | 3,055,345 | 30 | 5,614 | -- | (|
| Net loss subsequent to December 18, 2001 | -- | -- | -- | (409) | |
| Balance at December 31, 2001 | 3,055,345 | 30 | 5,614 | (409) | |
| Capital transactions of The Morgan Group, Inc. | -- | -- | (2) | -- | |
| Net Loss for year ended December 31, 2002 | -- | -- | -- | (4,802) | |
| Balance at December 31, 2002 | 3,055,345 | 30 | 5,612 | (5,211) | |
| Net loss for year end December 31, 2003 | -- | -- | -- | (32) | |
| | <u>3,055,345</u> | <u>\$ 30</u> | <u>\$ 5,612</u> | <u>\$ (5,243)</u> | <u>\$</u> |

See accompanying notes.

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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, 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 our common stock through a pro rata distribution ("Spin-Off") to its stockholders. Interactive retained 235,294 shares of our 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

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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 financial statements, the assets and liabilities and results of operations of Morgan have been reflected as a discontinued operation. In addition, Holding's management currently believes, it is very unlikely that it will realize any value from its equity ownership in Morgan, and given the fact that Holding has no obligation or intention to fund any of Morgan's liabilities, its 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, the Company believes it has relinquished control of Morgan and accordingly, has ceased consolidating the financial statements of Morgan. As Holding's investment in Morgan was a negative \$2,182,000, at the date of adoption of the plan of liquidation, this resulted in a gain to Holding of that amount.

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.

The financial statements have been prepared using the historical basis of assets and liabilities and historical results of Interactive's interest in Morgan, which were contributed to the Company on December 18, 2001. However, the historical financial information presented herein reflects periods during which the Company did not operate as an independent public company and accordingly, certain assumptions were made in preparing such financial information. Such information, therefore, may not necessarily reflect the results of operations, financial condition or cash flows of the Company in the future or what they would have been had the Company been an independent public company during the reporting periods.

The financial statements represent combined financial statements through December 18, 2001 and include the accounts of Holding, Morgan and its subsidiaries. Subsequent to December 18, 2001, the financial statements represent the consolidated results of those entities. As noted above as of October 18, 2002, the Company deconsolidated the operations of Morgan. Significant intercompany accounts and transactions have been eliminated in combination/consolidation.

Net loss per common share ("EPS") is computed using the number of common shares issued in connection with the Spin-Off as if such shares had been outstanding for all periods presented.

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.

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At December 31, 2003 and 2002 all cash and cash equivalents were invested in a United States Treasury money market fund, which an affiliate of the Company serves as the investment manager.

At December 31, 2003 and 2002, the carrying value of financial instruments such as cash and cash equivalents, accounts receivable, trade payables and long-term debt approximates their fair values. Fair value is determined

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based on expected future cash flows, discounted at market interest rates, and other appropriate valuation methodologies.

The accompanying unaudited consolidated financial statements reflect, in the opinion of management, all adjustments (consisting of normal recurring items) necessary for a fair presentation, in all material respects, of the financial position and results of operations for the periods presented. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities, the 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. The results of operations for the interim periods are not necessarily indicative of the results for the entire year.

The financial statements include the accounts of the Company and through October, 18, 2002, its majority owned subsidiary, Morgan. Morgan has the following subsidiaries: Morgan Drive Away, Inc., TDI, Inc., Interstate Indemnity Company, and Morgan Finance, Inc., all of which are wholly owned. Morgan Drive Away, Inc. has two subsidiaries, Transport Services Unlimited, Inc. and MDA Corp. Significant intercompany accounts and transactions have been eliminated in consolidation. During 2002, Morgan is treated as a discontinued operations and previously issued financial statements have been restated to reflect that presentation.

Note 2. Net assets of Discontinued Operation

At December 31, 2003 and 2002, the estimated value of Morgan's assets in liquidation were insufficient to satisfy its estimated obligations.

Note 3. Goodwill Impairment

On January 1, 2002, Morgan adopted Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). This Standard eliminates goodwill amortization and requires an evaluation of goodwill for impairment (at the reporting unit level) upon adoption of the Standard, as well as subsequent evaluations on an annual basis, and more frequently if circumstances indicate a possible impairment. This impairment test is comprised of two steps. The initial step is designed to identify potential goodwill impairment by comparing an estimate of the fair value of the applicable reporting unit to its carrying value, including goodwill. If the carrying value exceeds fair value, a second step is performed, which compares the implied fair value of the applicable reporting unit's goodwill with the carrying amount of that goodwill, to measure the amount of goodwill impairment, if any. Upon adoption, Morgan performed the transitional impairment test which resulted in an impairment of \$2,290,000 which is classified as a cumulative effect of a change in accounting principle for the year ended December 31, 2002, as required by SFAS No. 142.

Note 4. Issuance of Non-transferable Warrants

On December 12, 2001, Morgan issued non-transferable warrants to purchase shares of common stock to the holders of Class A and Class B common stock. Each warrant entitled the holder to purchase one share of their same class of common stock at an exercise price of \$9.00 per share through the expiration date of December 12, 2006. The Class A warrants provided that the exercise price would be reduced to \$6.00 per share during a Reduction Period of at least 30 days during the five-year exercise period.

On February 19, 2002, Morgan's Board of Directors agreed to set the exercise price reduction period on the Class A warrants to begin on February 26, 2002 and to extend for 63 days, expiring on April 30, 2002 (the "Reduction Period"). Morgan's Board of Directors agreed to reduce the exercise price of the warrants to \$2.25 per share, instead of \$6.00 per share, during the Reduction Period. Morgan's Board of Directors reduced the exercise price to \$2.25 to give warrant holders the opportunity to purchase shares at a price in the range of recent trading prices of the Class A common stock. All other terms regarding the warrants, including the expiration date of the warrants, remain the same. As of the close of the temporary Reduction Period on April 30, 2002, Morgan received \$535,331 with the exercise of 237,925 warrants at \$2.25 each. The Company exercised 5,000 of its warrants. Subsequent to the exercise, the Company owned 64.2% of Morgan's equity interest and 77.6% of Morgan's voting ownership. Unexercised warrants remain outstanding and exercisable at \$9.00 each.

Note 5. Income Taxes

No income tax benefit has 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 6. Segment Reporting

As the results of operations of the Morgan Group are currently being accounted for as discontinued operation and the Holding currently have limited operations there is no Segment Reporting.

Note 7. 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.

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

Not Applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The following table sets forth the name, business address, present principal occupation, employment history, positions, offices or employments for the past five years and ages as of March 25, 2004 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 |
|------|-----|----------|
|------|-----|----------|

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| | | |
|------------------|----|--|
| Mario J. Gabelli | 61 | Chief Executive Officer and Director |
| Robert E. Dolan | 52 | Chief Financial Officer and Director |
| John Fikre | 39 | Vice President, Secretary and Director |

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Mario J. Gabelli has served as Chairman, Chief Executive Officer, Chief Investment Officer and a director of Gabelli Asset Management Inc. and its predecessors since November 1976. In connection with those responsibilities, he serves as director or trustee and/or an officer of registered investment companies managed by subsidiaries of Gabelli Asset Management. Mr. Gabelli serves as Vice Chairman and Chief Executive Officer of Lynch Interactive Corporation, a public company engaged in multimedia; and Vice Chairman of Lynch Corporation, a public company engaged in manufacturing. In addition, Mr. Gabelli is the Chairman and Chief Executive Officer of Gabelli Group Capital Partners, Inc., a private company. Mr. Gabelli also serves as a Governor of the American Stock Exchange; Overseer of Columbia University Graduate School of Business; Trustee of Fairfield University, Roger Williams University, Winston Churchill Foundation and E.L. Wiegand Foundation; Director of the National Italian American Foundation and the American-Italian Cancer Foundation; and Chairman, Patron's Committee of Immaculate Conception School.

Robert E. Dolan has served as Chief Financial Officer of Lynch Interactive Corporation (September 1999 to present), Director of Sunshine PCS Corporation (November 2000 to present), and Chief Financial Officer of Lynch Corporation (1993 to January 2000).

John Fikre has served as Vice President--Corporate Development, Secretary and General Counsel of Lynch Interactive Corporation since August 2001. Prior to joining Lynch Interactive Corporation, Mr. Fikre was an associate at the law firm of Willkie Farr & Gallagher.

Compensation of Directors

The Company does not compensate its directors at the present time, although it may do so in the future. The Company does, however, indemnify directors pursuant to Delaware law and may reimburse them for certain out-of-pocket costs in connection with serving as directors.

Indemnification of Directors and Officers

Under Section 145 of the Delaware General Corporation Law, the Company has broad powers to indemnify its directors and officers against liabilities they may incur in such capacities. The Company's certificate of incorporation provides that its directors and officers shall be indemnified to the fullest extent permitted by the Delaware law. The certificate of incorporation also provides that the Company shall, to the fullest extent permitted by Delaware law, as amended from time to time, indemnify and advance expenses to each of its currently acting and former directors, officers, employees and agents.

Delaware law provides that a corporation may limit the liability of each director to the corporation or its stockholders for monetary damages except for

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liability:

- o for any breach of the director's duty of loyalty to the corporation or its stockholders,
- o for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law,
- o in respect of certain unlawful dividend payments or stock redemptions or repurchases and
- o for any transaction which the director derives an improper personal benefit.

The Company's certificate of incorporation provides for the elimination and limitation of the personal liability of its directors for monetary damages to the fullest extent permitted by Delaware law. In addition, the certificate of incorporation provides that if Delaware law is amended to authorize the further elimination or limitation of the liability of a director, then the liability of our directors shall be eliminated or limited to the fullest extent permitted by Delaware law, as amended. The effect of this provision is to eliminate the Company's rights and its stockholders rights, through stockholders' derivative suits, to recover monetary damages against a director for breach of the fiduciary duty of care as a director, except in the situations described above. This provision does not limit or eliminate the Company's rights or its stockholders' rights to seek non-monetary relief such as an injunction or rescission in the event of a breach of a director's duty of care.

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Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted for its directors, officers, and controlling persons, pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission that this sort of indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is therefore unenforceable.

At present, there is no pending litigation or proceeding involving any of our directors, officers, employees or agents where indemnification will be required or permitted.

Item 11. Executive Compensation.

The Company does not pay any compensation to any person, including its directors and 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 March 25, 2004 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.

Number of Shares of

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| Beneficial Owner | Common Stock Beneficially Owned | Percent of Ownership |
|---|------------------------------------|-------------------------|
| Mario J. Gabelli | 858,384 (1) | 28.1% |
| Robert E. Dolan | 579 (2) | ** |
| John Fikre | 0 | 0% |
| Lynch Interactive Corporation | 235,294 | 7.7% |
| All directors and executive officers as a group (3 in total) | 858,963 | 28.1% |

** Less than 1%

(1) Represents 283,090 shares of common stock owned directly by Mr. Gabelli, 340,000 shares owned by a limited partnership in which Mr. Gabelli is the general partner and has approximately a 5% interest, and 235,294 shares owned by Lynch Interactive Corporation (Mr. Gabelli is a "control person" of Lynch Interactive Corporation and therefore shares owned by Lynch Interactive 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 Lynch Interactive Corporation, except for his interest therein.

(2) Includes 70 shares registered in the name of Mr. Dolan's children with respect to which Mr. Dolan has voting and investment power and 109 shares owned by Mr. Dolan through the Lynch Interactive Corporation 401(k) Savings Plan.

Item 13. Certain Relationships and Related Transactions.

Each of our directors and officers is also an officer of Lynch Interactive Corporation.

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On December 18, 2001, Lynch Interactive Corporation made a capital contribution to us of \$500,000 and assigned to us a services agreement with The Morgan Group, Inc. pursuant to which The Morgan Group, Inc. agreed to pay \$100,000 per year for certain management services. The Morgan Group, Inc. has not made any payments under this agreement since the first quarter of 2001 and as a result of the bankruptcy and liquidation of its assets, the Company does not expect to recover any amounts due under such agreement.

Immediately after the spin-off, Lynch Interactive Corporation retained 235,294 shares of the Company's common stock, which it held as escrow agent for Cascade Investment LLC, the holder of an outstanding convertible promissory note issued by Lynch Interactive Corporation. In the event that Cascade Investment LLC converted all or a portion of the principal amount of that note into shares of Lynch Interactive Corporation common stock prior to December 10, 2004, Lynch Interactive Corporation would have transferred to Cascade Investment LLC a pro rata portion of those 235,294 shares of common stock, depending on how much of the principal amount of such note was converted, to Cascade Investment LLC. However, on November 29, 2002, Lynch Interactive repurchased the remaining outstanding principal amount such notes from Cascade Investment LLC and, as a

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result, the 235,294 shares will be retained by Lynch Interactive Corporation. Lynch Interactive Corporation has advised the Company that it will sell or dispose of any shares of our common stock retained by it prior to the fifth anniversary of the spin-off.

Item 14. Principal Accountant Fees and Services.

The Company did not engage an independent auditor to audit its financial statements for the year ended December 31, 2003 and did not incur any audit fees, audit-related fees, tax fees or other fees.

PART IV

Item 15. Exhibits, Financial Statements, Schedules And Reports On Form 8-K.

(a) The following documents are filed as part of this Report:

(1) Financial Statements.

See Item 8.

(2) Financial Statement Schedules.

None

(3) Exhibits.

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| Exhibit Number | Description |
|----------------|---|
| 3.1 | Certificate of Incorporation of the Company* |
| 3.2 | By-laws of the Company* |
| 4.1 | Revolving Credit and Term Loan Agreement, dated January 28, 1999, among The Morgan Group, Inc. and Subsidiaries and Bank Boston, N.A., is incorporated by reference to Exhibit 4(1) to The Morgan Group, Inc.'s Current Report on Form 8-K filed February 12, 1999. |
| 4.2 | Guaranty, dated January 28, 1999, among The Morgan Group, Inc. and Subsidiaries and BankBoston, N.A. is incorporated by reference to Exhibit 4(2) to The Morgan Group, Inc.'s Current Report on Form 8-K filed February 12, 1999. |
| 4.3 | Security Agreement, dated January 28, 1999, among The Morgan Group, Inc. and Subsidiaries and BankBoston, N.A. is incorporated by reference to Exhibit 4(3) to The Morgan Group, Inc.'s Current Report on Form 8-K filed February 12, 1999. |

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- 4.4 Stock Pledge Agreement, dated January 28, 1999, among The Morgan Group, Inc. and Subsidiaries and BankBoston, N.A. is incorporated by reference to Exhibit 4(4) to The Morgan Group, Inc.'s Current Report on Form 8-K filed February 12, 1999.
- 4.5 Revolving Credit Note, dated January 28, 1999, among The Morgan Group, Inc. and Subsidiaries and BankBoston, N.A. is incorporated by reference to Exhibit 4(5) to The Morgan Group, Inc.'s Current Report on Form 8-K filed February 12, 1999.
- 4.6 Amendment Agreement No. 1 to that Certain Revolving Credit Agreement and Term Loan Agreement among The Morgan Group, Inc. and its Subsidiaries and BankBoston dated as of March 31, 2000, is incorporated by reference to Exhibit 4.9 to The Morgan Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000.
- 4.7 Amendment Agreement No. 2 to that Certain Revolving Credit Agreement and Term Loan Agreement among The Morgan Group, Inc. and its Subsidiaries and BankBoston dated as of November 10, 2000, is incorporated by reference to Exhibit 4.10 to The Morgan Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000.
- 4.8 Form of Class A Warrant Certificate is incorporated by reference to Exhibit 4.11 of Amendment No. 1 to The Morgan Group, Inc.'s Registration Statement on Form S-2, File No. 333-63188, filed August 15, 2001.
- 4.9 Form of Warrant Services Agreement between The Morgan Group, Inc. and American Stock Transfer and Trust Company is incorporated by reference to Exhibit 4.12 of Amendment No. 1 to The Morgan Group, Inc.'s Registration Statement on Form S-2, File No. 333-63188, filed August 15, 2001.
- 4.10 Revolving Credit and Security Agreement, dated July 27, 2001, among GMAC Commercial Credit LLC, Morgan Drive Away, Inc. and TDI, Inc., is incorporated by reference to Exhibit 4.1 to The Morgan Group, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2001, filed August 14, 2001.
- 4.11 Guaranty, dated July 27, 2001, between The Morgan Group, Inc. and GMAC Commercial Credit LLC, is incorporated by reference to Exhibit 4.2 to The Morgan Group, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2001, filed August 14, 2001.
- 4.12 Letter of Credit Financing Supplement to Revolving Credit Agreement, dated July 27, 2001, among GMAC Commercial Credit LLC, Morgan Drive Away, Inc., and TDI, Inc., is incorporated by reference to Exhibit 4.2 to The Morgan Group, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2001.
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- 4.14 Mortgage, dated July 31, 2001, between Morgan Drive Away, Inc. and Old Kent Bank, is incorporated by reference to Exhibit 4.3 to The Morgan Group, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2001, filed August 14, 2001.
- 4.15 Guaranty, dated July 31, 2001, between The Morgan Group, Inc. and Old Kent

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Bank, is incorporated by reference to Exhibit 4.4 to The Morgan Group, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2001, filed August 14, 2001.

- 10.1 Separation and Distribution Agreement, dated as of December ____, 2001 by and among Lynch Interactive Corporation, Morgan Group Holding Co. and The Morgan Group, Inc.*
- 10.2 The Morgan Group, Inc. Incentive Stock Plan is incorporated by reference to Exhibit 10.1 to The Morgan Group, Inc.'s Registration Statement on Form S-1, File No. 33-641-22, effective July 22, 1993.
- 10.3 First Amendment to The Morgan Group, Inc. Incentive Stock Plan is incorporated by reference to Exhibit 10.1 to The Morgan Group, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 1997, filed November 14, 1997.
- 10.4 Memorandum to Charles Baum and Philip Ringo from Lynch Corporation, dated December 8, 1992, respecting Bonus Pool, is incorporated by reference to Exhibit 10.2 to The Morgan Group, Inc.'s Registration Statement on Form S-1, File No. 33-641-22, effective July 22, 1993.
- 10.5 Term Life Policy from Northwestern Mutual Life Insurance Company insuring Paul D. Borghesani, dated August 1, 1991, is incorporated by reference to Exhibit 10.4 to The Morgan Group, Inc.'s Registration Statement on Form S-1, File No. 33-641-22, effective July 22, 1993.
- 10.6 Long Term Disability Insurance Policy from Northwestern Mutual Life Insurance Company, dated March 1, 1990, is incorporated by reference to The Morgan Group, Inc.'s Registration Statement on Form S-1, File No. 33-641-22, effective July 22, 1993.
- 10.7 Long Term Disability Insurance Policy from CNA Insurance Companies, effective January 1, 1998 is incorporated by reference to Exhibit 10.6 to The Morgan Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1997, filed March 31, 1998.
- 10.8 The Morgan Group, Inc. Employee Stock Purchase Plan, as amended, is incorporated by reference to Exhibit 10.16 to The Morgan Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1994, filed on March 30, 1995.
- 10.9 Consulting Agreement between Morgan Drive Away, Inc. and Paul D. Borghesani, effective as of April 1, 1996, is incorporated by reference to Exhibit 10.19 The Morgan Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1995, filed on April 1, 1996.
- 10.10 Employment Agreement, dated January 12, 2000 between The Morgan Group, Inc. and Anthony T. Castor, III is incorporated by reference to Exhibit 10.9 to The Morgan Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1999.
- 10.11 Non-Qualified Stock Option Plan and Agreement, dated January 11, 2000, between The Morgan Group, Inc. and Anthony T. Castor, III is incorporated by reference to Exhibit 10.10 to The Morgan Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1999.
- 10.12 Management Agreement between Skandia International and Risk Management (Vermont), Inc. and Interstate Indemnity Company, dated December 15, 1992, is incorporated by reference to Exhibit 10.12 to The Morgan Group, Inc.'s

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Registration Statement on Form S-1, File No. 33-641-22, effective July 22, 1993.

10.13 Agreement for the Allocation of Income Tax Liability between Lynch Corporation and its Consolidated Subsidiaries, including The Morgan Group (formerly Lynch Services Corporation), dated December 13, 1988, as amended, is incorporated by reference to Exhibit 10.13 The Morgan Group, Inc.'s Registration Statement on Form S-1, File No. 33-641-22, effective July 22, 1993.

10.14 Certain Services Agreement, dated January 1, 1995, between Lynch Corporation and The Morgan Group, Inc.*

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

(b) Reports on Form 8-K filed in the fourth quarter of the period covered this Report.

None.

(c) Exhibits.

See Item 15 (a) (3).

(d) Financial Statement Schedules.

None.

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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
(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

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| | | |
|---|---|----------------|
| /s/ Mario J. Gabelli ----- MARIO J. GABELLI | Chief Executive Officer (Principal Executive Officer) and Director | March 29, 2004 |
| /s/ Robert E. Dolan ----- ROBERT E. DOLAN | Chief Financial Officer (Principal Financial and Accounting Officer and Director) | March 29, 2004 |
| /s/ John Fikre ----- JOHN FIKRE | Director | March 29, 2004 |

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EXHIBIT INDEX

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- 3.2 By-laws of the Company*
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February 12, 1999.

- 4.6 Amendment Agreement No. 1 to that Certain Revolving Credit Agreement and Term Loan Agreement among The Morgan Group, Inc. and its Subsidiaries and BankBoston dated as of March 31, 2000, is incorporated by reference to Exhibit 4.9 to The Morgan Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000.
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1993.

10.15 Certain Services Agreement, dated January 1, 1995, between Lynch Corporation and The Morgan Group, Inc.*

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

The Exhibits listed above have been filed separately with the Securities and Exchange Commission in conjunction with this Annual Report on Form 10-K or have been incorporated by reference into this Annual Report on Form 10-K. Morgan Group Holding Co. will furnish to each of its shareholders a copy of any such Exhibit for a fee equal to Morgan Group Holding Co.'s cost in furnishing such Exhibit. Requests should be addressed to the Office of the Secretary, Morgan Group Holding Co., 401 Theodore Fremd Avenue, Rye, New York 10580.