

MORGAN GROUP HOLDING CO
Form 10-K
February 26, 2019
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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, 2018

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [] Accelerated filer []
Non-accelerated filer [X] Smaller reporting company [X]
Emerging growth company []

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

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 June 30, 2018, the aggregate market value of the Registrant's voting and nonvoting common equity held by non-affiliates of the Registrant was approximately \$297,000, 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 4,859,055 as of February 26, 2019

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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 was appointed as the Company’s Chief Executive Officer, replacing Mario J. Gabelli, who remains Chairman of the Board of Directors. On March 1, 2017, Mr. Evans resigned from the Company and was replaced by Robert E. Dolan, the Company’s Chief Financial Officer, as Acting Chief Executive Officer serving on an interim basis (see p. 17, below). Mr. Dolan also continues to serve as the Company’s Chief Financial Officer.

At December 31, 2018, the Company had \$129,635 in cash and cash equivalents, and a net operating loss carryover of approximately \$641,000. In order to obtain the liquidity needed to support the Company’s annual administrative costs (approximately \$50,000-\$70,000 per year), the Company sold 1,500,000 of its common shares to LICT Corporation for \$180,000, or \$0.12 per share, on March 19, 2018. These funds will be used to pay future administrative costs, until an acquisition candidate can be found, and appropriate financing obtained.

We are continuing to evaluate all options available to the Company at this time. The Company is looking to implement a growth strategy by acquiring businesses based in the United States of an appropriate type and size. The execution of such a strategy may require the Company to obtain significantly more financial resources than it currently possesses. Those resources could take the form of a debt and/or equity offering, or potentially a hybrid instrument. There is no assurance that the Company can obtain adequate financial resources to successfully implement this strategy.

At present, we have no full-time employees.

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.

Table of Contents**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 OTC Pink®, 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
2018 Fiscal Year		
First Quarter	\$0.168	\$0.07
Second Quarter	\$0.138	\$0.085
Third Quarter	\$0.128	\$0.1101
Fourth Quarter	\$0.1063	\$0.08
2017 Fiscal Year		
First Quarter	\$0.22	\$0.16
Second Quarter	\$0.55	\$0.23
Third Quarter	\$0.27	\$0.11
Fourth Quarter	\$0.14	\$0.075

As of February 26, 2019, there were approximately 600 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 years ended December 31, 2018 and 2017, the Company did not repurchase any of its shares from its shareholders.

On March 19, 2018, the Company sold 1,500,000 shares of its common stock to LICT for a total consideration of \$180,000, or \$0.12 per share (the "Private Placement"). The securities issued to LICT were offered and sold in a Private Placement exempt from the registration requirements of the Securities Act of 1933, as amended, and under Section 4(a)(2) of the Securities Act and Rule 506 thereunder.

The proceeds from the Private Placement are intended to be used to fund the Company's administrative costs to maintain its public company reporting obligations for the next three years. During this time, the Company will continue to pursue a business combination. The Company currently has no plans, arrangements, commitments, agreements or understandings with any prospective target business concerning a business combination and may be unable to complete a business combination.

Mario J. Gabelli, one of the Company's directors, is also Chief Executive Officer and Chairman of the Board of Directors of LICT and Robert E. Dolan, the Company's other director, is Executive Vice President, Chief Financial Officer and Director of LICT. Following the Private Placement, Mr. Gabelli and LICT beneficially own, in the aggregate, approximately 49.1 % of the Company's outstanding common stock.

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.

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

This report may contain “forward - looking statements”. 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 on 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, 2018, the Company’s only assets consisted of \$129,635 in cash and cash equivalents, and net operating loss carry forwards of approximately \$641,000. Under the Tax Cuts and Jobs Act of 2017 (“TCJA”), Federal net operating loss carry forward will not expire. Under TCJA, any Federal net operating losses generated after December 31, 2017 will not expire. Any carryovers from net operating losses generated before December 31, 2017, still expire in accordance with the 20-year carryforward rules.

As noted above, the Company received \$180,000 on March 19, 2018, by selling 1,500,000 of its common shares at \$0.12 per share in a private placement to LICT.

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 \$50,000 to \$70,000 per year.

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

Results of Operations

For the year ended December 31, 2018, the Company incurred administrative expenses of \$57,808 versus \$55,118 in 2017. Administrative expenses increased in 2018 from 2017 predominantly due to increased legal fees in 2018.

During the year ended December 31, 2018, the Company earned \$2,068 from its investment in a United States Treasury money market fund as compared to \$216 during the year ended December 31, 2017, due to higher average investment balances and high interest rates.

Liquidity and Capital Resources

At December 31, 2018, we had \$129,635 in cash and cash equivalents as compared to \$17,273 in cash and cash equivalents at December 31, 2017.

On March 19, 2018 the Company sold in a private placement to LICT 1,500,000 shares of its common stock for \$180,000, or \$0.12 per share. These funds are intended to be used to pay future administrative costs, to allow the Company to search for an acquisition candidate and appropriate financing.

The Company has implemented a growth strategy to acquire US-based businesses of an appropriate type and size. The execution of such a strategy will require the Company to obtain significantly more financial resources than it currently possesses. Those resources could take the form of a debt and/or equity offering, or potentially a hybrid instrument. There is no assurance that the Company can obtain such financial resources to successfully implement this strategy.

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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 at
December 31, 2018 and 2017

Statements of Operations for the
Years Ended December 31, 2018 and 2017

Statements of Cash Flows for the
Years Ended December 31, 2018 and 2017

Statements of Shareholders' Equity for the
Years Ended December 31, 2018 and 2017
Notes to Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Morgan Group Holding Co. (the “Company”) at December 31, 2018 and 2017, and the related statements of operations, shareholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Daszkal Bolton LLP

We have served as the Company’s auditor since 2007.

Boca Raton, Florida

February 26, 2019

Table of Contents**Morgan Group Holding Co.
Balance Sheets**

	December 31,	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$129,635	\$17,273
Prepaid expenses	7,454	329
Total current assets	137,089	17,602
Total assets	\$137,089	\$17,602
LIABILITIES		
Current liabilities:		
Accounts payable	\$222	\$4,995
Total current liabilities	222	4,995
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred Stock, \$0.01 par value, 1,000,000 shares authorized, none issued and outstanding	--	--
Common Stock, \$0.01 par value, 10,000,000 shares authorized, 4,859,055 and 3,359,055 issued and outstanding at December 31, 2018 and 2017, respectively	48,591	33,591
Additional paid-in-capital	5,937,368	5,772,368
Accumulated deficit	(5,849,092)	(5,793,352)
Total shareholders' equity	136,867	12,602
Total liabilities and shareholders' equity	\$137,089	\$17,602
<i>See accompanying notes to financial statements</i>		

Table of Contents**Morgan Group Holding Co.
Statements of Operations**

	Year Ended December	
	31,	
	2018	2017
Revenues	\$--	\$--
Administrative expenses	(57,808)	(55,118)
Other income:		
Interest income	2,068	216
Net loss before income taxes	(55,740)	(54,902)
Income taxes	--	--
Net loss	(\$55,740)	(\$54,902)
Loss per share, basic and diluted	(\$0.01)	(\$0.02)
Average shares outstanding, basic and diluted	4,538,507	3,359,055
<i>See accompanying notes to financial statements</i>		

Table of Contents**Morgan Group Holding Co.
Statements of Cash Flows**

	Year Ended December 31,	
	2018	2017
Cash flows from operating activities		
Interest received	\$2,068	\$216
Cash paid to suppliers	(69,706)	(47,404)
Net cash used in operating activities	(67,638)	(47,188)
Cash flows from investing activities	--	--
Cash flows from financing activities		
Issuance of common stock	180,000	--
Net cash provided by financing activities	180,000	--
Net increase (decrease) in cash and cash equivalents	112,362	(47,188)
Cash and cash equivalents, beginning of the year	17,273	64,661
Cash and cash equivalents, end of the year	\$129,635	\$17,473
Reconciliation of net loss to net cash used in operating activities:		
Net loss	(\$55,740)	(\$54,902)
(Decrease) increase in accounts payable	(4,773)	4,145
(Increase) decrease in prepaid expenses	(7,125)	3,569
Net cash used in operating activities	(\$67,638)	(\$47,188)
<i>See accompanying notes to financial statements</i>		

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

	Preferred Stock		Common Stock		Additional	Accumulated	
	Shares	Par Value	Shares	Par Value	Paid in Capital	Deficit	Total
Balance, December 31, 2016	--	\$--	3,359,055	\$33,591	\$5,772,368	(\$5,738,450)	\$67,509
Net loss for year-ended December 31, 2017	--	--	--	--	--	(54,902)	(54,902)
Balance, December 31, 2017	--	--	3,359,055	33,591	5,772,368	(5,793,352)	12,607
Issuance of common stock	--	--	1,500,000	15,000	165,000	--	180,000
Net loss for year ended December 31, 2018	--	--	--	--	--	(55,740)	(55,740)
Balance, December 31, 2018	--	\$--	4,859,055	\$48,591	\$5,937,368	(\$5,849,092)	\$136,867

See accompanying notes to financial statements

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Morgan Group Holding Co.
Notes to Financial Statements

Note 1. Basis of Presentation and Significant Accounting Principles

Basis of Presentation

Morgan Group Holding Co. (“Company”) was incorporated in November 2001 as a wholly-owned subsidiary of LICT Corporation (“LICT”) 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 the Company’s 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 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 a cash equivalent approximates its fair value based on its nature.

At December 31, 2018 and 2017 all cash and cash equivalents were invested in a United States Treasury money market fund, for 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 6. 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 that 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. No options or warrants were granted during the years ended December 31, 2018 and 2017. The Company currently has no full-time employees.

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, 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.

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Note 2. **Fair Value of Financial Instruments**

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.

At December 31, 2018 and 2017, the Company's cash equivalents include money market securities. These securities are valued utilizing quoted market prices from identical instruments and are categorized in Level 1 of the fair value hierarchy.

At December 31, 2018 and 2017, there were no gross unrealized gains or losses.

Note 3. **Investment in Morgan Group, Inc.**

Upon Morgan's bankruptcy filing, the Company deconsolidated its investment, as the Company believes it no longer had 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 4. **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, 2018 and 2017, 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.

The Tax Reform Act of 1986 limits the annual utilization of net operating loss and tax credit carry forwards, 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 carry forwards may be limited if cumulative changes in ownership of more than 50% occur during any three-year period.

At December 31, 2018 and 2017, the Company had federal and state net current operating loss carry forwards of \$641,000 and \$582,000, respectively, available to offset future taxable income. The current net operating loss carry forwards for Federal income tax purposes will expire in varying amounts beginning 2023 through 2036. At December 31, 2018 and 2017, the Company had federal capital loss carry forwards of approximately \$2,000 available to offset future taxable gains.

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

	December 31,	
	2018	2017
Current income taxes:		
Federal	\$--	\$--
State		