

LYNCH INTERACTIVE CORPORATION

SPIN-OFF TAX BASIS ALLOCATION

April 8, 2002

To the Shareholders of Lynch Interactive Corporation common stock:

As owners of Lynch Interactive Corporation (“Lynch”) common stock, you have recently received a special distribution of 1 (one) share of Morgan Group Holding Co. (“Morgan”) common stock for each 1 (one) share of Lynch common stock owned as of the record date of December 18, 2001 (“Spin-off”). The distribution and the Federal income tax consequences of the distribution are fully discussed in the Information Statement dated January 18, 2002.

Lynch Interactive Corporation received an opinion from Ernst & Young LLP, its tax advisor, to the effect that, among other things, the spin-off should qualify as a tax-free spin-off to Lynch Interactive Corporation and its stockholders under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code, as amended. The Federal income tax basis of your Lynch common stock will, however, have to be apportioned between your Lynch common stock and the Morgan common stock based on their relative fair market values on the date of the distribution. The values of the Lynch common stock and the Morgan common stock may be determined by reference to the average closing prices for each company for the first thirty business days since shares of Morgan began trading in the over-the-counter market, February 21, 2002. Based on this methodology, the fair market value of one share of Lynch common stock was \$41.6137 and the fair market value of one share of Morgan was \$1.1408. Accordingly, your aggregate income tax basis in Lynch common will be apportioned 97.332% to your Lynch common stock and 2.668% to the Morgan common stock you received as a result of the distribution. You should consult your tax adviser regarding the application of this apportionment calculation to your particular circumstances.

The apportionment calculation may be illustrated as follows: Suppose you own 100 shares of Lynch common stock with a \$30 tax basis per share for a total basis of \$3,000. Upon receipt of 100 shares of Morgan common stock, your aggregate basis in the shares of Lynch common stock would be reduced to approximately \$2,920 (97.332% of \$3,000), or \$29.20 per share (\$2,920 divided by 100 shares). Your aggregate basis in the shares of Morgan common stock would be approximately \$80 (\$3,000 less \$2,920), or \$0.80 per share (\$80 divided by 100 shares).

Since tax matters are involved, Lynch cannot provide you with tax advice. We suggest that you contact your tax adviser or the Internal Revenue Service concerning how this information should be used for income tax purposes.

The information in this document represents our understanding of Federal income tax laws and regulations, and does not constitute tax advice. It does not purport to be complete or to describe the consequences that may apply to particular categories of share owners. You should consult your own tax adviser regarding the calculation of your tax basis.

In order to assist you in further complying with the requirements of the Internal Revenue Service, we are attaching a form of statement to be completed by you and filed with your Federal income tax return.

INFORMATION STATEMENT TO THE INTERNAL REVENUE SERVICE

Statement of stockholder receiving a distribution of stock
of Morgan Group Holding Co. (a controlled corporation),
Pursuant to Treasury Regulation Section 1.355-5(b)

1. The undersigned, a stockholder owning shares of Lynch Interactive Corporation common stock as of the December 18, 2001 record date, received a distribution of common stock of Morgan Group Co., a controlled corporation, pursuant to Section 355 of the Internal Revenue Code of 1986, as amended (the "Code").
2. The names and addresses of the corporations involved are:
 - (a) Lynch Interactive Corporation
401 Theodore Fremd Avenue
Rye, New York 10580
 - (b) Morgan Group Holding Co.
401 Theodore Fremd Avenue
Rye, New York 10580
3. No stock or securities of Lynch Interactive Corporation were surrendered by the undersigned.
4. The undersigned received _____ shares of Morgan Group Holding Co. common stock.
5. Lynch Interactive Corporation received an opinion from Ernst & Young LLP, its tax advisor, to the effect that, among other things, the spin-off should qualify as a tax-free spin-off to Lynch Interactive Corporation and its stockholders under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code, as amended.

Date

Signature of Stockholder