ML Capital Group, Inc.
Form 10-Q
August 14, 2014

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

o TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE EXCHANGE ACT OF 1934

For the transition period from ___________ to ____________.

Commission File Number 333-184636

ML CAPITAL GROUP, INC.
(Exact name of registrant as specified in its charter)

NEVADA 33-1219511
(State or other jurisdiction of incorporation or organization)(IRS Employer Identification No.)

6810 Ave of the Fountains #101 Fountain Hills, AZ 85268
(Address of principal executive offices)

(602) 200-4121
(Issuer's telephone number)

NA
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Company (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes x No o

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 o No o

Indicate by check mark whether the Company is a large accelerated filer, an accelerated file, non-accelerated filer, or a smaller reporting company.

Large accelerated filer	o	Accelerated filed	o
Non-accelerated filer	o	Smaller reporting company	x

Indicate by check mark whether the Company is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of August 14, 2014 there were 84,462,424 shares of Common Stock of the issuer outstanding.

Table of Contents

PART I: FINANCIAL INFORMATION

ITEM 1: Financial Statements

ML Capital Group, Inc.
Condensed Consolidated Balance Sheets

	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 23,218	$ --
Inventory	6,042	--
Prepaid	12,325	--
Deferred debt issuance cost	3,808	1,444
Total current assets	45,393	1,444
Total Assets	$ 45,393	$ 1,444
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Bank overdraft	$ --	$ 93
Accounts payable and accrued expense	3,985	6,474
Convertible notes payable, net of discount $161,555 and $19,452, respectively	60,945	12,548
Derivative liability	694,330	56,351
Due to related party	--	6,556
Deferred revenue	--	2,250
Total current liabilities	759,260	84,272
Total liabilities	759,260	84,272
Stockholders' Deficit		
Common stock $.0001 par value, 500,000,000 shares authorized; 84,212,424 and 72,452,382 shares issued and outstanding, respectively	8,421	7,246
Additional paid in capital	3,261,490	2,972,691
Deferred stock compensation	(168,640)	(673,598)
Accumulated deficit	(3,815,138)	(2,389,172)
Total stockholders' deficit	(713,867)	(82,828)
Total Liabilities and Stockholders' Deficit	$ 45,393	$ 1,444

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

ML Capital Group, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
Sales	$4,335	$--	$5,460	$--
Cost of goods sold	1,309	--	1,309	--
Gross Margin	3,026	--	4,151	--
Expenses:				
Compensation	14,993	148,750	35,000	222,500
Professional fees	410,590	3,362	712,523	12,850
General and administration expenses	93,979	22,264	117,722	24,761
Total expenses	519,562	174.376	865,245	260,111
Operating loss	(516,536)	(174,376)	(861,094)	(260,111)
Other income (expense)				
Other income	300	--	300	--
Amortization of debt discounts	(18,380)	--	(33,171)	--
Derivative liability	(505,800)	(1,667)	(524,330)	(1,667)
Interest expense	(4,282)	(692)	(7,895)	(792)
Gain on debt forgiveness	-	--	524	--
Other expense	(300)	--	(300)	--
Total other expense	(528,462)	(2,359)	(564,872)	(2,459)
Net loss	$(1,044,998)	$(176,735)	$(1,425,966)	$(262,570)
Loss per share (basic and diluted)	$(0.01)	$(0.00)	$(0.02)	$(0.00)
Weighted average common shares (basic and diluted)	80,739,905	61,231,492	80,135,037	61,150,448

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

ML Capital Group, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(1,425,966)	$(262,570)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	705,246	222,500
Amortization of debt discount	33,171	542
Loss from derivative liability	524,330	1,667
Changes in operating assets and liabilities:		
Inventory	(6,042)	--
Accounts payable and accrued expense	(2,489)	(6,089)
Prepaid and deferred debt issue cost	(16,133)	--
Deferred revenue	(2,250)	--
Net cash used in operating activities	(190,133)	(43,950)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	(93)	--
Common stock sold for cash	20,000	--
Proceeds from convertible note	200,000	6,500
Payment of advances from related parties	(6,556)	--
Advances from related party	--	37,472
Net cash provided by financing activities	213,351	43,972
Net change in Cash	23,218	22
Cash at Beginning of Period	--	44
Cash at End of Period	$23,218	$66
Supplemental Cash Flow Information		
Interest paid	$--	$--
Taxes paid	$--	$--
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Convertible debt converted to common stock	$30,645	$-

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

ML Capital Group, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

ML Capital Group, Inc. (the "Company") was incorporated in the State of Nevada on September 22, 2009.

The Company's business consists of providing consulting services to both public and private companies, concentrating primarily on early stage companies, small businesses and emerging growth companies. The Company has embarked upon an expansion into developing products and services that are focused on the electronic cigarettes (e-cigs) industry.

On April 14, 2014 the Company amended their Articles of Incorporation increasing the authorized number of shares to common stock to 500,000,000.

On May 27, 2014 the Company formed a wholly owned subsidiary Superstar Products, LLC to facilitate the importation and sale of 3 in 1 vaporized pens. During the period ended June 30, 2014 there was no activity in the subsidiary.

Significant Accounting Policies

The accompanying condensed financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present the financial position, results of operations and cash flows for the stated periods have been made. Except as described below, these adjustments consist only of normal and recurring adjustments. Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed financial statements should be read in conjunction with a reading of the Company's financial statements and notes thereto included in the Company's Form 10-K filed with the Securities and Exchange Commission (SEC) on March 31, 2014. Interim results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of future results for the full year.

Going concern

As reflected in the accompanying financial statements, the Company had a net loss of $1,425,966 and net cash used in operations of $190,133 for the six months ended June 30, 2014. The Company has total assets of $45,393 and a working capital deficit of $713,867 as of June 30, 2014. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan, raise additional capital, and generate revenues. Management believes that the actions presently being taken provide the opportunity for the Company to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Presentation

In the period ended June 30, 2014, the Company has elected to early adopt Accounting Standards Update No. 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements. The adoption of this ASU allows the Company to remove the inception to date information and all references to exploration stage.

Revenue recognition

Pursuant to the guidance of ASC Topic 605 and ASC Topic 360, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the purchase price is fixed or determinable and collectability is reasonably assured. The Company derived its revenue from consulting service and the revenue is recognized as services are provided. The Company, at times, receives non-marketable securities representing equity in its customers as consideration for services. Because the fair value of these securities is not measureable and the securities are not easily convertible to cash, no revenue is recognized.

Inventories

Inventories are stated at the lower of cost of market using the first-in; first-out (FIFO) cost method of accounting.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Actual results could materially differ from these estimates. Significant estimates in the 2014 and 2013 periods include the valuation of stock-based compensation and derivative liabilities.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid instruments purchased with a maturity of six months or less and money market accounts to be cash equivalents.

Fair value financial instruments

The carrying amounts reported in the balance sheets for accounts payable, accrued expenses and amounts due to related party approximate their fair value based on the short-term maturity of these instruments. The fair value of the Company’s derivative liabilities was determined based on the estimated intrinsic value of the embedded conversion feature which approximates fair value due to the terms of conversion and a modified Black Scholes method incorporating Monte Carlo simulation.

The Company measures its financial and non-financial assets and liabilities, as well as makes related disclosures, in accordance with ASC Topic 820, Fair Value Measurements and Disclosures (“ASC Topic 820”).

ASC Topic 820 provides guidance with respect to valuation techniques to be utilized in the determination of fair value of assets and liabilities. Approaches include, (i) the market approach (comparable market prices), (ii) the income approach (present value of future income or cash flow), and (iii) the cost approach (cost to replace the service capacity of an asset or replacement cost). ASC Topic 820 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into six broad levels. The following is a brief description of those six levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

The Company adjusts the derivative liability resulting from the embedded conversion option on its convertible debt to fair value at each balance sheet date. The fair value of the derivate liability is estimated using level 3 inputs. The following tables summarize our financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2014:

	Balance at June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair value of derivative liability for embedded conversion option	$ 694,330	$ —	$ —	$ 694,330

Stock-based compensation

The Company accounts for stock-based instruments issued to employees in accordance with ASC Topic 718. ASC Topic 718 requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity based compensation issued to employees. The Company accounts for non-employee share-based awards in accordance with ASC Topic 505-50.

Net loss per share of common stock

Basic net loss per common share is computed by dividing net loss available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. Potentially dilutive securities consisting of 19,527,400 and 16,667 shares underlying convertible debt warrants for the six months period ended June 30, 2014 and 2013, respectively are not included in the calculation of diluted loss per share because their impact was antidilutive. Potentially dilutive securities consist of:

Warrants not exercised	11,083,333
Convertible debt at June 30, 2014 conversion price	8,444,107
Total dilutive securities	19,527,400

Recent accounting pronouncements

Accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

NOTE 2 – RELATED PARTY TRANSACTIONS

The Company's president from time to time, provides advances to the Company for working capital purposes. At June 30, 2014, and December 31, 2013, the Company had a payable to the president of zero and $6,556, respectively. These advances were due on demand, non-interest bearing and included in due to related party on the accompanying balance sheets.

During the six month period ended June 30, 2014 the president of the Company received compensation of $35,000 in cash compensation compared to zero during the same period in 2013.

NOTE 3 – CONVERTIBLE NOTE PAYABLE

On June 7, 2012, the Company entered into a convertible promissory note agreement with Morgan Wells Inc. Pursuant to the convertible promissory note agreement, the Company issued a note in the principal amount of $5,000. The note bears interest at the rate of 8% per annum and matured on December 7, 2012. The note is convertible to common stock at 75% of the lowest closing market price for the Company's stock during the previous 20 trading days. On February 14, 2014 $2,500 of principal was converted to 2,500,000 shares of common stock of the Company. As of June 30, 2014 the note had a principal balance of $2,500.

On May 15, 2013, the Company entered into a convertible promissory note agreement with Windstream Partners, LLC. Pursuant to the convertible promissory note agreement, the Company issued a note in the principal amount of $6,500. The note bears interest at the rate of 8% per annum and matured on November 15, 2013. The note was convertible into shares of the Company's common stock at $.0065 per share. The Company recorded a discount against the carrying value of the debt for the beneficial conversion feature totaling $6,500, which was amortized into interest expense through the maturity date of the note. In October 2013, the note was transferred to a third party and accrued interest of $165 was added to the principal. The current holder shall had the right from time to time to convert all or any part of the outstanding and unpaid principal amount of this note into fully paid and non-assessable shares of common stock. The conversion price was the lower of 1) 50% of the average of the lowest 2 trading prices during the 20 trading days immediately preceding the conversion date, or 2) $0.0065 per share. The embedded conversion feature, after the transfer of the note, is required to be recorded as a derivative liability adjusted to fair value at each reporting date. On the date of transfer, the Company recorded an initial derivative liability of $52,000, of which $5,000 was recorded as a discount against the note and $47,000 was recorded as derivative expense. The maturity date of the note was extended to July 15, 2014. During the year ended December 31, 2013, the holder of the note converted principal of $1,666 in 257,978 share of common stock. The derivative liability was adjusted to its fair value of $31,170 as of December 31, 2013. During the six months ended June 30, 2014, the holder of the note converted the remaining principal and accrued interest totaling $5,119 into 787,523 shares of common stock and the fair value of the conversion feature totaling $31,170 was reclassified into additional paid in capital. The Company recorded amortization of the discount of $3,590 for the six months ended June 30, 2014. As of June 30, 2014 the note and interest had been converted to common stock leaving a principal balance of zero.

In October 2013, the Company issued a convertible promissory note agreement in the principal amount of 22,000. The note bears interest at the rate of 8% per annum and matures July 18, 2014. The note is convertible into shares of the Company's common stock after 180 days at 50% of the average of the lowest 2 trading prices during the 10 trading days immediately preceding the conversion date. The embedded conversion feature is required to be recorded as a derivative liability adjusted to fair value at each reporting date. The Company recorded an initial derivative liability of $23,331, of which $22,000 was recorded as a discount against the note and $1,331 was recorded as derivative expense. The fair value of the derivative as of December 31, 2013 did not change from the date of issuance. The Company recorded amortization of the discount of $15,862 for the six months ended June 30, 2014. The carrying value of the note as of December 31, 2013, was $6,138, net of remaining discount of $15,862. On May 5, 2014 the Company issued 1,120,519 shares of commons stock valued at $23,027 for the conversion of the $22,000 convertible debt and $1,027 of accrued interest.

On February 28, 2014 the Company issued a convertible promissory note in the principal amount of $30,000. The note bears interest at the rate of 8% per annum and matures February 28, 2015. The note is convertible into shares of the Company's common stock after 180 days at 50% of the average of the lowest 2 trading prices during the 10 trading days immediately preceding the conversion date. The embedded conversion feature is required to be recorded as a derivative liability adjusted to fair value at each reporting date. The Company recorded an initial derivative liability of $32,400 debt discount of $30,000 and derivative expense of $2,400. The debt discount of $30,000 is being amortized into interest expense over the term of the note. Amortization for the six months ended June 30, 2014, totaled $10,048 and the carrying value of the note as of June 30, 2014, is $10,048, net of unamortized discount of $19,952.

On March 4, 2014, the Company issued a convertible promissory note in the principal amount of $20,000. The note bears interest at the rate of 8% per annum and matures March 4, 2015. The note is convertible into shares of the Company's common stock after 180 days at 50% of the average of the lowest 2 trading prices during the 10 trading days immediately preceding the conversion date. The embedded conversion feature is required to be recorded as a derivative liability adjusted to fair value at each reporting date. The Company recorded an initial derivative liability of $21,600, debt discount of $20,000 and derivative expense of $1,600. The debt discount of $20,000 is being amortized into interest expense over the term of the note. Amortization for the six months ended June 30, 2014, totaled $6,479 and the carrying value of the note as of June 30, 2014, is $6,479, net of unamortized discount of $13,521.

On April 1, 2014 the Company entered into a note agreement whereby the Company is obligated to a note with a principal amount of $600,000 plus prepaid interest $60,000 and prepaid legal fees $5,000 for an aggregate amount of $665,000. Additional interest of 8% on the outstanding balance is also incurred. The current holder shall have the right from time to time to convert all or any part of the outstanding and unpaid principal amount of this note into fully paid and non-assessable shares of common stock. The note matures on April 1, 2015 and is convertible, at the note holder's option, into common shares of the Company after 90 days at the lower of $.0074 or 40% of the average closing price 20 days prior to conversion. The Company received principal from the note of $50,000 per month starting in April 2014 and for 11 months thereafter, for a total of $600,000 of which $150,000 was recorded during the quarter ended June 30, 2014. In addition, the Company has issued warrants to the note holder which vest in equal amounts, over the 12 month period. The note holder may purchase up to 11,083,333 shares of the Company's common stock at $0.06 per share per warrant or convert the warrants to common stock on a formula as cashless warrants. Because of the variable conversion option contained in the convertible note and the ratchet provision included in the warrant, the Company recorded derivative liabilities totaling $1,706,747 upon issuance of the note, offset by a discount equal to the face value of the funded portion of the notes, or $170,000, and initial derivative expense of $1,536,747. As of June 30, 2014, the derivative liabilities were adjusted to fair value of $694,330, resulting in derivative income of $1,012,418. The fair value of the derivatives were determined using Monte Carlo simulations and modified Black Scholes Models, and assumptions as follows: volatility - 335.9%. Risk Free Rate - 0.88% to 0.91%, Term – 0.75 yrs to 3 Years; Dividend Rate – 0.0%.

10

NOTE 4 – STOCKHOLDERS' DEFICIT

On January 3, 2014 the Company issued 1,000,000 shares of common stock to one individual for $5,000 in cash.

On January 9, 2014 the Company issued 1,000,000 shares of common stock for $5,000 in cash.

On January 14, 2014 the Company issued 300,000 shares of common stock to one individual with a fair value based on recent stock sales, of $11,370 for services rendered.

On January 28, 2014 the Company issued 393,446 shares of common stock for the conversion of $2,558 of convertible debt and accrued interest.

On February 4, 2014 the Company issued 394,057 shares of common stock for the conversion of $2,561 of convertible debt and accrued interest.

On February 6, 2014 the Company issued 200,000 shares of common stock to one entity for services to be rendered over six months. The fair value of $8,000 was recorded as deferred stock compensation to be amortized to expense over the six month period, resulting in expenses of $6,312 for the six months ended June 30, 2014.

On February 7, 2014 the Company issued 1,000,000 shares of common stock to one individual for $5,000 in cash.

On March 3, 2014 the Company issued 2,500,000 shares of common stock for the conversion of $2,500 of convertible debt and accrued interest.

On March 7, 2014 the Company issued 1,000,000 shares of common stock to one individual for $5,000 in cash

On March 7, 2014 the Company issued 250,000 shares of common stock to one entity for services to be rendered over six months, the fair value of $15,500 based on recent sales, was recorded as deferred stock compensation to be amortized into expense over six months, resulting in expenses of $5,733 for the six months ended June 30, 2014.

On March 27, 2014 the Company issued 250,000 shares of common stock to one entity for services to be rendered over six months. The fair value of $27,500, based on recent sales, was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of $13,185 for the six months ended June 30, 2014.

On April 17, 2014 the Company issued 2,000 shares of common stock valued at $258 based on recent stock sales to one entity for legal services.

On April 17, 2014 the Company issued 800,000 shares of common stock valued at $57,120, based on recent stock sales to two directors of the Company.

On April 17, 2014 the Company issued 500,000 shares of common stock valued at $35,700, based on recent stock sales, to one individual appointed to the advisory board. The fair value was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of $21,224 for the six months ended June 30, 2014.

On May 5, 2014 the Company issued 1,120,519 shares of commons stock valued at $23,027 for the conversion of $22,000 of convertible debt and $1,027 of accrued interest.

On May 16, 2014 the Company issued 250,000 shares of common stock to one entity for services to be rendered over six months. The fair value of $14,650, based on recent sales, was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of $3,612 for the six months ended June 30, 2014.

On May 21, 2014 the Company issued 250,000 shares of common stock to one entity for services to be rendered over six months. The fair value of $11,380, based on recent sales, was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of $2,460 for the six months ended June 30, 2014.

On June 4, 2014 the Company issued 200,000 shares of common stock to one entity for services to be rendered over six months. The fair value of $5,780, based on recent sales, was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of $823 for the six months ended June 30, 2014.

On June 10, 2014 the Company issued 350,000 shares of common stock to one entity for services to be rendered over three months. The fair value of $5,600, based on recent sales, was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of $1,227 for the six months ended June 30, 2014.

The Company has issued warrants to purchase 11,083,333 shares of common stock of which 2,833,333 are exercisable as of June 30, 2014. The warrants have an exercise price of $0.06 per share and expire on April 1, 2017 (See Note 3).

NOTE 5 – COMMITMENTS AND CONTINGENCIES

On December 3, 2013 Premier Media Services, Inc filed a civil suit (Premier Media Services, Inc. v ML Capital Group Inc., Case No. CC2014215992RC. North Mesa Justice Court, CA) claiming damages of $4,450 of unpaid fees and legal costs and shares received at a value of $5,000 for breach of contract and to release the shares held. Premier claims the Company terminated the contract on 30 day notice while the contract required a 90 day notice. The Company has counter claimed that Premier breached the contract and did not act in good faith while committing fraud and enjoying unjust enrichment. The trial is set for May 9, 2014. The Company is unable to determine a likely outcome and not recorded any amounts related to this matter.

NOTE 6 – LEASE

On May 16, 2013 the Company signed a lease for 950 square feet of space with the lease commencing on July 1, 2013 and expiring on August 1, 2015. Under the terms of the lease the Company paid monthly lease rental of $900 per month plus estimated CAM and taxes from July 1, 2013 through December 31, 2013. The Company is further obligated to pay monthly rental of $950 plus CAM and taxes from January 1, 2014 through June 30, 2014 and $950 in monthly rental plus CAM and taxes through the term of the lease ending July 31, 2015.

NOTE 7 – SUBSEQUET EVENT

On August 1, 2014 the Company issued 250,000 share of common stock with a value of $6,000 for service.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

Statements made in this Form 10-Q that are not historical or current facts are forward-looking statements. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estim "approximate" or "continue," or the negative thereof. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. Among the factors that could cause actual results to differ materially from the forward-looking statements are the following: the Company's ability to obtain necessary capital, the Company's ability to successfully consummate future acquisitions and such other risk factors identified from time to time in the Company's reports filed with the Securities and Exchange Commission, including those filed with this Form 10-Q quarterly report. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

Overview

ML Capital Group, Inc. was incorporated under the laws of the State of Nevada on September 22, 2009.

Our business consists of providing consulting services to both public and private companies, concentrating primarily on early stage companies, small businesses and emerging growth companies, with a principal focus on serving companies in the green technology and alternative energy industries. The Company embarked upon an expansion into developing products and services that are focused in the electronic cigarettes (e-cigs) industry. In addition the Company is anticipating the launch of a smartphone application to market products related to its new venture.

To date, the President has been primarily responsible for managing the majority of the Company's operations, and the needs of the Company's clients, which include the following responsibilities:

- Developing intellectual property around specific products or services
- Corporate strategic planning and implementation
- Executive search and placement
- Establish relationships with companies for new business development
- Make introductions to other companies as a potential strategic or financial partner

We plan to work with companies that are interested in buying or selling assets or businesses, assisting with conducting the required due diligence, advising on transaction structures, and in some cases assist with identifying possible sources of financing at the request of a client.

The Company's expansion into the electronic cigarettes (e-cigs) industry has been carefully considered and is focused strictly on developing products, services, smartphone applications, and intellectual property that provides added value to the Company. To date, the Company is in the final stages of developing and commercializing its branded and trademarked SuperStar Vapor Pen – which is an electronic smoking device similar to an electronic cigarette that enables people to consume tobacco, wax, or liquid form in a highly efficient, clean and safe manner. In addition, the Company is also finalizing the development of a smartphone application that will provide location based services and detailed information on medical marijuana dispensaries on a national scale.

13

Results of Operations

During the three and six month periods ended June 30, 2014 the Company generated $4,335 and $5,460 in revenue compared to zero in the respective periods in 2013. Of the revenue generated $2,250 was from related parties and the balance was product sales.

Cost of goods sold for the three and six month periods ended June 30, 2104 was $1,309 for both periods with zero in the respective periods in 2013. Gross Margin for the three and six month period ended June 30, 2014 was $3,026 and $4,151 compared to zero for both periods in 2013.

Total expenses for the three and six months periods ended June 30, 2014 were $519,562 and $865,245 compared to $174,376 and $260,111 in 2013, respectively. The $605,134 increase in expenses for the six month period ended June 30, 2014 over the same period in 2013 was primarily attributable to professional fees of $712,523 for the six month period ended June 30, 2014 compared to $12,850 and general and administrative expenses of $116,489 for the six months period in 2014 compared to $24,761 during the same period in 2013. The large increase in professional fees can be attributed to increased stock based compensation awarded in 2014 verses 2013.

Other expense for the three and six month period ended June 30, 2014 was $528,462 and $564,872 compared to $2,359 and $2,459 in the respective periods in 2013. The large variance in 2014 over 2013 was attributed to derivative liability expense of $505,800 and $524,330 for the three and six months periods ended June 30, 2014 compared to zero for both respective periods in 2013. Additional during the three and six months periods ended June 30, 2014 amortization of debt discount was $18,380 and $33,171 compared to zero for the respective periods in 2013.

The Company has negative working capital of $713,867 as of June 30, 2014 compared to $82,828 as of December 31, 2013. Funds used in operating activities during the six months ended June 30, 2014 were $190,133 compared to fund used of $43,950 in the same period in 2013 or $146,183 more in 2014 than in 2013. A larger loss offset by stock based compensation and derivative expense attributed to the variance between 2014 and 2013.

Funds provided from financing activities were $213,351 for the period ended June 30, 2014 compared to funds provided of $43,972 for the same period in 2013. The funds provided by financing activities in 2014 were proceeds from stock sales of $20,000, proceeds from convertible notes of $200,000 offset by payments of advances from related parties of $6,556 and reduction in bank overdraft of $93.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Item 3: Quantitative and Qualitative Disclosures About Market Risk.

An investment in the Company is highly speculative in nature and involves an extremely high degree of risk.

Item 4: Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, management concluded that our disclosure controls and procedures were not effective as of June 30, 2014.

Changes in internal controls

Our management, with the participation our Chief Executive Officer and Chief Financial Officer, performed an evaluation to determine whether any change in our internal controls over financial reporting occurred during the six months ended June 30, 2014. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that no changes occurred in the Company's internal controls over financial reporting during the six months ended June 30, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1: Legal Proceedings

On December 3, 2013 Premier Media Services, Inc filed a civil suit (Premier Media Services, Inc. v ML Capital Group Inc., Case No. CC2014215992RC. North Mesa Justice Court, CA) claiming damages of $4,450 of unpaid fees and legal costs and shares received at a value of $5,000 for breach of contract and to release the shares held. Premier claims the Company terminated the contract on 30 day notice while the contract required a 90 day notice. The Company has counter claimed that Premier breached the contract and did not act in good faith while committing fraud and enjoying unjust enrichment. The trial is set for May 9, 2014. The Company is unable to determine a likely outcome and has not recorded any amounts related to this matter.

Item 1A: Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds.

During the period ending June 30, 2014 the Company issued 4,000,000 shares to four individuals for $20,000 in cash.

Item 3: Defaults Upon Senior Securities

None

Item 4: Mine Safety Disclosures

Not applicable

Item 5: Other Information

None

Item 6: Exhibits.

No.	Description
31	Chief Executive Officer Certification
32	Section 1350 Certification
101.INS **	XBRL Instance Document
101.SCH **	XBRL Taxonomy Extension Schema Document
101.CAL **	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF **	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB **	XBRL Taxonomy Extension Label Linkbase Document
101.PRE **	XBRL Taxonomy Extension Presentation Linkbase Document

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	ML CAPITAL GROUP, INC.	
Dated: August 14, 2014	By:	/s/ Lisa Nelson Lisa Nelson, Chief Executive Officer (Principal Executive Officer) and Chairman of the Board of Directors