

SECURITIES AND EXCHANGE COMMISSION

FORM 13F-HR

Initial quarterly Form 13F holdings report filed by institutional managers

Filing Date: **2009-01-26** | Period of Report: **2008-12-31**  
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FILER

**MARATHON CAPITAL MANAGEMENT**

CIK: **1213206** | IRS No.: **000000000** | State of Incorporation: **MD**  
Type: **13F-HR** | Act: **34** | File No.: **028-12098** | Film No.: **09544103**

Business Address  
P.O. BOX 771  
HUNT VALLEY MD 21030

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 13F

FORM 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: 12/31/2008

Check here if Amendment [ ] ; Amendment Number \_\_\_\_\_

This Amendment (Check only one.): [ ] is a restatement.

[ ] adds new holdings entries.

Institutional Investment Manager filing this Report:

Name: Marathon Capital Management  
Address: 4 North Park Drive, Suite 106  
Hunt Valley, MD 21030

Form 13F File Number: 28-12098

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statement, schedules, lists, and tables are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: James G. Kennedy  
Title: President  
Phone: 410-329-1522

Signature, Place, and Date of Signing:

James G. Kennedy Hunt Valley, MD January 23, 2009

Report Type (Check only one.):

13F HOLDINGS REPORT. (Check here if all holdings of this reporting manager are reported in this report)

13F NOTICE (Check here if no holdings reported are in this report, and all holding are reported by other reporting manager(s).)

13F COMBINATION REPORT (Check here if a portion of the holding for this reporting manager are reported in this report and a portion are reported by other reporting manager(s).)

FORM 13F SUMMARY PAGE

Report Summary

Number of Other Included Managers: None

Form 13F Information Table Entry Total: 80

Form 13F Information Table Value Total: \$76,763 (thousands)

List of Other Included Managers: None

Provide a number list of the name(s) and Form 13F file number(s) of all institutional investment managers with respect to which this report is filed, other than the manager filing this report.

NONE

<TABLE>

<C> FORM 13F INFORMATION TABLE <C>

NAME OF ISSUER	TITLE OF CLASS	VALUE CUSIP	SHR OR	SH/ PUT/ INVSTMT OTHER	PRN AMT	PRN CALL	VOTING AUTHORITY			SHRD	NONE	
							DSCR TN	MNGRS	SOLE			
ABB Limited	COM	000375204	1867	124750	SH		SOLE			750	0	0
Advanced Photonix Cl A	COM	00754E107	88	130000	SH		SOLE	130000	0	0		
Alaska Communications	COM	01167P101	279	30000	SH		SOLE			1000	0	0
Alturas Minerals Corp	COM	022143101	9	250000	SH		SOLE			250000	0	0
American Bio Medica	COM	024600108	378	1613173	SH		SOLE			35000	0	0
American International	COM	026875107	20	13000	SH		SOLE	0	0			
American Oil & Gas Nev	COM	028723104	484	836650	SH		SOLE			2800	0	0

Aspenbio Pharma Inc	COM	045346103	4463	713750	SH	SOLE	5250	0	0	0
Atlas Mining Co	COM	049375108	655	3461203	SH	SOLE	860600	0	0	0
Axt Inc	COM	00246W103	2571	1902430	SH	SOLE	226600	0	0	0
Bank of America Corp	COM	60505104	141	10011	SH	SOLE	0	0	0	0
Baxter International Inc	COM	116794108	523	9755	SH	SOLE	150	0	0	0
Bluebook Intl Hldg New	COM	09608Q208	6	50000	SH	SOLE	50000	0	0	0
Bruker Biosciences Corp	COM	116794108	417	103750	SH	SOLE	0	0	0	0
Cadus Corp	COM	127639102	169	125000	SH	SOLE	125000	0	0	0
Calamos Strgc Tot Ret Fd	COM	128125101	72	11596	SH	SOLE	0	0	0	0
Catalyst Health Solutions	COM	14888B103	267	10950	SH	SOLE	0	0	0	0
Cisco Systems Inc	COM	17275R102	248	15172	SH	SOLE	200	0	0	0
Coca Cola Compsny	COM	191216100	287	6365	SH	SOLE	0	0	0	0
Comcast Corp	COM	20030N408	224	10200	SH	SOLE	200	0	0	0
Compumed Inc New	COM	204914402	180	1489000	SH	SOLE	1116000	0	0	0
Corning Inc	COM	219350105	161	16905	SH	SOLE	0	0	0	0
Corts Tr IV IBM	COM	22082G208	308	12000	SH	SOLE	400	0	0	0
Crossroads Systems Inc	COM	22765D100	781	2424000	SH	SOLE	1596000	0	0	0
Disaboom Inc	COM	25459T109	152	607819	SH	SOLE	602819	0	0	0
Du Pont E I De Nemour&Co	COM	263534109	756	29865	SH	SOLE	400	0	0	0
Duke Energy Corporation	COM	26441C105	765	50909	SH	SOLE	1000	0	0	0
EMC Corp	COM	268648102	829	79157	SH	SOLE	700	0	0	0
Eaton Corp	COM	278058102	747	15025	SH	SOLE	300	0	0	0
Exxon Mobil Corporation	COM	30231G102	969	12152	SH	SOLE	400	0	0	0
G S E Systems Inc	COM	36227K106	3959	653575	SH	SOLE	2725	0	0	0
General Electric Company	COM	369604103	1242	76732	SH	SOLE	2400	0	0	0
Genvec, Inc.	COM	37246C107	408	772900	SH	SOLE	11000	0	0	0
Golden Odyssey Mining	COM	38113R104	56	1725000	SH	SOLE	1725000	0	0	0
GTC Biotherapeutics Inc	COM	36238T104	141	441500	SH	SOLE	7500	0	0	0
ICx Technologies Inc	COM	44934T105	265	33500	SH	SOLE	0	0	0	0
InContact Inc	COM	45336E109	3936	3114521	SH	SOLE	133500	0	0	0
Intel Corp	COM	458140100	1072	73173	SH	SOLE	1250	0	0	0
Intermap Tech Corp	COM	458977204	2961	2017236	SH	SOLE	81450	0	0	0
Intl Business Machines	COM	459200101	518	6144	SH	SOLE	0	0	0	0
Johnson & Johnson	COM	478160104	776	12969	SH	SOLE	100	0	0	0
Lapolla Industries Inc	COM	516648102	245	480000	SH	SOLE	480000	0	0	0
Liberty All Star Eq Fd	SH BEN	530158104	126	36000	SH	SOLE	0	0	0	0
Lpath Inc	COM	548910108	1851	1788950	SH	SOLE	201850	0	0	0
Manitex International	COM	563420108	444	431840	SH	SOLE	2500	0	0	0
Merck & Co Inc	COM	589331107	806	26505	SH	SOLE	800	0	0	0
Micromem Tech Inc	COM	59509P106	27	41500	SH	SOLE	0	0	0	0
Microsoft Corp	COM	594918104	440	22614	SH	SOLE	0	0	0	0
MMC Energy Inc	COM	55312Q208	9	10000	SH	SOLE	0	0	0	0
N G P Capital Resources	COM	62912R107	90	10700	SH	SOLE	0	0	0	0
Nanologix Inc	COM	630076107	334	4295000	SH	SOLE	3445000	0	0	0
New Horizons Worldwide	COM	645526104	213	250000	SH	SOLE	250000	0	0	0
P H C Inc Mass Cl A	CLS A	693315103	2464	1950650	SH	SOLE	136350	0	0	0
Pfizer Incorporated	COM	717081103	588	33214	SH	SOLE	1000	0	0	0
Philip Morris Int'l	COM	718172109	225	5175	SH	SOLE	0	0	0	0
Procera Networks Inc	COM	74269U104	20	21973	SH	SOLE	4473	0	0	0
Procter & Gamble Co	COM	742718109	1298	21044	SH	SOLE	400	0	0	0
Puget Energy Inc	COM	745310102	235	8600	SH	SOLE	0	0	0	0
Qualcomm Inc	COM	747525103	237	6628	SH	SOLE	0	0	0	0
Ramtron Intl Corp	COM	751907304	1220	662585	SH	SOLE	0	0	0	0
Resverlogix Corp	COM	76128M108	18	11000	SH	SOLE	11000	0	0	0
Rowe T Price Group	COM	74144T108	519	14650	SH	SOLE	0	0	0	0
Schering Plough Corp	COM	806605101	316	18510	SH	SOLE	510	0	0	0
Southwest Water Company	COM	845331107	80	24936	SH	SOLE	1102	0	0	0
Stockeryale Inc New	COM	86126T203	384	2539838	SH	SOLE	77180	0	0	0
Supportsoft Inc	COM	868587106	1177	565750	SH	SOLE	1000	0	0	0
Telanetix Inc.	COM	879180107	42	468000	SH	SOLE	32000	0	0	0
TeleCommunication Sys.	COM	87929J103	18200	2172048	SH	SOLE	127550	0	0	0
Templeton Global Incm Fd	COM	880198106	621	79550	SH	SOLE	2000	0	0	0
Titanium Metals Corp	COM	888339207	97	11000	SH	SOLE	1000	0	0	0
Tortoise N. Amer. Energy	COM	89147T103	125	11700	SH	SOLE	0	0	0	0
TXCO Resources Inc	COM	87311M102	19	13000	SH	SOLE	500	0	0	0
U.S. Bancorp	COM	902973304	650	26128	SH	SOLE	1050	0	0	0
Unitedhealth Group	COM	91324P102	203	7630	SH	SOLE	0	0	0	0
Verizon Communications	COM	92343V104	325	9581	SH	SOLE	0	0	0	0
Versar	COM	925297103	3665	858189	SH	SOLE	3000	0	0	0
Vical, Inc.	COM	925602104	868	573950	SH	SOLE	11400	0	0	0
Wells Fargo Cap Tr	COM	94976Y207	232	9400	SH	SOLE	400	0	0	0
White Mountain Titanium	COM	864109102	595	1200600	SH	SOLE	808100	0	0	0

</TABLE>