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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

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 No. 001-00106

THE LGL GROUP, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**38-1799862** **(I.R.S. Employer Identification No.)**
2525 Shader Rd., Orlando, Florida **(Address of principal executive offices)**	**32804** **(Zip Code)**

(407) 298-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	LGL	NYSE American
Warrants to Purchase Common Stock, par value $0.01	LGL WS	NYSE American

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 Exchange 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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
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 ☐ No ☒

As of November 11, 2022, the registrant had 5,349,187 shares of common stock, $0.01 par value per share, outstanding.

THE LGL GROUP, INC.

Quarterly Report on Form 10-Q for the Quarterly Period Ended September 30, 2022

INDEX

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

The LGL Group, Inc.
Condensed Consolidated Balance Sheets *(Unaudited)*
(In thousands, except par value and share amounts)

	September 30, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 22,291	$ 29,016
Marketable securities	17,070	16,167
Accounts receivable, net of allowances of $208 and $208, respectively	5,622	4,667
Inventories, net	7,584	5,492
Prepaid expenses and other current assets	217	494
Total Current Assets	52,784	55,836
Property, plant and equipment:		
Land	536	536
Buildings and improvements	4,877	4,869
Machinery and equipment	19,470	18,815
Gross property, plant and equipment	24,883	24,220
Less: accumulated depreciation	(21,323)	(20,837)
Net property, plant, and equipment	3,560	3,383
Right-of-use lease assets	290	396
Intangible assets, net	196	252
Deferred income tax assets	1,056	34
Other assets	18	5
Total Assets	$ 57,904	$ 59,906
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	3,034	1,455
Accrued compensation and commissions	1,557	1,549
Income taxes payable	76	599
Other accrued expenses	465	823
Total Current Liabilities	5,132	4,426
Deferred income tax liability	—	124
Other liabilities	593	613
Total Liabilities	5,725	5,163
Contingencies (Note N)		
Stockholders' Equity		
Common stock, $0.01 par value - 30,000,000 shares authorized; 5,487,054 shares issued and 5,349,187 shares outstanding at September 30, 2022, and 5,446,840 shares issued and 5,308,973 shares outstanding at December 31, 2021	53	53
Additional paid-in capital	46,341	45,817
Retained earnings	6,365	9,453
Treasury stock, 81,584 shares held in treasury at cost at September 30, 2022 and December 31, 2021	(580)	(580)
Total Stockholders' Equity	52,179	54,743
Total Liabilities and Stockholders' Equity	$ 57,904	$ 59,906

See Accompanying Notes to Condensed Consolidated Financial Statements.

The LGL Group, Inc.
Condensed Consolidated Statements of Operations *(Unaudited)*
(In thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
REVENUES	$ 8,761	$ 7,501	$ 24,303	$ 20,919
Costs and expenses:				
Manufacturing cost of sales	5,891	4,782	15,591	13,334
Engineering, selling and administrative	2,749	3,465	8,246	7,775
OPERATING INCOME (LOSS)	121	(746)	466	(190)
Other income (expense):				
Interest income (expense), net	51	(3)	51	(9)
Gain on equity investment in unconsolidated subsidiary	—	60,205	—	59,453
Investment loss	(2,121)	(18,867)	(4,449)	(18,665)
Other (expense) income, net	(13)	240	(37)	280
Total other expense (income), net	(2,083)	41,575	(4,435)	41,059
(LOSS) INCOME BEFORE INCOME TAXES	(1,962)	40,829	(3,969)	40,869
Income tax (benefit) expense	(503)	9,049	(881)	9,080
NET (LOSS) INCOME	$ (1,459)	$ 31,780	$ (3,088)	$ 31,789
Basic per share information:				
Weighted average shares outstanding	5,346,043	5,273,786	5,334,774	5,273,263
Net (loss) income	$ (0.27)	$ 6.03	$ (0.58)	$ 6.03
Diluted per share information:				
Weighted average shares outstanding	5,346,043	5,325,815	5,334,774	5,334,534
Net (loss) income	$ (0.27)	$ 5.97	$ (0.58)	$ 5.96

See Accompanying Notes to Condensed Consolidated Financial Statements.

The LGL Group, Inc.
Condensed Consolidated Statements of Stockholders' Equity ***(Unaudited)***
(In thousands, except share amounts)

	Shares of Common Stock Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Total
Balance at December 31, 2021	5,308,973	$ 53	$ 45,817	$ 9,453	$ (580)	$ 54,743
Net income, Q1 2022	—	—	—	169	—	169
Stock-based compensation	15,000	—	233	—	—	233
Balance at March 31, 2022	5,323,973	$ 53	$ 46,050	$ 9,622	$ (580)	$ 55,145
Net loss, Q2 2022	—	—	—	(1,798)	—	(1,798)
Stock-based compensation	15,000	—	70	—	—	70
Shares withheld to pay taxes	(4,786)	—	(50)	—	—	(50)
Balance at June 30, 2022	5,334,187	$ 53	$ 46,070	$ 7,824	$ (580)	$ 53,367
Net loss, Q3 2022	—	—	—	(1,459)	—	(1,459)
Exercise of stock options	15,000	—	191	—	—	191
Stock-based compensation	—	—	80	—	—	80
Balance at September 30, 2022	5,349,187	$ 53	$ 46,341	$ 6,365	$ (580)	$ 52,179
Balance at December 31, 2020	5,272,204	$ 53	$ 45,477	$ (5,185)	$ (580)	$ 39,765
Net income, Q1 2021	—	—	—	27	—	27
Stock-based compensation	—	—	78	—	—	78
Balance at March 31, 2021	5,272,204	$ 53	$ 45,555	$ (5,158)	$ (580)	$ 39,870
Net loss, Q2 2021	—	—	—	(18)	—	(18)
Stock-based compensation	—	—	19	—	—	19
Balance at June 30, 2021	5,272,204	$ 53	$ 45,574	$ (5,176)	$ (580)	$ 39,871
Net income, Q3 2021	—	—	—	31,780	—	31,780
Exercise of stock options	8,000	—	31	—	—	31
Stock-based compensation	—	—	19	—	—	19
Balance at September 30, 2021	5,280,204	$ 53	$ 45,624	$ 26,604	$ (580)	$ 71,701

See Accompanying Notes to Condensed Consolidated Financial Statements.

The LGL Group, Inc.
Condensed Consolidated Statements of Cash Flows (*Unaudited*)
(In thousands)

	Nine Months Ended September 30,	
	2022	2021
OPERATING ACTIVITIES		
Net (loss) income	$ (3,088)	$ 31,789
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	486	361
Amortization of finite-lived intangible assets	56	56
Stock-based compensation	383	116
Gain on equity investment in unconsolidated subsidiary	—	(59,453)
Realized gain on sale of marketable securities	(112)	—
Unrealized loss on marketable securities	4,561	18,665
Non-cash donation of IRNT common stock, net of realized gain	—	1,060
Deferred income taxes	(1,146)	9,089
Changes in operating assets and liabilities:		
Increase in accounts receivable, net	(955)	(909)
(Increase) decrease in inventories, net	(2,092)	20
Decrease (increase) in prepaid expenses and other assets	284	(148)
Increase (decrease) in accounts payable, accrued compensation, income taxes and commissions and other	792	(419)
Net cash (used in) provided by operating activities	(831)	227
INVESTING ACTIVITIES		
Subscription agreement funding (Note C)	—	(2,725)
Capital expenditures	(663)	(759)
Proceeds from sale of marketable securities	1,661	758
Purchase of marketable securities	(7,013)	(270)
Net cash used in investing activities	(6,015)	(2,996)
FINANCING ACTIVITIES		
Payment for taxes related to net share settlement of equity awards	(50)	—
Exercise of stock options	191	31
Prepaid financing costs	(20)	—
Net cash provided by financing activities	121	31
Decrease in cash and cash equivalents	(6,725)	(2,738)
Cash and cash equivalents at beginning of period	29,016	18,331
Cash and cash equivalents at end of period	$ 22,291	$ 15,593
Noncash Investing Activity:		
Distribution of IRNT securities by Sponsor (unconsolidated subsidiary)	$ —	$ 65,250
Supplemental Disclosure:		
Income taxes paid	$ 741	$ 40

See Accompanying Notes to Condensed Consolidated Financial Statements.

A. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting and the instructions to Form 10-Q. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2022. The information included in this Form 10-Q should be read in conjunction with the information included in The LGL Group, Inc. (the “Company”, “LGL Group”, “LGL”, “we”, “our” or “us”) Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission (the “SEC”) on March 28, 2022.

Spin-Off of M-tron Industries, Inc.

On August 3, 2022, LGL announced that its Board of Directors approved the previously announced separation of the M-tron Industries, Inc. (“MtronPTI”) business into an independent, publicly traded company (the "Separation" or “Spin-Off”). Prior to the Separation, LGL Group operated its electronic instruments business segment through its wholly-owned subsidiary, Precise Time and Frequency (“PTF”) and its electronic components business segment through MtronPTI.

On October 7, 2022 the Separation of the MtronPTI business was completed and MtronPTI became an independent, publicly-traded company trading on the NYSE American under the stock symbol "MPTI.

The Separation was achieved through LGL’s distribution (the “Distribution”) of 100% of the shares of MtronPTI's common stock to holders of LGL's common stock as of the close of business on the record date of September 30, 2022. LGL's stockholders of record received one-half share of MtronPTI's common stock for every share of LGL's common stock. In connection with the Separation, MtronPTI wrote off $4,439,000 of intercompany receivables due from LGL, which brought intercompany balances to zero. LGL retained no ownership interest in the MtronPTI business following the Separation. Spin-Off costs were $232,000 and $575,000 for the three and nine months ended September 30, 2022, respectively. Beginning in the fourth quarter of 2022, the historical financial results of the MtronPTI business for periods prior to the distribution date along with the related direct costs of the Spin-Off will be reflected in the Company’s consolidated financial statements as discontinued operations.

B. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries except its sole variable interest entity (“VIE”), LGL Systems Acquisition Holding Company, LLC (the “Sponsor”). Intercompany transactions and accounts have been eliminated in consolidation. The VIE served as the Sponsor to a special purpose acquisition company, LGL Systems Acquisition Corp. (the “SPAC” or “DFNS”). The SPAC completed a merger with its target company, IronNet Cybersecurity, Inc., on August 26, 2021 and changed its name to IronNet, Inc. (“IronNet” or “IRNT”) (the “IronNet Business Combination”). IronNet is a publicly-traded company on the NYSE American (“NYSE”) under the ticker symbol “IRNT.”

VIE: Our sole interest in a VIE, the Sponsor, was accounted for under the equity method of accounting and not consolidated. Determining whether to consolidate a VIE requires judgement in assessing whether an entity is a VIE and if we are the entity’s primary beneficiary. If we are the primary beneficiary of a VIE, we are required to consolidate the entity. To determine if we are the primary beneficiary, we evaluate whether we have the power to direct the activities that most significantly impact the VIE’s economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our evaluation included identification of significant activities and an assessment of our ability to direct those activities, based on operating and other legal agreements as well as governance provisions. As a result of our review, we concluded that we were not the primary beneficiary of the VIE and that consolidation was not warranted.

The Sponsor is managed by LGL Systems Nevada Management Partners LLC (“Nevada GP”), an affiliated entity deemed to be under the significant influence of Marc Gabelli, the Company’s non-executive Chairman of the Board, who is also a greater than 10% stockholder of the Company. The Company has determined that it is not the primary beneficiary of the Sponsor, as Nevada GP has the power to direct the activities of the Sponsor that most significantly impact the Sponsor’s economic performance through an operating agreement. The Company, therefore, accounts for the Sponsor under the equity method of accounting.

Equity-Method Investments: When the Company does not have a controlling financial interest in an entity but can exert significant influence over the entity's operating and financial policies, the investment is accounted for either (i) under the equity method of accounting or (ii) at fair value by electing the fair value option available under GAAP. Significant influence generally exists when the Company owns 20% to 50% of the entity's common stock or in-substance common stock. In applying the equity method, we record the investment at cost and subsequently increase or decrease the carrying amount of the investment by our proportionate share of earnings or losses of the investee. We record dividends or other equity distributions as reductions in the carrying value of the investment. Following the Sponsor's September 2021 distribution of IRNT securities to the Company, as more fully described in Note C – Equity Investment in Unconsolidated Subsidiary, the Company's remaining investment in the Sponsor is de minimis.

Revenue Recognition

The Company recognizes revenue from the sale of its products in accordance with the criteria in Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, which are:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company meets these conditions upon the Company's satisfaction of the performance obligation, usually at the time of shipment to the customer, because control passes to the customer at that time. Our standard terms for customers are net due within 30 days, with a few exceptions, none regularly exceeding 60 days.

The Company's two product groupings, Frequency Control and Spectrum Control, have identical characteristics for revenue recognition. Both are recognized upon shipment to the customer.

The Company provides disaggregated revenue details by segment in Note L – Segment Information, and geographic markets in Note M – Domestic and Foreign Revenues.

The Company offers a limited right of return and/or authorized price protection provisions in its agreements with certain electronic component distributors who resell the Company's products to original equipment manufacturers or electronic manufacturing services companies. As a result, the Company estimates and records a reserve for future returns and other charges against revenue at the time of shipment consistent with the terms of sale. The reserve is estimated based on historical experience with each respective distributor. These reserves and charges are immaterial as the Company does not have a history of significant price protection adjustments or returns. The Company provides a standard assurance warranty that does not create a performance obligation.

Practical Expedients:

- The Company applies the practical expedient for shipping and handling as fulfillment costs.
- The Company expenses sales commissions as sales and marketing expenses in the period they are incurred.

Impairment of Long-Lived Assets

Long-lived assets, including intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Long-lived assets are grouped with other assets to the lowest level to which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Management assesses the recoverability of the carrying cost of the assets based on a review of projected undiscounted cash flows. If an asset is held for sale, management reviews its estimated fair value less cost to sell. Fair value is determined using pertinent market information, including appraisals or broker's estimates, and/or projected discounted cash flows. In the event an impairment loss is identified, it is recognized based on the amount by which the carrying value exceeds the estimated fair value of the long-lived asset.

We performed an assessment to determine if there were any indicators of impairment as a result of the operating conditions resulting from the coronavirus ("COVID-19") pandemic at the end of the fiscal quarter ended September 30, 2022. We concluded that, while there were events and circumstances in the macro-environment that did impact us, we did not experience any entity-specific indicators of asset impairment and no triggering events occurred.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-13, "*Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*," which changes the impairment model for most financial assets. The standard replaces the incurred loss model with the current expected credit loss ("CECL") model to estimate credit losses for financial assets. The provisions of the standard are effective for the Company on January 1, 2023; early adoption is permitted. The Company does not expect a material impact to its consolidated financial statements upon adopting this standard.

C. Equity Investment in Unconsolidated Subsidiary

In November 2019, the Company made its initial investment of $ 3,350,000 in the Sponsor of the SPAC and subscribed to an additional investment of $2,725,000 in March 2021, which was funded in May 2021. The incremental investment was part of the Sponsor syndication to participate in a private placement in connection with the IronNet Business Combination. As previously discussed, the SPAC completed a merger with its target company on August 26, 2021 and the combined company began trading its common stock on the NYSE under the symbol "IRNT."

On September 14, 2021, as a result of its Sponsor investment, the Company received 1,572,529 shares of IRNT common stock and 2,065,000 IRNT warrants exchangeable into shares of IRNT common stock. On October 1, 2021, the Company exercised its 2,065,000 warrants on a cashless basis and received 1,271,406 shares of IRNT common stock. To date, the Company has disposed of 1,555,315 of its 2,843,935 shares of IRNT common stock and derivatives purchased as part of its plan to minimize the economic risk of IRNT share price volatility and received related proceeds of approximately $20,200,000, with 1,288,620 shares of IRNT common stock remaining in our portfolio at September 30, 2022 valued at $ 887,859. Subsequent to the September 14, 2021 Sponsor distribution, the Company's IRNT common stock and warrants were classified as marketable securities under ASC 321, *Investments – Equity Securities* ("ASC 321"), with any change in fair value reported as an unrealized gain or loss. Se e Note D - Marketable Securities. Subsequent to the September 14, 2021 Sponsor distribution, LGL's interest in the Sponsor is immaterial.

D. Marketable Securities

The Company accounts for equity securities under ASC 321. Such securities are reported at fair value on the consolidated balance sheets, and the related unrealized gains and losses are reported in the consolidated statements of cash flows as non-cash adjustments to income. Any realized and unrealized gains or losses on investment securities are reported in the consolidated statements of operations as investment income or (loss). Investment loss was $2,121,000 and $18,867,000 for the three months ended September 30, 2022 and 2021, respectively. Investment loss was $ 4,449,000 and $18,665,000 for the nine months ended September 30, 2022 and 2021, respectively. During the nine months ended September 30, 2022, the Company recorded realized gains on marketable securities of $112,000 related to a realized gain of $ 856,000 on the sale of 250,000 IRNT put options, offset by a realized loss of $744,000 for the delivery of 50,000 shares of IRNT common stock against the related derivative position. There were no realized gains or losses for the prior year quarter or year-to-date period.

Details of marketable securities held at September 30, 2022 and December 31, 2021 are as follows (in thousands):

	Fair Value	Basis	Cumulative Unrealized (Loss) Gain
IronNet Securities:		September 30, 2022	
1,288,620 shares of common stock	$ 888	$ 27,636	$ (26,748)
Put options	26	13	13
	914	27,649	(26,735)
Equity funds and other securities	16,156	16,808	(652)
	$ 17,070	$ 44,457	$ (27,387)
IronNet Securities:		December 31, 2021	
1,338,620 shares of common stock	$ 5,106	$ 28,696	$ (23,590)
Put options	1,245	489	756
	6,351	29,185	(22,834)
Equity funds and other securities	9,816	9,808	8
	$ 16,167	$ 38,993	$ (22,826)

The shares of IRNT common stock were received by the Company as a result of the previously discussed Sponsor distribution. The fair value of these shares determined at the date of distribution represents the basis of these securities.

At December 31, 2021, the Company held 1,250,000 shares of IRNT common stock that were restricted from sale until early 2022. The fair value of these shares of restricted common stock was determined by applying a discount for lack of marketability to the publicly quoted market price of IRNT common stock at December 31, 2021. During the first quarter of 2022, the sale restrictions were released. The fair value of our IRNT securities at September 30, 2022 was determined based on their publicly quoted market price.

The Company executed derivatives transactions as part of its plan to minimize the economic risk of IRNT share price volatility to its IRNT holdings. The Company held put options, covering shares of IRNT common stock with a May 2022 expiration date, for 300,000 shares of IRNT common stock at December 31, 2021. During the first quarter of 2022, the Company delivered 50,000 shares against its IRNT put options. On May 5, 2022, the Company sold put options held at March 31, 2022 covering 250,000 shares of IRNT common stock for $1,263,000. At September 30, 2022, the Company held put options, covering shares of IRNT common stock with a fourth quarter 2022 expiration date, for 100,500 IRNT shares.

E. Related Party Transactions

Certain balances held and invested in various mutual funds are managed by a related entity (the "Fund Manager"). Marc Gabelli, the Company's non-executive Chairman of the Board, who is also a greater than 10% stockholder, serves as an executive officer of the Fund Manager. The brokerage and fund transactions in 2022 and 2021 were directed solely at the discretion of the Company's management. See Note F – Fair Value Measurements for further discussion of the investments in mutual funds that are managed by the Fund Manager.

As of September 30, 2022, the balance with the Fund Manager totaled $21,990,000, including $5,857,000 which is classified within cash and cash equivalents on the accompanying condensed consolidated balance sheets and $16,133,000 which is classified within marketable securities on the accompanying condensed consolidated balance sheets. Amounts invested generated ($168,000) and ($29,000) of investment (loss) income during the three months ended September 30, 2022 and 2021, respectively. Amounts invested generated ($638,000) and $174,000 of investment (loss) income during the nine months ended September 30, 2022 and 2021, respectively. Fund management fees are anticipated to average approximately 0.60% or $133,000 for the nine months ended September 30, 2022 and 0.35% or $54,000 for the nine months ended September 30, 2021 of the asset balances under management on an annual basis, as calculated by management using publicly available information for portfolio management fees.

As of December 31, 2021, the balance with the Fund Manager totaled $15,595,000, including $5,823,000 which is classified within cash and cash equivalents on the accompanying condensed consolidated balance sheets and $9,772,000 which is classified as marketable securities on the accompanying condensed consolidated balance sheets.

Certain members of our board of directors (the "Board") including Marc Gabelli, John Mega, Timothy Foufas, Manjit Kalha and Michael Ferrantino, and two of our management team, Patrick Huvane and Michael Ferrantino, are members of the Sponsor. Robert LaPenta joined IronNet as a board member upon the IronNet Business Combination and was a member of our Board until his resignation on September 27, 2021. Mr. LaPenta remains a passive member of the Sponsor. All except Mr. Kalha also served in various capacities of the SPAC but have all since resigned from the SPAC upon completion of the IronNet Business Combination on August 26, 2021. Prior to their resignations, John Mega was President of the SPAC, Timothy Foufas was Chief Operating Officer of the SPAC, Robert LaPenta was Co-Chief Executive Officer and Chief Financial Officer of the SPAC, Mr. Gabelli was the Chairman and Co-Chief Executive Officer of the SPAC, Michael Ferrantino was a SPAC board member and Patrick Huvane was a SPAC officer. Mr. Foufas, Mr. Huvane and Mr. Gabelli are managing members of the Sponsor. Mr. Huvane became a managing member of the Sponsor on September 27, 2021.

F. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value guidance identifies three primary valuation techniques: the market approach, the income approach and the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The maximization of observable inputs and the minimization of the use of unobservable inputs are required.

Classification within the fair value hierarchy is based upon the objectivity of the inputs that are significant to the valuation of an asset or liability as of the measurement date. The three levels within the fair value hierarchy are characterized as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Unobservable inputs for the asset or liability for which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the Company's own assumptions about what market participants would use to price the asset or liability. These inputs may include internally developed pricing models, discounted cash flow methodologies as well as instruments for which the fair value determination requires significant management judgment.

Assets

To estimate the market value of its cash and cash equivalents and marketable securities, the Company obtains current market pricing from quoted market sources or uses pricing for identical securities adjusted for liquidity, when applicable. Assets measured at fair value on a recurring basis are summarized below (in thousands).

	Level 1	Level 2	Level 3	Total at September 30, 2022
Equity Securities	$ 911	$ —	$ —	$ 911
Equity Mutual Fund	$ —	$ 15,945	$ —	$ 15,945
Commodity Mutual Fund	$ —	$ 188	$ —	$ 188
Derivative Contract Asset	$ 26	$ —	$ —	$ 26
U.S. Treasury Mutual Funds	$ 12,942	$ —	$ —	$ 12,942

	Level 1	Level 2	Level 3	Total at December 31, 2021
Equity Securities	$ 416	$ 4,734	$ —	$ 5,150
Equity Mutual Fund	$ —	$ 9,523	$ —	$ 9,523
Commodity Mutual Fund	$ —	$ 249	$ —	$ 249
Derivative Contract Asset	$ 1,245	$ —	$ —	$ 1,245
U.S. Treasury Mutual Funds	$ 12,889	$ —	$ —	$ 12,889

As of September 30, 2022 and December 31, 2021, the Company had investments in four mutual funds. The Equity Mutual Fund noted above is invested in the Gabelli ABC Fund and the Commodity Mutual Fund was invested in the Gabelli Gold Fund. The U.S. Treasury Mutual Funds, included in cash and cash equivalents, are invested in the Gabelli US Treasury Money Market Fund and the BlackRock Liquidity Treasury Trust Money Market Fund.

At December 31, 2021, the Company utilized a Level 2 category fair value measurement to value its investment in certain IronNet common stock holdings. Although IronNet common stock has a quoted price in active markets, a portion of the Company’s year-end IRNT holdings had sale restrictions requiring a discount for lack of marketability and classification as a Level 2 asset. The selling restriction on the restricted IRNT shares lapsed in the first quarter of 2022. The fair value of the IRNT shares without restrictions is determined based on the market price and included within the Level 1 category.

G. Inventories

Inventories are valued at the lower of cost or net realizable value using the FIFO (first-in, first-out) method. The Company reduces the value of its inventories to net realizable value when the net realizable value is believed to be less than the cost of the item. The reserve for excess and obsolete inventory as of September 30, 2022 and December 31, 2021 was $1,675,000 and $1,428,000, respectively.

Inventories are comprised of the following (in thousands):

	September 30, 2022	December 31, 2021
Raw materials	$ 3,676	$ 2,314
Work in process	2,724	2,196
Finished goods	1,184	982
Total Inventories, net	$ 7,584	$ 5,492

H. Stock-Based Compensation

Under the Company’s 2021 Incentive Plan, and the prior 2011 Incentive Plan, as amended, restricted stock and stock options have been awarded to certain employees as stock-based compensation. Compensation expense is based on the grant-date fair value and recognized over the requisite service period.

In April 2022, 30,000 restricted shares were issued with a grant date fair value of $ 10.46 per share, 15,000 restricted shares vested, and 4,786 of the vested shares were withheld to pay taxes. Stock-based compensation expense was $80,000 and $383,000 for the three and nine months ended September 30, 2022, respectively and $19,000 and $116,000 for the three and nine months ended September 30, 2021, respectively. During the third quarter of 2022, there were 15,000 options exercised at a strike price of $ 12.72 for aggregate proceeds of $191,000. As of September 30, 2022 there was approximately $395,000 of total unrecognized compensation expense related to unvested stock-based compensation arrangements, primarily related to restricted stock awards. This cost will be recognized over the weighted average remaining service period of these awards, which is 1.8 years for restricted stock and 0.1 years for stock options. As a result of the cancellation of awards on October 7, 2022, the Company expects to record $5,000 of stock compensation expense related to these outstanding grants subsequent to September 30, 2022. See Note O – Subsequent Events for further detail.

I. Earnings Per Share

The Company computes earnings per share in accordance with ASC 260, *Earnings Per Share*. Basic earnings per share is computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share adjusts basic earnings per share for the effects of warrants, restricted stock, stock options and other potentially dilutive financial instruments, only in the periods in which the effects are dilutive.

For both the three and nine months ended September 30, 2022 and 2021, there were warrants to purchase 1,051,664 shares of common stock and options to purchase 25,000 shares of common stock excluded from the diluted earnings per share computation because the impact of the assumed exercise of such warrants and stock options would have been anti-dilutive.

The following table reconciles basic weighted average shares outstanding to diluted weighted average shares outstanding for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Weighted average shares outstanding - basic	5,346,043	5,273,786	5,334,774	5,273,263
Effect of diluted securities	—	52,029	—	61,271
Weighted average shares outstanding - diluted	5,346,043	5,325,815	5,334,774	5,334,534

J. Income Taxes

The Company's quarterly provision for income taxes is measured using an annual effective tax rate, adjusted for discrete items within the period presented. To determine the annual effective tax rate, the Company estimates both the total income (loss) before income taxes for the full year and the jurisdictions in which that income (loss) is subject to tax. The actual effective tax rate for the full year may differ from these estimates if income (loss) before income taxes is greater than or less than what was estimated or if the allocation of income (loss) to jurisdictions in which it is taxed is different from the estimated allocations.

The effective tax rate for the nine months ended September 30, 2022 and September 30, 2021 was 22.1% and 22.2%, respectively. The effective tax rate for the three months ended September 30, 2022 and September 30, 2021 was 25.7% and 22.2%, respectively. Differences between the Company's effective income tax rate and the U.S. federal statutory rate are primarily the impact of research and development credits, the mix of earnings between jurisdictions, and state taxes.

K. Revolving Credit Agreement

On June 15, 2022, M-Tron Industries, Inc. and Piezo Technology, Inc. (collectively, the "Borrowers"), both operating subsidiaries of The LGL Group, Inc. (the "Company"), entered into a loan agreement for a revolving line of credit with Fifth Third Bank, National Association, an unaffiliated entity, as the lender ("Lender"), for up to $5,000,000 (the "Loan Agreement"), such amount to be used for working capital and general operations. The Loan Agreement is evidenced by a promissory note dated June 15, 2022 that matures on June 15, 2025 (the "Note"), and two corresponding security agreements (the "Security Agreements"). The Note bears interest at the Secured Overnight Financing Rate (SOFR) one-month rate plus 2.25%, with a SOFR floor of 0.0%. Accrued interest-only payments are due on a monthly basis until the maturity date. The Borrowers may prepay all or any portion of the loans under the Loan Agreement at any time, without fee, premium or penalty.

The Loan Agreement contains various affirmative and negative covenants that are customary for lines of credit and transactions of this type, including limitations on the incurrence of debt and liabilities by the Borrowers, as well as financial reporting requirements. The Loan Agreement also imposes certain financial covenants based on the following criteria, which are specifically defined in the Loan Agreement: (a) Minimum Fixed Charge Coverage Ratio; (b) Minimum Current Ratio; and (c) Minimum Tangible Net Worth. At September 30, 2022, the Company had no borrowings outstanding under its revolving line of credit with Fifth Third Bank.

L. Segment Information

Prior to the Spin-Off and as of September 30, 2022, the Company has two reportable business segments; electronic components (MtronPTI), and electronic instruments (PTF). The electronic components segment is focused on the design, manufacture and marketing of highly-engineered, high reliability frequency and spectrum control products. These electronic components ensure reliability and security in aerospace and defense communications, low noise and base accuracy for laboratory instruments, and synchronous data transfers throughout the wireless and Internet infrastructure. The electronic instruments segment is focused on the design and manufacture of high performance Frequency and Time Reference Standards that form the basis for timing and synchronization in various applications.

Business segment information follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues				
Electronic components	$ 8,417	$ 7,173	$ 23,172	$ 19,834
Electronic instruments	344	328	1,131	1,085
Total consolidated revenues	$ 8,761	$ 7,501	$ 24,303	$ 20,919
Operating Income (Loss)				
Electronic components	$ 756	$ 854	$ 2,521	$ 2,037
Electronic instruments	(39)	32	(53)	150
Unallocated corporate expense	(596)	(1,632)	(2,002)	(2,377)
Total operating income (loss)	121	(746)	466	(190)
Interest income (expense), net	51	(3)	51	(9)
Gain on equity investment in unconsolidated subsidiary	—	60,205	—	59,453
Investment loss	(2,121)	(18,867)	(4,449)	(18,665)
Other (expense) income, net	(13)	240	(37)	280
Total other (expense) income, net	(2,083)	41,575	(4,435)	41,059
(Loss) Income Before Income Taxes	$ (1,962)	$ 40,829	$ (3,969)	$ 40,869

Operating income is equal to revenues less cost of sales and operating expenses (engineering, selling and administrative expenses).

M. Domestic and Foreign Revenues

Significant foreign revenues from operations (10% or more of foreign sales) follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Malaysia	$ 1,332	$ 832	$ 3,856	$ 1,874
Hong Kong	103	140	479	495
Germany	106	127	348	413
Hungary	236	1	247	7
All other foreign countries	499	403	1,673	1,459
Total foreign revenues	$ 2,276	$ 1,503	$ 6,603	$ 4,248
Total domestic revenue	$ 6,485	$ 5,998	$ 17,700	$ 16,671

The Company allocates its foreign revenue based on the customer's ship-to location.

N. Contingencies

In the ordinary course of business, the Company and its subsidiaries may become defendants in certain product liability, patent infringement, worker claims and other litigation. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable.

O. Subsequent Events

M-tron Industries, Inc. Separation

On October 7, 2022, the Separation of MtronPTI was completed through LGL's distribution of 100% of the shares of MtronPTI's common stock to holders of LGL's common stock as of the close of business on the record date of September 30, 2022. As a result of the Distribution, LGL's stockholders of record received one-half share of MtronPTI's common stock for every share of LGL's common stock. On October 7, 2022, MtronPTI became an independent, public company trading on the NYSE American under the stock symbol "MPTI". LGL retained no ownership interest in MtronPTI as of the completion of the Separation.

In connection with the Separation, MtronPTI wrote off $4,439,000 of intercompany receivables due from LGL, which brought intercompany balances to zero, and left MtronPTI with a cash balance of approximately $1,000,000 as of the date of the Separation.

The Company canceled 52,533 restricted LGL shares and 10,000 options that had been issued to MtronPTI management, effective on October 7, 2022.

Changes in Officers and Directors

On October 7, 2022, John S. Mega and Bel Lazar resigned from the LGL Board to join MtronPTI as directors, and James W. Tivy resigned as Chief Financial Officer of LGL to join MtronPTI as its Chief Financial Officer. In addition, effective as of 12:01 a.m. Eastern Time on October 7, 2022, Marc J. Gabelli was appointed to serve as the Chief Executive Officer of LGL, and James W. Tivy was appointed to serve as the Chief Accounting Officer of LGL. Ivan Arteaga, who currently serves on the Board as a director of LGL, was appointed to serve as the Chief Financial Officer of LGL.

Adjustment of Warrant Price and Target Price for Acceleration

On October 19, 2022, LGL issued a press release (the "Press Release") announcing the adjustment to the terms of exercise for its warrants, as a result of its M-tron Industries, Inc. Spin-Off.

LGL has approximately 5.25 million "European Style" warrants outstanding, exercisable at a 5 for 1 ratio into LGL shares only at the earlier of (i) the expiration of the warrant term, which is November 16, 2025, or (ii) subject to a date acceleration if triggered only after the average volume weighted average price ("VWAP") of LGL common stock for 30 consecutive trading days is greater than or equal to the acceleration trigger price.

The warrants are publicly listed on the NYSE American under the symbol LGL.WS.

The distribution of MtronPTI shares is a qualifying dilutive event that requires an adjustment, with the exercise price of the warrants and the trigger price for the potential acceleration of the exercise date for its warrants to be adjusted using the calculation provided within the warrant agreement.

Effective October 18, 2022, the warrant exercise price, originally set at $12.50, was adjusted to $4.75, and the target trigger price for potential acceleration of the exercise date, originally set at $17.50, was adjusted to $6.65.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements, the notes thereto and the other unaudited financial data included in this Quarterly Report on Form 10-Q. The following discussion should also be read in conjunction with the audited consolidated financial statements and the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. The terms the “Company”, “LGL Group”, “LGL”, “we”, “our” or “us” refer to The LGL Group, Inc. and unless otherwise defined herein, capitalized terms used herein shall have the same meanings as set forth in our condensed consolidated financial statements and the notes thereto.

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q of the Company and the Company's other communications and statements, other than historical facts, may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Company intends for all such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Exchange Act, as applicable by law. Such statements include, in particular, statements about the Company's beliefs, plans, objectives, goals, expectations, estimates, projections and intentions. These statements are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond the Company's control. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "target," "goal" and similar expressions are intended to identify forward-looking statements. All forward-looking statements, by their nature, are subject to risks and uncertainties. Therefore, such statements are not intended to be a guarantee of the Company's performance in future periods. The Company's actual future results may differ materially from those set forth in the Company's forward-looking statements. For information concerning these factors and related matters, see "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on March 28, 2022, this Quarterly Report on Form 10-Q and our other filings with the SEC. However, other factors besides those referenced could adversely affect the Company's results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by the Company herein speak as of the date of this Quarterly Report on Form 10-Q. The Company does not undertake to update any forward-looking statement, except as required by law. As a result, you should not place undue reliance on these forward-looking statements.

OVERVIEW

The Company is a diversified holding company with subsidiaries engaged in the designing, manufacturing and marketing of highly-engineered, high reliability frequency and spectrum control products used to control the frequency or timing of signals in electronic circuits, and in the design of high performance Frequency and Time Reference Standards that form the basis for timing and synchronization in various applications. The Company’s primary markets are aerospace and defense.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries except its sole variable interest entity (“VIE”), LGL Systems Acquisition Holding Company, LLC (the “Sponsor”). The VIE served as the sponsor to a special purpose acquisition company, LGL Systems Acquisition Corp. (the “SPAC” or “DFNS”). The SPAC completed a merger with its target company, IronNet Cybersecurity, Inc., on August 26, 2021 and changed its name to IronNet, Inc. (“IronNet” or “IRNT”) (the “IronNet Business Combination”). IronNet is a publicly-traded company on the NYSE American (“NYSE”) under the ticker symbol “IRNT.”

In November 2019, the Company made its initial investment of $3,350,000 in the Sponsor of the SPAC and subscribed to an additional investment of $2,725,000 in March 2021 which was funded in May 2021. The incremental investment was part of the Sponsor syndication to participate in a private placement in connection with the IronNet Business Combination. On September 14, 2021, as a result of its Sponsor investment, the Company received 1,572,529 shares of IRNT common stock and 2,065,000 IRNT warrants exchangeable into shares of IRNT common stock, representing an aggregate fair value of approximately $65,300,000. While LGL continues to hold an interest in the Sponsor, it is immaterial. Subsequent to the September 14, 2021 Sponsor distribution, the Company’s IRNT securities have been classified as marketable securities under ASC 321, *Investments – Equity Securities* (“ASC 321”), with the change in fair value from the date of distribution reported as gain or loss.

Impact of MtronPTI’s Separation

On August 3, 2022, LGL announced that its Board of Directors approved the previously announced separation of the M-tron Industries, Inc. (“MtronPTI”) business into an independent, publicly traded company (the "Separation"). Prior to the Separation, LGL Group operated its electronic instruments business segment through its wholly-owned subsidiary, Precise Time and Frequency (“PTF”) and its electronic components business segment through MtronPTI.

On October 7, 2022, the Separation of the MtronPTI business was completed and MtronPTI became an independent, publicly-traded company trading on the NYSE American under the stock symbol "MPTI."

The Separation was achieved through LGL’s distribution (the “Distribution”) of 100% of the shares of the MtronPTI's common stock to holders of LGL's common stock as of the close of business on the record date of September 30, 2022. LGL's stockholders of record received one-half share of MtronPTI's common stock for every share of LGL's common stock. In connection with the Separation, MtronPTI wrote off $4,439,000 of intercompany receivables due from LGL, which brought intercompany balances to zero. LGL retained no ownership interest in the MtronPTI business following the Separation. Beginning in the fourth quarter of 2022, the historical financial results of the MtronPTI business for periods prior to the distribution date will be reflected in the Company’s consolidated financial statements as discontinued operations.

See Note A – Basis of Presentation and Note O – Subsequent Events in the accompanying notes to the condensed consolidated financial statements for further details of the Separation.

Results of Operations

Backlog

As of September 30, 2022, our order backlog was $44,202,000, an increase of 48.3% from $29,797,000 at December 31, 2021 and an increase of 102.3% compared to the backlog of $21,849,000 as of September 30, 2021. Backlog included $44,074,000 and $29,439,000 for our electronic components (MtronPTI) segment and $128,000 and $358,000 for our electronic instruments segment as of September 30, 2022, and December 31, 2021, respectively. The Company attained record backlog levels as of September 30, 2022. Quarterly bookings were $9,579,000 for the third quarter of 2022, $13,827,000 for the second quarter of 2022, $15,302,000 for the first quarter of 2022 and $15,169,000 for the fourth quarter of 2021. This record booking trend during the last three quarters reflects improved orders from the continued recovery of the avionics market along with strong defense orders, as we continue to pull in orders from our customers for 2023 and beyond, much of which is expected to ship subsequent to 2022. Supply chain constraints within our industry have pushed our customers to order well in advance to secure product deliveries for their production requirements. The backlog of unfilled orders includes amounts based on signed contracts as well as agreed letters of intent which we have determined are firm orders likely to be fulfilled largely in the next 12 months but can extend past two years. Order backlog is adjusted quarterly to reflect project cancellations, deferrals, revised project scope and cost, and sales of subsidiaries, if any.

Three months ended September 30, 2022 compared to three months ended September 30, 2021

Consolidated Revenues and Gross Margin

Total revenues were $8,761,000 for the three months ended September 30, 2022, or 16.8% above revenues of $7,501,000 for the three months ended September 30, 2021. The revenue increase reflects the recovering avionics market and strong defense product shipments. Revenues included $8,417,000 for MtronPTI for the three months ended September 30, 2022 versus $7,173,000 for the three months ended September 30, 2021. Revenues for PTF were $344,000 for the three months ended September 30, 2022 versus $328,000 for the three months ended September 30, 2021.

Consolidated gross margin, which is consolidated revenues less manufacturing cost of sales as a percentage of revenues, decreased to 32.8% for the three months ended September 30, 2022, from 36.2% for the three months ended September 30, 2021 reflecting the effects of product mix changes and inflationary headwinds due to labor and materials cost increases on long term contracts, partially offset by increased business volume. We continue to experience the effects of increased turnover that began during Covid, which increases our labor costs while also impacting productivity as we work to train new employees. Gross margin for MtronPTI declined to 32.4% for the three months ended September 30, 2022 from 35.4% for the three months ended September 30, 2021.

Operating Income (Loss)

The Company reported operating income of $121 ,000 for the three months ended September 30, 2022, compared to an operating loss of $746,000 for the three months ended September 30, 2021. As previously discussed, the increase reflects higher revenue with lower margins partly offset by inflationary pressures, and negatively impacted by $61,000 of increased stock compensation expense and the prior year quarter donation of IRNT shares totaling $1,318,000, which was included within engineering, selling and administrative costs and $232,000 of Spin-Off costs.

Gain (Loss) on Equity Investment in Unconsolidated Subsidiary

The decrease is solely attributable to the impact of the IronNet Business Combination and subsequent Sponsor distribution of IRNT securities recognized during the three months ended September 30, 2021. During the three months ended September 30, 2021 the Company recognized a gain on equity investment in unconsolidated subsidiary of $60,205,000. The fair value of IRNT securities determined at the date of distribution represents the basis of these securities in determining realized and unrealized (losses) and gains.

Investment (Loss) Income

The Company reported $2,121,000 of investment loss during the three months ended September 30, 2022 compared to investment loss of $18,867,000 during the three months ended September 30, 2021 . The loss during the three months ended September 30, 2022 was related to a $1,947,000 net loss (realized and unrealized) related to IRNT securities and to unrealized losses on the Company’s non-IRNT investment portfolio of $174,000. The loss during the three months ended September 30, 2021 was attributable to the change in fair value of IRNT security holdings of ($19,779,000) from the date of Sponsor distribution through the end of the third quarter, offset partially by the $940,000 gain from derivative transactions related to IRNT. Investment gains and losses have caused and are expected to continue to cause significant volatility in our earnings, particularly with respect to our IronNet securities.

Other Expense, Net

Other expense, net was $13,000 for the three months ended September 30, 2022, compared to other income of $240,000 for the three months ended September 30, 2021 which decreased primarily related to the $258,000 realized gain from IRNT shares donated during the three months ended September 30, 2021.

Income Tax (Benefit) Expense

We recorded a tax benefit of $503,000 and expense of $9,049,000 for the three months ended September 30, 2022 and 2021, respectively. The substantially higher tax expense was driven by the increased income from our Sponsor investment as a result of the IronNet Business Combination, partially offset by unrealized losses in IRNT stock held by the Company. The (benefit) expense is based on an estimated annual effective tax rate across the jurisdictions in which we operate.

Net Loss (Income)

Net loss was $1,459,000 compared to net income of $31,780,000 for the three months ended September 30, 2021. The decrease was from the gain from our Sponsor investment as a result of the IronNet Business Combination during the three months ended September 30, 2021, partially offset by unrealized losses in IRNT stock through September 30, 2021. The increase in net loss was primarily from the previously discussed investment loss offset by business operations described above. Diluted net (loss) income per share for the three months ended September 30, 2022 and 2021 was $(0.27) and $5.97, respectively.

Nine months ended September 30, 2022 compared to nine months ended September 30, 2021

Consolidated Revenues and Gross Margin

Total revenues were $24,303,000 for the nine months ended September 30, 2022, or 16.2% above revenues of $20,919 ,000 for the nine months ended September 30, 2021. The revenue increase reflects the recovering avionics market and strong defense product shipments. Revenues included $23,172,000 for MtronPTI for the nine months ended September 30, 2022 versus $19,834,000 for the nine months ended September 30, 2021. Revenues for PTF were $1,131,000 for the nine months ended September 30, 2022 versus $1,085,000 for the nine months ended September 30, 2021.

Consolidated gross margin, which is consolidated revenues less manufacturing cost of sales as a percentage of revenues, decreased to 35.8% for the nine months ended September 30, 2022 from 36.3% for the nine months ended September 30, 2021 reflecting the effects of product mix changes and inflationary headwinds due to labor and materials cost increases on long term contracts, partially offset by increased business volume. Gross margin for MtronPTI increased to 35.6% for the nine months ended September 30, 2022 from 35.3% for the nine months ended September 30, 2021.

Operating Income (Loss)

The Company reported operating income of $466 ,000 for the nine months ended September 30, 2022 compared to an operating loss of $190,000 for the nine months ended September 30, 2021. The increase reflects higher revenue with lower margins partly offset by inflationary pressures, $575,000 of Spin-Off costs in the first nine months of 2022 and increased stock compensation expense of $267,000.

Gain on Equity Investment in Unconsolidated Subsidiary

The Company recognized a gain on equity investment in unconsolidated subsidiary of $59,453,000 for the nine months ended September 30, 2021. As more fully described above, the substantial increase reflects the impact of the IronNet Business Combination. Subsequent to the September 14, 2021 Sponsor distribution, the Company's investment in the Sponsor is immaterial and the IRNT securities have been classified as marketable securities with the change in fair value from the date of distribution reported as investment income or loss on marketable securities.

Investment (Loss) Income

The Company reported $4,449,000 of investment loss compared to $18,665,000 during the nine months ended September 30, 2021 . The investment loss for the nine months ended September 30, 2022 was primarily related to IRNT related investment losses of $3,788,000 (realized and unrealized) and unrealized investment losses of $661,000 from the remainder of the portfolio. Investment gains and losses have caused and are expected to continue to cause significant volatility in our earnings, particularly with respect to our IronNet securities. During the nine months ended September 30, 2021, unrealized loss on marketable securities was ($18,665,000), including the loss of ($19,779,000) from the change in fair value of IRNT security holdings from the date of Sponsor distribution through the end of the third quarter, and the $940,000 gain from derivative transactions related to IRNT securities and an unrealized gain of $174,000.

Other (Expense) Income, Net

Other (expense) income, net was expense of $37,000 compared to income of $280,000 for the nine months ended September 30, 2021 which decreased primarily related to the $258,000 realized gain from IRNT shares donated during the nine months ended September 30, 2021 and the remainder primarily reflects the impact of unfavorable currency changes.

Income Tax (Benefit) Expense

We recorded a tax benefit of $881,000 and expense of $9,080,000 for the nine months ended September 30, 2022 and 2021, respectively. The (benefit) expense is based on an estimated annual effective tax rate across the jurisdictions in which we operate.

Net (Loss) Income

Net loss was $3,088,000, compared to income of $31,789,000 for the nine months ended September 30, 2021. The decrease was primarily from the previously discussed investment gain offset by one-time Spin-Off costs. Diluted net (loss) income per share for the nine months ended September 30, 2022 and 2021 was $(0.58) and $5.96, respectively.

Liquidity and Capital Resources

As of September 30, 2022 and December 31, 2021, cash and cash equivalents were $22,291,000 and $29,016,000, respectively. For the nine months ended September 30, 2022, the Company utilized $5,352,000 for investment activities related to marketable securities, including $7,013,000 for purchases of securities offset by security sales of $1,661,000.

Cash (used in) provided by operating activities for the nine months ended September 30, 2022 and 2021 was $831,000 used in and $227,000, provided by operating activities, respectively. The $1,058,000 decrease was primarily from reduced income taxes payable due to timing of payments, higher inventory levels in support of business growth as well as advanced procurement of certain inventory components to address supply chain issues, an increase in accounts receivable, offset by reduced prepaid balances.

Cash used in investing activities for the nine months ended September 30, 2022 and 2021 was $6,015,000 and $2,996,000, respectively. The $3,019,000 increase reflects the purchase of $7,013,000 of marketable securities offset by the sale of IRNT shares and related derivatives of $1,661,000 during the nine months ended September 30, 2022. Capital expenditures of $663,000 during the nine months ended September 30, 2022 were for investment in production equipment to improve cost and efficiency, in line with the prior year capital expenditures of $759,000.

Cash provided by financing activities of $121,000 for the nine months ended September 30, 2022 attributable to $191,000 for the exercise of stock options, offset by $50,000 as the result of vested restricted shares being withheld to pay the related payroll taxes and $20,000 for prepaid financing costs.

As of September 30, 2022, our consolidated working capital was $47,652,000 compared to $51,410,000 as of December 31, 2021. As of September 30, 2022, we had current assets of $52,784,000, current liabilities of $5,132,000 and a ratio of current assets to current liabilities of 10.29 to 1.00. As of December 31, 2021, we had current assets of $55,836,000, current liabilities of $4,426,000 and a ratio of current assets to current liabilities of 12.62 to 1.00. Management continues to focus on efficiently managing working capital requirements to match operating activity levels and will seek to deploy the Company’s working capital where it will generate the greatest returns.

Total inventory was $7,584,000 at September 30, 2022 versus $5,492,000 at December 31, 2021. Inventory held by MtronPTI was $7,298,000 at September 30, 2022 and $5,221,000 at December 31, 2021. Inventory held by PTF was $286,000 at September 30, 2022 and $271,000 at December 31, 2021. Higher inventory levels are in support of business growth as well as advanced procurement of certain inventory components to address current supply chain issues.

The Company’s MtronPTI subsidiary has a loan agreement for a revolving line of credit with Fifth Third Bank N.A. for up to $5,000,000 bearing interest at the Secured Overnight Financing Rate (SOFR) one-month rate plus 2.25%, with a SOFR floor of 0.00%. The loan agreement has a maturity date of June 15, 2025 and contains certain financial covenants based on the following criteria: (a) Minimum Fixed Charge Coverage Ratio; (b) Minimum Current Ratio; and (c) Minimum Tangible Net Worth (each as defined in the loan agreement). Borrowings under the loan agreement are secured by all of the property of two of the Company’s subsidiaries, M-tron Industries, Inc. and Piezo Technology, Inc. At September 30, 2022, the Company had no borrowings outstanding under its revolving line of credit with Fifth Third Bank.

We believe that existing cash and cash equivalents, marketable securities and cash generated from operations will provide sufficient liquidity to meet our ongoing working capital and capital expenditure requirements for the next 12 months from the date of this filing.

Our Board has adhered to a practice of not paying cash dividends. This policy takes into account our long-term growth objectives, including our anticipated investments for organic growth, potential acquisitions and stockholders' desire for capital appreciation of their holdings. No cash dividends have been paid to the Company's stockholders since January 30, 1989, and none are expected to be paid for the foreseeable future.

Critical Accounting Estimates

Our accompanying condensed consolidated financial statements are prepared in conformity with GAAP, which requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying footnotes. These estimates are made and evaluated on an on-going basis using information that is currently available as well as various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates, perhaps in material adverse ways, and those estimates could be different under different assumptions or conditions. For a discussion of the Company's critical accounting estimates, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2021.

Factors Which May Influence Results of Operations

We are not aware of any material trends or uncertainties, other than national economic conditions affecting our industry generally, that may reasonably be expected to have a material impact, favorable or unfavorable, on our revenues or income other than those listed below and those listed in Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2021.

COVID-19

The COVID-19 pandemic ("COVID") has had and may continue to have an adverse impact on our operations and financial performance, as well as on the operations and financial performance of many of the customers and suppliers in industries that we serve. The COVID pandemic continues to present business challenges, and we continue to experience impacts related to COVID, primarily in higher raw material prices, disruptions in global supply chains, delays in supplier deliveries, delays in deliveries to customers, travel restrictions, quarantine restrictions, labor shortages and employee absences.

In accordance with the Department of Defense guidance issued in March 2020 designating the Defense Industrial Base as a critical infrastructure workforce, our U.S. production facilities have continued to operate in support of essential products and services required to meet national security commitments to the U.S. Government and the U.S. military; however, facility closures or work slowdowns or temporary stoppages have occurred and could occur in the future. In addition, other countries have different practices and policies that can affect our international operations and the operations of our suppliers and customers.

The ultimate impact of COVID on our operations and financial performance depends on many factors that are not within our control, including, but not limited to, duration of the pandemic, potential subsequent waves of COVID infection or potential new variants, the effectiveness and adoption of COVID vaccines and therapeutics, governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including shutdown orders, border closings, restrictions on travel and transport and workplace restrictions) and resulting supplier impacts. In addition, to the extent global vaccination programs do not achieve intended results and a longer period of economic and global supply chain and related disruption continues, the more adverse the impact will be on our business operations, financial performance and results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms, and that such information is accumulated and communicated to us, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, an evaluation as of September 30, 2022 was conducted under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures, as of September 30, 2022, were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1.Legal Proceedings.

In the ordinary course of business, we may become subject to litigation or claims. We are not aware of any material pending legal proceedings, other than ordinary routine litigation incidental to our business, to which we or our subsidiaries are a party or to which our properties are subject.

Item 1A.Risk Factors.

The following information supplements the risk factors described in “Item 1A: Risk Factors” in our 2021 Annual Report on Form 10-K and should be read in conjunction with the risk factors described in the 2021 Annual Report on Form 10-K. We wish to caution the reader that the risk factors discussed in “Item 1A: Risk Factors” in our 2021 Annual Report on Form 10-K and those described in this report or other SEC filings could cause actual results to differ materially from those stated in any forward-looking statements.

Our recently completed spin-off of the MtronPTI business and related operations could negatively impact our business and adversely affect our financial position and results of operations.

On October 7, 2022, we completed the spin-off of our MtronPTI business. The spin-off poses risks and challenges that could negatively impact our business. The spin-off may dilute our earnings per share, have other adverse financial and accounting impacts and distract management. Further, we may not receive tax-free treatment for U.S. federal income tax purposes. The resolution of these contingencies may have a material effect on our financial position and results of operations. Uncertainty about the effect of the spin-off of the MtronPTI business on employees, customers and vendors may have an adverse effect on us. These uncertainties could cause customers, vendors and others that deal with us to defer or decline entering into contracts with us or seek to change existing business relationships with us.

In addition, we may not be able to achieve the full strategic and financial benefits that are expected to result from the spin-off and the anticipated benefits of the spin-off are based on a number of assumptions, some of which may prove incorrect. For example, there is risk that as smaller, independent companies, the companies resulting from the spin-off will be less diversified with a narrower business focus and may be more vulnerable to changing market conditions as well as the risk of takeover by third parties. There may be a loss of synergies from separating the businesses that could negatively impact the balance sheet, profit margins or earnings of both businesses. Lastly, there is risk that that the combined value of the common stock of the two publicly-traded companies will not be equal to or greater than the value of the Company’s common stock had the spin-off not occurred.

Item 5.Other Information.

THE LGL GROUP, INC.
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE COMPANY

On August 3, 2022, the Board of Directors of The LGL Group, Inc. (the “Company”) approved the spin-off of the Mtron business into an independent, publicly traded company (the “Spin-Off”) by means of a distribution of 100% of the outstanding common stock of M-tron Industries, Inc. (“MtronPTI”), on a pro rata basis, to the Company’s existing shareholders. The Company effected this through an intended tax-free Spin-Off of MtronPTI to LGL’s shareholders. The distribution of MtronPTI shares was completed at 12:01 am on October 7, 2022, with LGL shareholders receiving one-half share of MtronPTI common stock for every share of LGL common stock held at the close of business on the record date of September 30, 2022 (the “Distribution”). MtronPTI common stock trades on the NYSE American under the symbol “MPTI.” Following the Spin-Off, the Company retains no ownership interest in MtronPTI.

The following unaudited pro forma consolidated statements of income (loss) for the nine months ended September 30, 2022 and the fiscal year ended December 31, 2021 reflect the results of operations as if the Distribution had occurred on January 1, 2021. The unaudited pro forma consolidated balance sheet as of September 30, 2022 assumes that the Distribution occurred as of September 30, 2022. The unaudited pro forma consolidated financial information should be read together with the Company’s historical consolidated financial statements and accompanying notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in its annual report on Form 10-K for the fiscal year ended December 31, 2021, and in its quarterly report on Form 10-Q for the nine months ended September 30, 2022.

The unaudited pro forma consolidated financial statements are for illustrative and informational purposes only and are not intended to represent what the Company’s results of operations or financial position would have been had the Spin-Off and related transactions occurred on the dates assumed. In addition, the unaudited pro forma consolidated financial statements also should not be considered indicative of the Company’s future results of operations or financial position following the Spin-Off.

The “Historical LGL (as reported)” column in the unaudited pro forma consolidated financial statements reflects the Company’s historical consolidated financial statements for the periods presented and does not reflect any adjustments related to the Spin-Off and related transactions.

The information in the “Discontinued Operations” column in the unaudited pro forma consolidated statements of income (loss) was derived from the Company’s consolidated financial statements and related accounting records for the nine months ended September 30, 2022 and the fiscal year ended December 31, 2021, and reflects the operating results of MtronPTI. The Company has historically provided many corporate functions on MtronPTI’s behalf, including executive services, tax, accounting, public and investor relations, general management, and has shared information technology systems, corporate governance activities, and centrally managed employee benefit arrangements. The expense allocation is based on the allocation methodology used to prepare the carve-out financial statements of MtronPTI included in the Information Statement included as Exhibit 99.1 to MtronPTI’s Registration Statement on Form 10, as amended on August 19, 2022 (the “Information Statement”) and is considered to be a reasonable estimate of the costs of services provided to MtronPTI by the Company during the periods presented. However, the allocation may not reflect the Company’s actual expenses following the Spin-Off or the actual costs to be incurred by MtronPTI following the Spin-Off, which may be impacted by multiple factors, including the organizational structure and strategic direction of these companies in the future. The information in the “Discontinued Operations” column in the unaudited pro forma consolidated balance sheet was derived from the Company’s consolidated financial statements and the related accounting records as of September 30, 2022, adjusted to include the assets and liabilities of MtronPTI pursuant to the Amended Separation and Distribution agreement. Discontinued Operations does not reflect what MtronPTI’s results of operations would have been on a stand-alone basis and are not necessarily indicative of future results of operations. Beginning in the fourth quarter of fiscal 2022, MtronPTI’s historical financial results for periods prior to the Distribution will be reflected in the Company’s consolidated financial statements as discontinued operations.

The information in the “Pro Forma Adjustments” column in the unaudited pro forma consolidated financial statements was based on available information and assumptions that the Company’s management believes are reasonable, that reflect the impacts of events directly attributable to the Spin-Off and related transactions that are factually supportable, and for purposes of the consolidated statements of income (loss), are not expected to have a continuing impact on the Company. The pro forma adjustments do not reflect future events that may occur after the Spin-Off, including potential selling, general and administrative dis-synergies and the expected charges, the expected realization of any cost savings and other synergies in connection with the Spin-Off.

The “Pro Forma LGL” column is not necessarily indicative of future results nor does it reflect what the Company’s financial position and results of operations would have been as an independent public company during the periods presented.

Costs directly related to the Spin-Off prior to its completion have been and will be borne by the Company. Accordingly, these costs are reflected in the Company's pro forma statement of operations below, and included within the pro forma adjustments on the income statements .

THE LGL GROUP, INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2022
(In thousands, except per share amounts)

	Historical LGL (as reported)	Discontinued Operations (A)	Pro Forma Adjustments		Pro Forma LGL
REVENUES	$ 24,303	$ (23,172)	$ —		$ 1,131
Costs and expenses:					
Manufacturing cost of sales	15,591	(14,919)	—		672
Engineering, selling and administrative	8,246	(6,206)	(575)	**(B)**	1,465
OPERATING INCOME (LOSS)	466	(2,047)	575		(1,006)
Other income (expense):					
Interest income, net	51	6	—		57
Investment loss	(4,449)	—	—		(4,449)
Other (expense) income, net	(37)	41	—		4
Total other (expense) income, net	(4,435)	47	—		(4,388)
(LOSS) INCOME BEFORE INCOME TAXES	(3,969)	(2,000)	575		(5,394)
Income tax (provision) benefit	(881)	(392)	123	**(C)**	(1,150)
NET LOSS (INCOME)	$ (3,088)	$ (1,608)	$ 452		$ (4,244)
Basic per share information:					
Weighted average number of shares used in basic earnings per share calculation	5,334,774	5,334,774	5,334,774		5,334,774
Basic net loss (income) per share	$ (0.58)	$ (0.30)	$ 0.08		$ (0.80)
Diluted per share information:					
Weighted average number of shares used in diluted earnings per share calculation	5,334,774	5,334,774	5,334,774		5,334,774
Diluted net loss (income) per share	$ (0.58)	$ (0.30)	$ 0.08		$ (0.80)

THE LGL GROUP, INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2021
(In thousands, except per share amounts)

	Historical LGL (as reported)	Discontinued Operations (A)	Pro Forma Adjustments		Pro Forma LGL
REVENUES	$ 28,140	$ (26,694)	$ —		$ 1,446
Costs and expenses:					
Manufacturing cost of sales	18,069	(17,358)	—		711
Engineering, selling and administrative	10,857	(7,222)	(201)	**(B)**	3,434
OPERATING LOSS	(786)	(2,114)	201		(2,699)
Other (expense) income:					
Interest (expense) income, net	(11)	12	—		1
Gain on equity investment in unconsolidated subsidiary	59,453	—	—		59,453
Realized loss on marketable securities	(16,962)	—	—		(16,962)
Unrealized loss on marketable securities	(22,949)	—	—		(22,949)
Other income, net	11	(11)	—		—
Total other income, net	19,542	1	—		19,543
INCOME (LOSS) BEFORE INCOME TAXES	18,756	(2,113)	201		16,844
Income tax provision (benefit)	4,118	(531)	43	**(C)**	3,630
NET INCOME (LOSS)	$ 14,638	$ (1,582)	$ 158		$ 13,214
Basic per share information:					
Weighted average number of shares used in basic earnings per share calculation	5,275,374	5,275,374	5,275,374		5,275,374
Basic net income (loss) per share	$ 2.77	$ (0.30)	$ 0.03		$ 2.50
Diluted per share information:					
Weighted average number of shares used in diluted earnings per share calculation	5,334,087	5,334,087	5,334,087		5,334,087
Diluted net income (loss) per share	$ 2.74	$ (0.30)	$ 0.03		$ 2.48

THE LGL GROUP, INC.
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2022
(In thousands, except par value amounts)

	Historical LGL (as reported)	Discontinued Operations (A)	Pro Forma Adjustments		Pro Forma LGL
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 22,291	$ (806)	$ (194)	**(D)**	$ 21,291
Marketable securities	17,070	—	—		17,070
Accounts receivable, net of allowance of $208	5,622	(5,336)	—		286
Inventories, net	7,584	(7,298)	—		286
Prepaid expenses and other current assets	217	(142)	—		75
Total Current Assets	52,784	(13,582)	(194)		39,008
Property, Plant and Equipment					
Land	536	(536)	—		—
Buildings and improvements	4,877	(4,877)	—		—
Machinery and equipment	19,470	(18,831)	—		639
Gross property, plant and equipment	24,883	(24,244)	—		639
Less: accumulated depreciation	(21,323)	20,685	—		(638)
Net property, plant and equipment	3,560	(3,559)	—		1
Right-of-use lease asset	290	(160)	—		130
Intangible assets, net	196	(112)	—		84
Deferred income tax asset	1,056	(29)	—		1,027
Other assets	18	(18)	—		—
Total Assets	$ 57,904	$ (17,460)	$ (194)		$ 40,250
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable	$ 3,034	$ (2,975)	$ —		$ 59
Accrued compensation and commissions expense	1,557	(1,267)	—		290
Income taxes payable	76	(76)	—		—
Other accrued expenses and liabilities	465	(405)	—		60
Total Current Liabilities	5,132	(4,723)	—		409
Loan payable to affiliate	—	—	—		—
Deferred income tax liability	—	—	—		—
Other liabilities	593	(91)	—		502
Total Liabilities	5,725	(4,814)	—		911
Contingencies (Note O)					
Stockholders' Equity					
Common stock, $0.01 par value - 30,000,000 shares authorized; 5,487,054 common shares issued and 5,349,187 shares outstanding at September 30, 2022	53	—	—		53
Additional paid-in capital	46,341	(5,978)	—		40,363
Retained earnings (accumulated deficit)	6,365	(6,668)	(194)	**(E)**	(497)
Treasury stock, 81,584 shares held in treasury at cost at September 30, 2022	(580)	—	—		(580)
Total Stockholders' Equity	52,179	(12,646)	(194)		39,339
Total Liabilities and Stockholders' Equity	$ 57,904	$ (17,460)	$ (194)		$ 40,250

THE LGL GROUP, INC.
NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma consolidated statements of income (loss) for the nine months ended September 30, 2022 and the year ended December 31, 2021, and the unaudited pro forma consolidated balance sheet as of September 30, 2022 includes the following adjustments:

(A) Reflects the discontinued operations of MtronPTI, including the associated assets, liabilities, equity and results of operations, that are directly related to the Spin-Off.

(B) Reflects one-time non-recurring costs related directly to the Spin-Off that were recorded in the historical numbers for LGL.

(C) Reflects the tax impact of pro forma adjustments.

(D) Reflects the calculated cash distribution from the Company to MtronPTI in connection with the Spin-Off which was completed on October 7, 2022. As of the date of the Spin-Off, MtronPTI had a cash balance of approximately $1.0 million.

(E) Reflects the impact to the Company’s shareholders’ equity from the pro forma adjustment described in note (B).

Item 6.Exhibits.

The following exhibits are included, or incorporated by reference, in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 (and are numbered in accordance with Item 601 of Regulation S-K):

Exhibit No.	Description
3.1	Certificate of Incorporation of The LGL Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on August 31, 2007).
3.2	The LGL Group, Inc. By-Laws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on August 31, 2007).
3.3	The LGL Group, Inc. Amendment No. 1 to By-Laws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 17, 2014).
3.4	The LGL Group, Inc. Amendment No. 2 to By-Laws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 21, 2020).
3.5	The LGL Group, Inc. Amendment No. 3 to By-Laws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 26, 2020).
3.6	The LGL Group, Inc. Certificate of Amendment to Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 4, 2022).
10.1	Credit Agreement by and among M-Tron Industries, Inc., Piezo Technology, Inc. and Fifth Third Bank, National Association, dated June 15, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 21, 2022).
10.2	Promissory Note in favor of Fifth Third Bank, National Association, dated June 15, 2022 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 21, 2022).
10.3	Security Agreement by and among M-Tron Industries, Inc. and Fifth Third Bank, National Association, dated June 15, 2022 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 21, 2022).
10.4	Security Agreement by and among Piezo Technology, Inc. and Fifth Third Bank, National Association, dated June 15, 2022 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on June 21, 2022).
31.1*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	The cover page for the Company's Quarterly Report on Form 10-Q has been formatted in Inline XBRL and contained in Exhibit 101

* Filed herewith

** In accordance with Item 601(b)(32) of Regulation S-K, this Exhibit is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE LGL GROUP, INC.

Date: November 14, 2022	By:	/s/ Mike J. Ferrantino Mike J. Ferrantino President and Chief Executive Officer (Principal Executive Officer)
Date: November 14, 2022	By:	/s/ James W. Tivy James W. Tivy Chief Accounting Officer (Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mike J. Ferrantino, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The LGL Group, Inc. for the quarterly period ended September 30, 2022;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2022

/s/ Mike J. Ferrantino

Name: Mike J. Ferrantino
Title: President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James W. Tivy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The LGL Group, Inc. for the quarterly period ended September 30, 2022;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2022

/s/James W. Tivy

Name: James W. Tivy
Title: Chief Accounting Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of The LGL Group, Inc. (the “Company”) on Form 10-Q for the quarterly period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mike J. Ferrantino, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 14, 2022

/s/ Mike J. Ferrantino

Name: Mike J. Ferrantino
Title: President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of The LGL Group, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James W. Tivy, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 14, 2022

/s/ James W. Tivy

Name: James W. Tivy
Title: Chief Accounting Officer
(Principal Financial Officer)