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LGL Group, Inc.

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UNITED STATES
SECURITIES & 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 March 31, 2012

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. 1-106

THE LGL GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

(407) 298-2000

(Registrant's telephone number, including area code)

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

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

Yes ☑ No ❑

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

Large accelerated filer ❑ Accelerated filer ❑
Non-accelerated filer ❑ Smaller reporting company ☑
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ❑ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 14, 2012
Common Stock, $0.01 par value	2,599,866

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THE LGL GROUP, INC.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

THE LGL GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS — UNAUDITED

(Dollars in Thousands, Except Per Share Amounts)

ASSETS		March 31, 2012		December 31, 2011 (A)
Current Assets:				
Cash and cash equivalents	$	13,392	$	13,709
Accounts receivable, less allowances of $116 and $131, respectively		3,807		4,309
Inventories, net (Note C)		5,840		5,676
Deferred income taxes		960		960
Prepaid expenses and other current assets		279		292
Total Current Assets		24,278		24,946
Property, Plant and Equipment				
Land		640		640
Buildings and improvements		3,652		3,620
Machinery and equipment		15,263		15,001
Gross property, plant and equipment		19,555		19,261
Less: accumulated depreciation		(14,891)		(14,731)
Net property, plant, and equipment		4,664		4,530
Deferred income taxes, net		2,651		2,385
Other assets, net		552		560
Total Assets	$	32,145	$	32,421

THE LGL GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS — UNAUDITED, continued

(Dollars in Thousands, Except Per Share Amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2012	December 31, 2011 (A)
Current Liabilities:		
Note payable to bank (Note D)	$ 2,956	$ 3,026
Accounts payable	2,392	1,755
Accrued compensation and commissions expense	1,098	1,102
Other accrued expenses	291	545
Current maturities of long-term debt (Note D)	316	400
Total Current Liabilities	7,053	6,828
Long-term debt, net of current portion (Note D)	—	—
Total Liabilities	7,053	6,828
Commitments and Contingencies		
Stockholders' Equity		
Common stock, $0.01 par value - 10,000,000 shares authorized; 2,635,320 shares issued and 2,599,866 shares outstanding at March 31, 2012, and 2,628,188 shares issued and 2,592,734 shares outstanding at December 31, 2011	26	26
Additional paid-in capital	27,745	27,656
Accumulated deficit	(2,392)	(1,799)
Treasury stock; 35,454 shares held in treasury at cost at March 31, 2012 and December 31, 2011	(315)	(315)
Accumulated other comprehensive income	28	25
Total Stockholders' Equity (Note J)	25,092	25,593
Total Liabilities and Stockholders' Equity	$ 32,145	$ 32,421

(A) The Condensed Consolidated Balance Sheet as of December 31, 2011, has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See Accompanying Notes to Consolidated Financial Statements.

THE LGL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS — UNAUDITED

(Dollars in Thousands, Except Shares and Per Share Amounts)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
REVENUES	$ 7,174	$ 9,020
Cost and expenses:		
Manufacturing cost of sales	5,577	6,078
Engineering, selling and administrative	2,398	2,559
Total Cost and Expenses	7,975	8,637
OPERATING INCOME (LOSS)	(801)	383
Other income (expense):		
Interest (expense)	(27)	(12)
Other income (expense)	(31)	9
Total Other Income (Expense)	(58)	(3)
INCOME (LOSS) BEFORE INCOME TAXES	(859)	380
Income tax benefit (provision)	266	(139)
NET INCOME (LOSS)	$ (593)	$ 241
Weighted average number of shares used in basic and diluted net income (loss) per common share calculation.	2,595,242	2,481,149
BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE	$ (0.23)	$ 0.10

See accompanying Notes to Condensed Consolidated Financial Statements.

THE LGL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) — UNAUDITED

(Dollars in Thousands)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
NET INCOME (LOSS)	$ (593)	$ 241
Other comprehensive income:		
Unrealized gain on available-for-sale securities	3	18
Deferred gain on swap liability on hedge contracts	--	5
COMPREHENSIVE INCOME (LOSS)	$ (590)	$ 264

See accompanying Notes to Condensed Consolidated Financial Statements.

THE LGL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY — UNAUDITED

(Dollars in Thousands)

	Shares of Common Stock Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2011	2,592,734	$ 26	$ 27,656	$ (1,799)	$ 25	$ (315)	$ 25,593
Net loss for period	--	--	--	(593)	--	--	(593)
Other comprehensive income	--	--	--	--	3	--	3
Stock-based compensation (Note E)	7,132	--	89	--	--	--	89
Balance at March 31, 2012	2,599,866	$ 26	$ 27,745	$ (2,392)	$ 28	$ (315)	$ 25,092

See accompanying Notes to Condensed Consolidated Financial Statements.

THE LGL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED

(Dollars in Thousands)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
OPERATING ACTIVITIES		
Net income (loss)	$ (593)	$ 241
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	160	168
Amortization of finite-lived intangible assets	21	36
Stock-based compensation	89	34
Deferred income taxes	(266)	93
Changes in operating assets and liabilities:		
Decrease in accounts receivable	502	981
Increase in inventories	(164)	(338)
(Increase) Decrease in trade accounts payable, accrued liabilities and other liabilities	382	(54)
Increase in other current assets	--	(18)
Net cash provided by operating activities	131	1,143
INVESTING ACTIVITIES		
Capital expenditures	(294)	(569)
Net cash used in investing activities	(294)	(569)
FINANCING ACTIVITIES		
Net repayments on note payable to bank	(70)	--
Proceeds from issuance of common stock	--	6,562
Payment of expenses related to the public offering	--	(158)
Principal payments on long-term debt	(84)	(73)
Net cash provided by (used in) financing activities	(154)	6,331
Increase (decrease) in cash and cash equivalents	(317)	6,905
Cash and cash equivalents at beginning of period	13,709	4,147
Cash and cash equivalents at end of period	$ 13,392	$ 11,052

Supplemental Disclosure:

	2012	2011
Cash paid for income taxes	$ 5	$ 35
Cash paid for interest	$ 32	$ 9

See accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. Subsidiaries of the Registrant

The LGL Group, Inc. (the “Company”), formerly Lynch Corporation, incorporated in 1928 under the laws of the State of Indiana and reincorporated under the laws of the State of Delaware in 2007, is a holding company with subsidiaries engaged in the design, manufacture, and sale of standard and custom engineered electronic components.

As of March 31, 2012, the subsidiaries of the Company are as follows:

	Owned By LGL
M-tron Industries, Inc.	100.0%
M-tron Industries, Ltd.	99.9%
Piezo Technology, Inc.	100.0%
Piezo Technology India Private Ltd.	99.0%
Lynch Systems, Inc.	100.0%

The Company operates through its principal subsidiary, M-tron Industries, Inc., which includes the operations of M-tron Industries, Ltd. (“Mtron”) and Piezo Technology, Inc. (“PTI”). The combined operations of Mtron and PTI are referred to herein as “MtronPTI.” MtronPTI has operations in Orlando, Florida, Yankton, South Dakota and Noida, India. In addition, MtronPTI has sales offices in Hong Kong and Shanghai, China. During 2007, the Company sold the operating assets of Lynch Systems, Inc., a subsidiary of the Company, to an unrelated third party.

B. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. 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 months ended March 31, 2012, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2012.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

C. Inventories

Inventories are stated at the lower of cost or market value. The Company reduces the value of its inventories to market value when the value is believed to be less than the cost of the item.

	March 31, 2012	December 31, 2011
	(in thousands)	
Raw materials, net	$ 2,809	$ 2,864
Work in process, net	1,598	1,384
Finished goods, net	1,433	1,428
Total Inventories, net	$ 5,840	$ 5,676

The inventory reserve for obsolescence as of March 31, 2012 and December 31, 2011, was $2,037,000 and $1,942,000, respectively.

D. Notes Payable to Banks and Long-Term Debt

	March 31, 2012	December 31, 2011
Notes Payable:	(in thousands)	
MtronPTI revolving loan with J.P. Morgan Chase Bank, N.A. ("Chase") at the greater of Chase's prime rate or the one-month LIBOR rate plus 2.50% per annum (3.25% at March 31, 2012), due June 30, 2013.	$ 2,956	$ 3,026
Long-Term Debt:		
MtronPTI term loan with Chase due January 31, 2013. The note bears interestat a fixed rate of 5.00%	316	400
Less: Current maturities	316	400
Long-Term Debt	$ --	$ --

On June 30, 2011, certain of the Company's subsidiaries, together referred to as MtronPTI, entered into a loan agreement with Chase (the "Chase Loan Agreement"). The Chase Loan Agreement provides for the following credit facilities: (i) a revolving line of credit in the amount of $4,000,000, to be used solely for working capital needs (the "Chase Revolving Loan"), (ii) a commercial line of credit in the amount of $2,000,000, to be used solely for tangible capital expenditures and, at Chase's sole discretion, business acquisitions (the "Chase Commercial Loan"), and (iii) a term loan in the amount of $536,000 (the "Chase Term Loan"). The Chase Revolving Loan bears interest at the greater of (x) Chase's prime rate or (y) the one-month LIBOR rate plus 2.50% per annum (the "CB Rate"), with interest due and payable on a monthly basis and the outstanding principal balance plus all accrued but unpaid interest due and payable on June 30, 2013. The Chase Commercial Loan bears interest at the CB Rate, with interest due and payable on a monthly basis and the outstanding principal balance plus all accrued but unpaid interest due and payable on June 30, 2012. There was no amount outstanding under the Chase Commercial Loan as of March 31, 2012, or December 31, 2011. The Chase Term Loan bears interest at 5.00% per annum, with principal and interest due and payable in monthly installments of $29,500 and the outstanding principal balance, plus all accrued but unpaid interest due and payable on January 31, 2013.

All outstanding obligations of MtronPTI under the Chase Loan Agreement are collateralized by a first priority security interest in all of the assets of MtronPTI, excluding real property. Additionally, in connection with the Chase Loan Agreement, PTI entered into a separate agreement with Chase providing that PTI would not mortgage or otherwise encumber certain real property it owns in Florida while the credit facilities under the Chase Loan Agreement are outstanding.

The Chase Loan Agreement contains a variety of affirmative and negative covenants, including, but not limited to, financial covenants that MtronPTI maintain: (i) tangible net worth not less than the sum of $7,500,000, plus 50% of the net income earned by MtronPTI for the preceding six-month period at June 30, 2011, with the threshold amount continuing to increase at December 31st and June 30th of each year by 50% of the net income earned by MtronPTI for the preceding six months; (ii) net income of not less than $1,000,000 for the fiscal year-to-date period ending June 30, 2011, $1,500,000 for the fiscal year-to-date period ending September 30, 2011, and $2,000,000 for the fiscal year-to-date period ending December 31, 2011, and for each trailing twelve-month period thereafter, tested on a quarterly basis, provided that MtronPTI not experience two consecutive quarterly losses; and (iii) a debt service coverage ratio of not less than 1.25 to 1.00, tested at the end of every fiscal year.

As of March 31, 2012, MtronPTI was not in compliance with the net income covenant under the Chase Loan Agreement. Based on the definition of net income under the Chase Loan Agreement, which includes a pro forma computation of standalone tax expense for MtronPTI using the separate tax return method, MtronPTI had net income of $474,000 for the trailing twelve months ended March 31, 2012, as compared to the minimum requirement of $2,000,000. Chase has waived non-compliance with this covenant as of March 31, 2012, in accordance with the terms of a letter agreement dated, May 15, 2012, pursuant to which MtronPTI will make a cash collateral deposit of $4,000,000 with Chase. Refer to Note M – Subsequent Events.

Additionally, we have entered into negotiations with Chase regarding an amendment to the Chase Loan Agreement to adjust the financial covenants to permit our compliance with the terms of such covenants in future periods. While we expect to finalize the amendment with Chase shortly, there can be no assurance that we will be able to enter into such an amendment.

E. Stock-Based Compensation

The Company estimates the fair value of stock options on the grant date using the Black-Scholes-Merton option-pricing model. The Black-Scholes-Merton option-pricing model requires subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. There is no expected dividend rate. Historical Company information was the primary basis for the expected volatility assumption. The fair value of grants was calculated using historical volatility as the Company believes that the historical volatility over the life of the option is indicative of expected volatility in the future. The risk-free interest rate is based on the U.S. Treasury zero-coupon rates with a remaining term equal to the expected term of the option. Accounting Standards Codification (“ASC”) 718, *Stock Compensation*, also requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Based on past history of actual performance, a zero forfeiture rate has been assumed.

On February 29, 2012, the Board of Directors granted a total of 7,132 restricted shares to 14 employees of the Company under the 2011 Incentive Plan with a grant date fair value of $8.44 per share, 3,733 of which were granted to executive officers. These shares vest as follows: 30% on the first anniversary of the grant date; an additional 30% on the second anniversary of the grant date; and the remaining 40% on the third anniversary of the grant date. Total stock compensation related expense for this grant for the three-month period ended March 31, 2012, was approximately $2,000.

On March 14, 2011, the Board of Directors granted options to purchase a total of 90,000 shares of the Company's common stock to members of senior management and the Company's Chairman of the Board. These stock options have an exercise price of $22.50 and vest as follows: 30% on the first anniversary of the grant date; an additional 30% on the second anniversary of the grant date; and the remaining 40% on the third anniversary of the grant date. These stock options expire on March 14, 2016. Total stock compensation related expense for this grant for the three-month period ended March 31, 2012, was approximately $66,000.

Restricted stock awards are granted at a value equal to the market price of our common stock on the date of the grant. On December 15, 2010, the Board of Directors granted a total of 12,647 restricted shares to 14 employees of the Company. These shares vest as follows: 30% on the first anniversary of the grant date; an additional 30% on the second anniversary of the grant date; and the remaining 40% on the third anniversary of the grant date. Total stock compensation related expense for this grant for the three-month period ended March 31, 2012, was approximately $21,000.

As of March 31, 2012, there was approximately $811,000 of total unrecognized compensation expense related to unvested share-based compensation arrangements.

F. Earnings (Loss) Per Share

The Company computes earnings (loss) per share in accordance ASC 260,*Earnings Per Share* ("ASC 260"). Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share adjusts basic earnings (loss) per share for the effects of stock options, non-participating restricted common stock, and other potentially dilutive financial instruments, only in the periods in which the effects are dilutive. Shares of restricted stock granted to members of the Board of Directors as a portion of their director fees are deemed to be participating as defined by ASC 260 and therefore are included in the computation of basic earnings (loss) per share.

For the three months ended March 31, 2012, there were options to purchase 90,000 shares of common stock that were excluded from the diluted earnings (loss) per share computation because the impact of the assumed exercise of such stock options would have been anti-dilutive, based on the fact that their exercise price exceeded the market price of the common stock as of March 31, 2012.

G. Fair Value Measurements

The Company measures financial and non-financial assets and liabilities at fair value in accordance with ASC 820,*Fair Value Measurements and Disclosures*. These measurements involve various valuation techniques and assume that the transactions would occur between market participants in the most advantageous market for the Company. The following is a summary of valuation techniques utilized by the Company for its significant financial and non-financial assets and liabilities as of March 31, 2012 and December 31, 2011:

Assets

To estimate the fair value of its marketable securities, the Company obtains current market pricing from quoted market sources or uses pricing for identical securities. Assets measured at fair value on a recurring basis are summarized below.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	March 31, 2012
		(in thousands)		
Equity securities	$ 43	$ --	$ --	$ 43
U.S. Treasury securities	$ 10,587	$ --	$ --	$ 10,587

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2011
		(in thousands)		
Equity securities	$ 40	$ --	$ --	$ 40
U.S. Treasury securities	$ 10,087	$ --	$ --	$ 10,087

H. Foreign Revenues

For the three months ended March 31, 2012 and 2011, foreign revenues were derived from the following countries:

	Three Months Ended March 31,	
Foreign Revenues:	**2012**	**2011**
	(in thousands)	
Malaysia	$ 1,079	$ 1,613
China	934	1,277
Thailand	359	294
All other foreign countries	950	1,663
Total foreign revenues	$ 3,322	$ 4,847

I. Commitments and Contingencies

In the normal course of business, the Company and its subsidiaries may become defendants in certain product liability, worker claims and other litigation. The Company and its subsidiaries have no litigation pending at this time.

J. Stockholders' Equity

On August 29, 2011, the Board authorized the Company to repurchase up to 100,000 shares of its common stock in accordance with applicable securities laws. This authorization increased the total number of shares authorized and available for repurchase under the Company's existing share repurchase program to 540,000 shares, at such times, amounts and prices as the Company shall deem appropriate. As of December 31, 2011, the Company has repurchased a total of 35,454 shares of common stock at a cost of $315,000, which shares are currently held in treasury.

On February 4, 2011, the Company completed a public offering of 350,000 shares of common stock at $20.00 per share. The aggregate number of shares sold reflects and includes the exercise in full by the underwriter of its over-allotment option to purchase 45,652 additional shares of common stock. The Company received net proceeds of $6,404,000 from the offering, after deducting the underwriting discounts and commissions and offering expenses. These proceeds have been and will continue to be used for general corporate purposes, including working capital and potential technology acquisitions or other strategic ventures.

K. Related Party Transactions

At March 31, 2012, the Company had $13,392,000 of cash and cash equivalents compared with $13,709,000 at December 31, 2011. Of this amount, $10,587,000 at March 31, 2012, compared with $10,087,000 at December 31, 2011, is invested in United States Treasury money market funds for which an entity controlled by a 10% stockholder, and for which a Director of the Company serves as a Director, serves as the investment manager. The fund transactions in 2012 and 2011 are directed at the discretion of Company management and carried out by the related party.

L. New Accounting Standards

In September 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-08, Intangibles – Goodwill and Other (Topic 350), *Testing Goodwill for Impairment*, which permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value before applying the two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. This update is effective for us for our annual impairment tests performed during 2012 and should be applied on a prospective basis. The adoption of this new guidance will not have a significant impact on our consolidated financial statements.

M. Subsequent Events

On May 15, 2012, MtronPTI entered into a letter agreement with Chase pursuant to which Chase waived non-compliance with the net income covenant requirement under the Chase Loan Agreement at March 31, 2012, and will make a cash collateral deposit of $4,000,000 with Chase. In connection with the letter agreement, MtronPTI also entered into an Assignment of Deposit agreement with Chase pursuant to which MtronPTI provided Chase with a security interest in and transfer rights over the account holding the aforementioned cash collateral deposit as additional security for MtronPTI's obligations under the Chase Loan Agreement.

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

Cautionary Note Regarding Forward Looking Statements

Information included or incorporated by reference in this Quarterly Report on Form 10-Q may contain forward-looking statements. This information may involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different than the future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology.

Examples of forward-looking statements include, but are not limited to, statements regarding efforts to grow revenue, expectations regarding fulfillment of backlog, future benefits to operating margins and the adequacy of cash resources. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under "Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2012. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Quarterly Report on Form 10-Q will in fact be accurate. Further, we do not undertake any obligation to publicly update any forward-looking statements. As a result, you should not place undue reliance on these forward-looking statements.

Results of Operations

Three months ended March 31, 2012, compared to three months ended March 31, 2011

Consolidated Revenues and Gross Margin

Consolidated revenues decreased by $1,846,000, or 20.5%, to $7,174,000 for the three-month period ended March 31, 2012, from $9,020,000 for the comparable period in 2011. The decrease is primarily due to reduced demand from existing customers for existing products in our Telecommunications ("Telecom"), and Military, Instrumentation, Space and Avionics ("MISA") market segments, as well as the effects of weakness in the global macroeconomic environment. Specifically, decreases in Telecom were driven by weakness in telecommunications network infrastructure spending during the second half of 2011 and the first quarter of 2012, and decreases in MISA were due to uncertainty related to government budget and spending cycles. The Company is continuing its efforts to gain market share with new and existing customers in all of its geographic regions, and by focusing research and development efforts on the development of products that will serve additional segments of the timing and frequency control markets, such as wireless infrastructure, alternative energy management, energy exploration, homeland security, avionics and military personnel protection.

As of March 31, 2012, the Company's order backlog was $8,895,000, which was an increase of 3.0% compared to the backlog as of December 31, 2011, which was $8,634,000, and a decrease of 29.4% compared to the backlog as of March 31, 2011, which was $12,238,000. The decrease in backlog is primarily due to reduced order activity from our existing customers in the MISA market segment, and extended order request dates that fall outside of the 12-month timeframe reflected in the order backlog. The backlog of unfilled orders includes amounts based on signed contracts as well as other agreements we have determined are legally binding and likely to proceed. Although backlog represents only business that is considered likely to be performed, cancellations or scope adjustments may and do occur.

Backlog is adjusted quarterly to reflect project cancellations, deferrals, revised project scope and cost, and sales of subsidiaries, if any. The Company expects to fill substantially its entire current backlog within the next twelve months, but cannot provide assurance as to the portion of the backlog to be fulfilled in a given year.

Consolidated gross margin, which is consolidated revenues less manufacturing cost of sales, as a percentage of revenues decreased to 22.3% for the three months ended March 31, 2012, from 32.6% for the comparable period in 2011. This decrease is due primarily to the 20.5% decrease in revenues from the comparable period in 2011, which eroded gross margin by spreading fixed infrastructure costs over a smaller revenue base. The Company is continuing its efforts to further improve its manufacturing and supply chain efficiency.

Operating Income (Loss)

Operating loss was ($801,000) for the three months ended March 31, 2012, compared to operating income of $383,000 for the comparable period in 2011. This decrease is primarily the result of a 10.3 percentage point decrease in gross margin, which was mainly the result of the 20.5% decrease in revenues as compared to the same period in 2011.

Interest expense

Interest expense was ($27,000) for the three months ended March 31, 2012, which was an increase of $15,000 from ($12,000) for the three months ended March 31, 2011. The increase was primarily due utilization of the Chase Revolving Loan for working capital and general corporate purposes.

Net Income (Loss)

The net loss for the three months ended March 31, 2012, was ($593,000) compared to net income of $241,000 for the comparable period in 2011. The decrease was primarily attributable to a 20.5% decrease in revenues for the three months ended March 31, 2012, as compared to the same period in 2011, and a 10.3 percentage point decrease in gross margin as compared to the same period in 2011. Basic and diluted net loss per share for the three months ended March 31, 2012, was ($0.23) compared with basic and diluted net income per share of $0.10 for the three months ended March 31, 2011.

Liquidity and Capital Resources

The Company's cash and cash equivalents at March 31, 2012, were $13,392,000 as compared to $13,709,000 at December 31, 2011. At March 31, 2012, MtronPTI had approximately $2,956,000 outstanding under the Chase Revolving Loan and available borrowing capacity of $0 under the Chase Revolving Loan (total borrowing capacity was below the maximum $4,000,000 available due to certain limitations on the borrowing base as defined in the Chase Loan Agreement) and $2,000,000 under the Chase Commercial Loan, compared with $3,026,000 outstanding and available borrowing capacity of $389,000 at December 31, 2011. At March 31, 2012, the Company's consolidated working capital was $17,225,000, as compared to $18,118,000 at December 31, 2011. At March 31, 2012, the Company had current assets of $24,278,000 and current liabilities of $7,053,000. The ratio of current assets to current liabilities was 3.44 to 1.00 at March 31, 2012, compared to 3.65 to 1.00 at December 31, 2011.

Cash provided by operating activities was $131,000 for the three months ended March 31, 2012, compared to cash provided by operating activities of $1,143,000 for the three months ended March 31, 2011. The decrease in cash provided by operating activities is due to the decrease in net income (loss) to ($593,000) for the three months ended March 31, 2012, from $241,000 for the three months ended March 31, 2011. This decrease in net income was partially offset by a decrease in accounts receivable of $502,000 compared to a decrease of accounts receivable of $981,000 during the same period in 2011, and a use of cash resulting from an increase in the inventory balance of ($164,000) compared to an increase of ($338,000) during the same period in 2011.

Cash used in investing activities was ($294,000) for the three months ended March 31, 2012, compared to ($569,000) for the same period in 2011. The decrease was due primarily to a reduced level of spending on software to replace the Company's enterprise resource planning systems as the project nears completion.

Cash used by financing activities from operations was ($154,000) for the three months ended March 31, 2012, compared with cash provided by financing activities of $6,331,000 for the same period in 2011. The decrease in cash provided by (used in) financing activities is due to the Company's completion of the Company's public offering of 350,000 shares of common stock in February 2011, resulting in net proceeds of $6,404,000 during the three months ended March 31, 2011.

At March 31, 2012, total liabilities of $7,053,000 were $225,000 greater than the total liabilities at December 31, 2011, of $6,828,000. The increase in total liabilities was primarily due to an increase in accounts payable. At March 31, 2012, the Company had $316,000 in current maturities of long-term debt compared with $400,000 at December 31, 2011. The decrease is due to the scheduled repayments of the Chase Commercial Loan.

On June 30, 2011, MtronPTI entered into the Chase Loan Agreement with Chase. The Chase Loan Agreement provides for the following credit facilities: (i) a revolving line of credit in the amount of $4,000,000, to be used solely for working capital needs, referred to as the Chase Revolving Loan, (ii) a commercial line of credit in the amount of $2,000,000, to be used solely for tangible capital expenditures and, at Chase's sole discretion, business acquisitions, referred to as the Chase Commercial Loan, and (iii) a term loan in the amount of $536,000, referred to as the Chase Term Loan. The Chase Revolving Loan bears interest at the greater of (x) Chase's prime rate or (y) the one-month LIBOR rate plus 2.50% per annum, referred to as the CB Rate, with interest due and payable on a monthly basis and the outstanding principal balance plus all accrued but unpaid interest due and payable on June 30, 2013. The Chase Commercial Loan bears interest at the CB Rate, with interest due and payable on a monthly basis and the outstanding principal balance plus all accrued but unpaid interest due and payable on June 30, 2012. There was no amount outstanding under the Chase Commercial Loan as of March 31, 2012, or December 31, 2011. The Chase Term Loan bears interest at 5.00% per annum, with principal and interest due and payable in monthly installments of $29,500 and the outstanding principal balance, plus all accrued but unpaid interest due and payable on January 31, 2013.

All outstanding obligations of MtronPTI under the Chase Loan Agreement are collateralized by a first priority security interest in all of the assets of MtronPTI, excluding real property. Additionally, in connection with the Chase Loan Agreement, PTI entered into a separate agreement with Chase providing that PTI would not mortgage or otherwise encumber certain real property it owns in Florida while the credit facilities under the Chase Loan Agreement are outstanding.

The Chase Loan Agreement contains a variety of affirmative and negative covenants, including, but not limited to, financial covenants that MtronPTI maintain: (i) tangible net worth not less than the sum of $7,500,000, plus 50% of the net income earned by MtronPTI for the preceding six-month period at June 30, 2011, with the threshold amount continuing to increase at December 31st and June 30th of each year by 50% of the net income earned by MtronPTI for the preceding six months; (ii) net income of not less than $1,000,000 for the fiscal year-to-date period ending June 30, 2011, $1,500,000 for the fiscal year-to-date period ending September 30, 2011, and $2,000,000 for the fiscal year-to-date period ending December 31, 2011, and for each trailing twelve-month period thereafter, provided that MtronPTI not experience two consecutive quarterly losses; and (iii) a debt service coverage ratio of not less than 1.25 to 1.00, tested at the end of every fiscal year.

As of March 31, 2012, MtronPTI was not in compliance with the net income covenant under the Chase Loan Agreement. Based on the definition of net income under the Chase Loan Agreement, which includes a pro forma computation of standalone tax expense for MtronPTI using the separate tax return method, MtronPTI had net income of $474,000 for the trailing twelve months ended March 31, 2012, as compared to the minimum requirement of $2,000,000. Chase has waived non-compliance with this covenant as of March 31, 2012, in accordance with the terms of a letter agreement dated May 15, 2012, pursuant to which the Company will make a cash collateral deposit of $4,000,000 with Chase. In connection with the letter agreement, MtronPTI provided Chase with a security interest in and transfer rights over the account holding the aforementioned cash collateral deposit as additional security for MtronPTI's obligations under the Chase Loan Agreement.

Additionally, we have entered into negotiations with Chase regarding an amendment to the Chase Loan Agreement to adjust the financial covenants to permit our compliance with the terms of such covenants in future periods. While we expect to finalize the amendment with Chase shortly, there can be no assurance that we will be able to enter into such an amendment.

The Company believes that existing cash and cash equivalents, cash generated from operations and available borrowings on its revolving line of credit will be sufficient to meet its ongoing working capital and capital expenditure requirements for the next 12 months. However, the Company may need to seek additional capital to fund future growth in its business, to provide flexibility to respond to dynamic market conditions, or to fund its strategic growth objectives.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of such statements requires us to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. Our estimates are based on historical experience and other assumptions that we consider to be reasonable given the circumstances. Actual results may vary from our estimates.

The Company's most critical accounting policies include revenue recognition, accounts receivable allowance, valuation of inventories, accounting for warranty obligations, accounting for income taxes, and accounting for stock-based compensation.

Revenue Recognition

The Company recognizes revenue from the sale of its product in accordance with the criteria in ASC 605, *Revenue Recognition*, which are:

– Persuasive evidence that an arrangement exists;

– Delivery has occurred;

– The seller's price to the buyer is fixed and determinable; and

– Collectability is reasonably assured.

The Company meets these conditions upon shipment because title and risk of loss passes to the customer at that time. However, the Company offers a limited right of return and/or authorized price protection provisions in itsagreements 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. The amount of these reserves at March 31, 2012, is not material to the financial statements.

The Company recognizes revenue related to transactions with a right of return and/or authorized price protection provisions when the following conditions are met:

– Seller's price to the buyer is fixed or determinable at the date of sale;

– Buyer has paid the seller, or the buyer is obligated to pay the seller and the obligation is not contingent on resale of the product;

– Buyer's obligation to the seller would not be changed in the event of theft or physical destruction or damage of the product;

– Buyer acquiring the product for resale has economic substance apart from that provided by the seller;

– Seller does not have obligations for future performance; and

– The amount of future returns can be reasonably estimated.

Accounts Receivable Allowance

Accounts receivable on a consolidated basis consists principally of amounts due from both domestic and foreign customers. Credit is extended based on an evaluation of the customer's financial condition and collateral is not generally required. In relation to export sales, the Company requires letters of credit supporting a significant portion of the sales price prior to production to limit exposure to credit risk. Certain credit sales are made to industries that are subject to cyclical economic changes. The Company maintains an allowance for doubtful accounts at a level that management believes is sufficient to cover potential credit losses.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Estimates are based on historical collection experience, current trends, credit policy and relationship between accounts receivable and revenues. In determining these estimates, the Company examines historical write-offs of its receivables and reviews each client's account to identify any specific customer collection issues. If the financial condition of its customers were to deteriorate, resulting in an impairment of their ability to make payment, additional allowances might be required. The Company's failure to estimate the losses for doubtful accounts accurately and ensure that payments are received on a timely basis could have a material adverse effect on its business, financial condition and results of operations.

Inventory Valuation

Inventories are stated at the lower of cost or market value using the FIFO (first-in, first-out) method.

The Company maintains a reserve for inventory based on estimated losses that result from inventory that becomes obsolete as of period end. In determining these estimates, the Company performs an analysis on demand and usage for each inventory item over historical time periods. Based on that analysis, the Company reserves a percentage of the inventory amount within each time period based on historical demand and usage patterns of specific items in inventory.

Warranties

The Company offers a standard one-year warranty. The Company tests its products prior to shipment in order to ensure that they meet each customer's requirements based upon specifications received from each customer at the time its order is received and accepted. The Company's customers may request to return products for various reasons, including but not limited to the customers' belief that the products are not performing to specification. The Company's return policy states that it will accept product returns only with prior authorization and if the product does not meet customer specifications, in which case the product would be replaced or repaired. To accommodate the Company's customers, each request for return is reviewed, and if and when it is approved, a return materials authorization ("RMA") is issued to the customer. Each month the Company records a specific warranty reserve for approved RMAs covering products that have not yet been returned. The Company does not maintain a general warranty reserve because, historically, valid warranty returns resulting from a product not meeting specifications or being non-functional have been immaterial.

Income Taxes

The Company's deferred income tax assets represent temporary differences between the financial statement carrying amount and the tax basis of existing assets and liabilities that will result in deductible amounts in future years, including net operating loss carryforwards. Based on estimates, the carrying value of our net deferred tax assets assumes that it is more likely than not that the Company will be able to generate sufficient future taxable income in certain tax jurisdictions. Our judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. If, in the future, the Company experiences losses for a sustained period of time, the Company may not be able to conclude that it is more likely than not that the Company will be able to generate sufficient future taxable income to realize our deferred tax assets. If this occurs, the Company may be required to increase the valuation allowance against the deferred tax assets resulting in additional income tax expense.

Stock-Based Compensation

The Company measures the cost of employee services in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes the cost over the requisite service period, typically the vesting period.

The Company estimates the fair value of stock options on the grant date using the Black-Scholes-Merton option-pricing model. The Black-Scholes-Merton option-pricing model requires subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. There is no expected dividend rate. Historical Company information was the basis for the expected volatility assumption as the Company believes that the historical volatility over the life of the option is indicative of expected volatility in the future. The risk-free interest rate is based on the U.S. Treasury zero-coupon rates with a remaining term equal to the expected term of the option. The Company also estimates forfeitures at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Based on past history of actual performance, a zero forfeiture rate has been assumed.

Restricted stock awards are granted at a value equal to the market price of our common stock on the date of the grant.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company's principal executive officer and principal financial officer evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on their evaluation of the Company's disclosure controls and procedures, the Company's principal executive officer and principal financial officer, with the participation of the Company's management, have concluded that the Company's disclosure controls and procedures were effective as of March 31, 2012, to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow for timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the fiscal quarter ended March 31, 2012, there were no changes in the Company's internal controls over financial reporting, or in other factors that could significantly affect these controls, that 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.

None.

Item 1A. Risk Factors.

None.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

On May 15, 2012, MtronPTI entered into a letter agreement with Chase pursuant to which Chase waived non-compliance with the net income covenant requirement under the Chase Loan Agreement at March 31, 2012, and will make a cash collateral deposit of $4,000,000 with Chase. In connection with the letter agreement, MtronPTI also entered into an Assignment of Deposit agreement with Chase pursuant to which MtronPTI provided Chase with a security interest in and transfer rights over the account holding the aforementioned cash collateral deposit as additional security for MtronPTI's obligations under the Chase Loan Agreement.

A copy of the Assignment of Deposit agreement has been attached hereto as Exhibit 10.1 and is incorporated herein by reference.

Item 6. Exhibits.

The following is a list of exhibits filed as part of this Form 10-Q:

Exhibit No.	Description
10.1	Assignment of Deposit agreement, dated May 15, 2012, by and among M-tron Industries, Inc., Piezo Technology, Inc. and J.P. Morgan Chase Bank, N.A.*
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	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

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* Filed herewith

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed as part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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:	May 15, 2012	By:	/s/ Gregory P. Anderson
			Gregory P. Anderson President and Chief Executive Officer (Principal Executive Officer)
Date:	May 15, 2012	By:	/s/ R. LaDuane Clifton
			R. LaDuane Clifton Chief Accounting Officer (Principal Financial Officer)

EXHIBIT 10.1

Assignment of Deposit Account

Dated as of May 15, 2012

M-tron Industries, Inc. (“Mtron”) and Piezo Technology, Inc. (“PTI”), together known and doing business as “MtronPTI” , whose address is 2525 Shader Road, Orlando, Florida 32804 (the "Assignor"), pledges, assigns, transfers and grants a security interest to JPMorgan Chase Bank, N.A., whose address is 450 S Orange Avenue, Floor 10, Orlando FL 32801(together with its successors and assigns, the "Bank") in the Account (as defined below) owned by the Assignor, all of the Account in which Assignor has rights or power to transfer rights and all of the Account in which the Assignor later acquires ownership, other rights or the power to transfer rights. "Account" means each and all of account # XXXXXXXXX , any interest, additions and proceeds due or to become due on the Account and any substitutions, which Account is held at JPMorgan Chase Bank, N.A. (together with its successors and assigns, "Financial Institution") and includes all of the above described deposits, deposit accounts, payment intangibles, financial assets and other obligations of the Financial Institution, whether they are deposit accounts, negotiable or non-negotiable or book entry certificates of deposit, book entry investment time deposits, savings accounts, money market accounts, transaction accounts, time deposits, negotiable order of withdrawal accounts, share draft accounts, demand deposit accounts, instruments, general intangibles, chattel paper or otherwise, and all funds held in or represented by any of the foregoing, and any successor Account howsoever numbered, and all Accounts issued in renewal, extension or increase or decrease of or replacement or substitution for any of the foregoing; and all promissory notes, checks, cash, certificates of deposit, passbooks, deposit receipts, instruments, certificates and other records from time to time representing or evidencing the Account described above and any supporting obligations relating to any of the foregoing property.

This Assignment secures the payment and performance of the Liabilities. The term "Borrower" in this Assignment means each and all of **M-Tron Industries, Inc.** and **Piezo Technology, Inc.**

Control Agreement with Financial Institution and Power of Attorney. The Bank’s presentation of a copy of this Assignment including the Notice of Assignment and Acknowledgment and Control Agreement ("Notice") to the financial institution holding or issuer of the Account, including Financial Institution, is the Assignor's authentication of an irrevocable instruction to that financial institution or issuer now or hereafter maintaining the Account to follow the Bank’s instructions with respect to any of the Account without the Assignor’s further consent concerning (1) the payment or reinvestment of cash dividends, dividends or distributions and (2) the redemption, transfer, sale or any other disposition or transaction concerning the Account or the income and principal proceeds, substitutions and reinvestment of Account and (3) any other matter relating to the Account. The Bank is given an irrevocable power of attorney coupled with an interest that survives death or disability of the Assignor to execute any control agreement in the Assignor’s name with the Financial Institution or other institution or issuer in form and substance satisfactory to the Bank and to perform any obligation of the Assignor under this Assignment. The Assignor also irrevocably authorizes and directs each financial institution or issuer including the Financial Institution to send all notices, statements and all other communications concerning the Account to the Bank upon request of the Bank. The Bank is authorized at any time to restyle the Account or any portion thereof in its name or its nominee’s name. Each financial institution and issuer, including Financial Institution, is directed to follow all of the Bank's instructions without investigating the reason for any action taken by the Bank or the existence of any default and may rely on the instructions of the Bank without any liability to the Assignor. The rights and powers granted to the Bank in this Assignment are powers coupled with an interest and will neither be affected by the death, dissolution, termination of existence or bankruptcy of the undersigned nor by the lapse of time.

Liabilities. The term "Liabilities" in this Assignment means all debts, obligations, indebtedness and liabilities of every kind and character of each and any of the parties named as Borrower whether individual, joint and several, contingent or otherwise, now or hereafter existing in favor of the Bank including without limitation, all liabilities, interest, costs and fees, arising under or from any note, open account, overdraft, credit card, lease, Rate Management Transaction, letter of credit application, endorsement, surety agreement, guaranty, acceptance, foreign exchange contract or depository service contract, whether payable to the Bank or to a third party and subsequently acquired by the Bank, any monetary obligations (including interest) incurred or accrued during the pendency of any bankruptcy, insolvency, receivership or other similar proceedings, regardless of whether allowed or allowable in such proceeding, and all renewals, extensions, modifications, consolidations, rearrangements, restatements, replacements or substitutions of any of the foregoing. The term "Rate Management Transaction" in this Assignment means any transaction (including an agreement with respect thereto) that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option, derivative transaction or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

Representations, Warranties and Covenants. The Assignor represents, warrants and covenants that it will not withdraw any moneys from the Account and that it has not and will not assign the Account or any part of it. The passbook, certificate or other evidence of the Account has been delivered to the Bank. If at any time any part of the Account includes an International Banking Facility Time Deposit (as defined in Regulation D of the Board of Governors of the Federal Reserve System), any extensions of credit made by the Bank in reliance on this Assignment and that part of the Account shall be used only to support the undersigned's non-U.S. activities and that of its foreign affiliates.

Default/Remedies. If any of the Liabilities are not paid at maturity, whether by acceleration or otherwise, or if an event of default or default occurs, under the terms of any agreement related to any of the Liabilities, then the Bank shall have the right immediately, without notice, at the Bank's option, to withdraw (even if any early withdrawal penalty is imposed as a result) all or any portion of the Account and apply those moneys to the Liabilities whether or not the Liabilities have been declared to be due and owing, provided that, to the extent any Liabilities consist of extensions of credit to the Borrower by the issuance of letters of credit or other like obligations of the Bank to third parties which have not then been utilized, such proceeds shall be held by the Bank in a cash collateral account as security for the Liabilities.

Pledge. If the Assignor is not liable for all or any part of the Liabilities, then the Assignor agrees that:

1. If any moneys become available from any source other than the Account that the Bank can apply to the Liabilities, the Bank may apply them in any manner it chooses, including but not limited to applying them against obligations, indebtedness or liabilities which are not secured by this Assignment.
2. The Bank may take any action against the Borrower, the Account or any other collateral for the Liabilities, or any other person or entity liable for any of the Liabilities.
3. The Bank may release the Borrower or any other obligor from the Liabilities, either in whole or in part, or release the Account in whole or in part or any other collateral for the Liabilities, and need not perfect a security interest in the Account or any other collateral for the Liabilities.
4. The Bank does not have to exercise any rights that it has against the Borrower or anyone else, or make any effort to realize on the Account or any other collateral for the Liabilities, or exercise any right of setoff.
5. Without notice or demand and without affecting the Assignor's obligations hereunder, from time to time, the Bank is authorized to: (a) renew, modify, compromise, rearrange, restate, consolidate, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of the Liabilities or any part thereof, including increasing or decreasing the rate of interest thereon; (b) release, substitute or add any one or more sureties, endorsers, or guarantors; (c) take and hold other collateral for the payment of the Liabilities, and enforce, exchange, substitute, subordinate, impair, waive or release any such collateral; (d) proceed against the Account or any other collateral for the Liabilities and direct the order or manner of sale as the Bank in its discretion may determine; and (e) apply any and all payments received by the Bank in connection with the Liabilities, or recoveries from the Account or any other collateral for the Liabilities, in such order or manner as the Bank in its discretion may determine.
6. The Assignor's obligations hereunder shall not be released, diminished or affected by (a) any act or omission of the Bank, (b) the voluntary or involuntary liquidation, sale or other disposition of all or substantially all of the assets of the Borrower, or any receivership, insolvency, bankruptcy, reorganization, or other similar proceedings affecting the Borrower or any of its assets, (c) any change in the composition or structure of the Borrower or any other obligor on the Liabilities, including a merger or consolidation with any other person or entity, or (d) any payments made upon the Liabilities.
7. The Assignor expressly consents to any impairment of any other collateral for the Liabilities, including, but not limited to, failure to perfect a security interest and release of any other collateral for the Liabilities any such impairment or release shall not affect the Assignor's obligations hereunder.
8. The Assignor waives and agrees not to enforce any rights of subrogation, contribution or indemnification that it may have against the Borrower, any person liable on the Liabilities, or the Account, until the Borrower and the Assignor have fully performed all their obligations to the Bank, even if those obligations are not covered by this Assignment.
9. The Assignor waives (a) to the extent not prohibited by applicable law, all rights and benefits under any laws or statutes regarding sureties, as may be amended, (b) any right the Assignor may have to receive notice of the following matters before the Bank enforces any of its rights: (i) the Bank's acceptance of this Assignment, (ii) incurrence or acquisition of any Liabilities, (iii) any credit that the Bank extends to the Borrower, (iv) collateral received or delivered, default by any party to any loan papers related to the Liabilities or other action taken in reliance on this Assignment, and all notices and other demands of any description, (v) diligence and promptness in preserving liability against any obligor on the Liabilities, and in collecting or bringing suit to collect the Liabilities from any obligor on the Liabilities or to pursue any remedy in the Bank's power to pursue; (vi) notice of extensions, renewals, modifications, rearrangements, restatements and substitutions of the Liabilities or any collateral for the Liabilities; (vii) notice of failure to pay any of the Liabilities as they mature, any other default, adverse change in the financial condition of any obligor on the Liabilities, release or substitution of any collateral, subordination of the Bank's rights in any collateral, and every other notice of every kind that may lawfully be waived; (viii) the Borrower's default, (ix) any demand, diligence, presentment, dishonor and protest, or (x) any action that the Bank takes regarding the Borrower, any other person or entity, the Account, any other collateral for the Liabilities, or any of the Liabilities, which it may be entitled to contractually, by law or in equity, (c) any

right it may have to require the Bank to proceed against the Borrower, any guarantor or other obligor of the Liabilities, the Account or any other collateral for the Liabilities, or pursue any remedy in the Bank's power to pursue, (d) any defense based on any claim that the Assignor's obligations exceed or are more burdensome than those of the Borrower, (e) the benefit of any statute of limitations affecting the Assignor's obligations hereunder or the enforcement hereof, (f) any defense arising by reason of any disability or other defense of the Borrower or by reason of the cessation from any cause whatsoever (other than payment in full) of the obligation of the Borrower for the Liabilities, and (g) any defense based on or arising out of any defense that the Borrower may have to the payment or performance of the Liabilities or any portion thereof. The Bank may waive or delay enforcing any of its rights without losing them. Any waiver affects only the specific terms and time period stated in the waiver.

10. The Assignor agrees that to the extent any payment or transfer is received by the Bank in connection with the Liabilities, and all or any part of such payment or transfer is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be transferred or repaid by the Bank or transferred to or paid over to a trustee, receiver or any other person or entity, whether under any bankruptcy act or otherwise (any such payment or transfer is hereinafter referred to as a "Preferential Payment"), then this Assignment shall continue to be effective or shall be reinstated, as the case may be, and whether or not the Bank is in possession of this Assignment or whether this Assignment has been marked paid, cancelled, released or returned to the Assignor, and, to the extent of the payment or repayment or other transfer by the Bank, the Liabilities or part intended to be satisfied by the Preferential Payment shall be revived and continued in full force and effect as if the Preferential Payment had not been made. If this Assignment must be reinstated, the Assignor agrees to execute and deliver to the Bank any new assignments and agreements, if necessary or if requested by the Bank, in form and substance acceptable to the Bank, covering the Account.
11. The Assignor agrees to fully cooperate with the Bank and not to delay, impede or otherwise interfere with the efforts of the Bank to secure payment from the assets which secure the Liabilities including actions, proceedings, motions, orders, agreements or other matters relating to relief from automatic stay, abandonment of property, use of cash collateral and sale of the Bank's collateral free and clear of all liens.
12. The Assignor has (a) without reliance on the Bank or any information received from the Bank and based upon the records and information the Assignor deems appropriate, made an independent investigation of the Borrower, the Borrower's business, assets, operations, prospects and condition, financial or otherwise, and any circumstances that may bear upon those transactions, the Borrower or the obligations, liabilities and risks undertaken pursuant to this Assignment; (b) adequate means to obtain from the Borrower on a continuing basis information concerning the Borrower and the Bank has no duty to provide any information concerning the Borrower or other obligor on the Liabilities to the Assignor; (c) full and complete access to the Borrower and any and all records relating to any Liabilities now or in the future owing by the Borrower; (d) not relied and will not rely upon any representations or warranties of the Bank not embodied in this Assignment or any acts taken by the Bank prior to or after the execution or other authentication and delivery of this Assignment (including but not limited to any review by the Bank of the business, assets, operations, prospects and condition, financial or otherwise, of the Borrower); and (e) determined that the Assignor will receive benefit, directly or indirectly, and has or will receive fair and reasonably equivalent value, for the grant of the interest in the Account to the Bank. By entering into this Assignment, the Assignor does not intend: (i) to incur or believe that the Assignor will incur debts that would be beyond the Assignor's ability to pay as those debts mature; or (ii) to hinder, delay or defraud any creditor of the Assignor. The Assignor is neither engaged in nor about to engage in any business or transaction for which the remaining assets of the Assignor are unreasonably small in relation to the business or transaction, and any property remaining with the Assignor after the execution or other authentication of this Assignment is not unreasonably small capital.

Miscellaneous. The Assignor consents to any extension, postponement or renewal of any Liabilities, the release or discharge of all or any part of any security for the Liabilities, and the release or discharge or suspension of any rights and remedies against any person who may be liable for any of the Liabilities. The Bank does not have to look to any other right, any other collateral, or any other person for payment before it exercises its rights under this Assignment. The Assignor's obligations to the Bank under this Assignment are not subject to any condition, precedent or subsequent. If more than one person or entity signs this Assignment as Assignor, their obligations, covenants, representations and warranties are joint and several and the Account includes any property that is owned by any one or more, individually or jointly with any other person or entity. This Assignment is binding on the Assignor and its heirs, successors and assigns, and is for the benefit of the Bank and its successors and assigns. The use of section headings shall not limit the provisions of this Assignment. The Assignor authorizes the Bank to take whatever actions, and to execute any agreement, document or instrument, which the Bank deems necessary or desirable to accomplish the purposes of this Assignment. A carbon, photographic or other reproduction of this Assignment is sufficient as, and can be filed as, a financing statement. The Bank is irrevocably appointed the Assignor's attorney-in-fact to execute any financing statement on the Assignor's behalf covering the Account. The Assignor authorizes the Bank to file one or more financing statements related to the security interests created by this Assignment and further authorizes the Bank, instead of the Assignor, to sign such financing statements. Time is of the essence under this Assignment and in the performance of every term, covenant and obligation contained herein.

Assignment in Addition to Other Assignments. This Assignment is in addition to and not in substitution or replacement of any other assignment executed by the Assignor in favor of the Bank, and the Bank's rights under this Assignment and any such other assignment are cumulative.

Governing Law and Venue. This Assignment shall be governed by and construed in accordance with the laws of the State of Florida (without giving effect to its laws of conflicts), and to the extent applicable, federal law, except to the extent that the laws regarding the

perfection and priority of security interests of the state(s) in which either the Assignor or any property securing the Liabilities is located, are applicable. The Assignor agrees that any legal action or proceeding with respect to any of its obligations under this Assignment may be brought by the Bank in any state or federal court located in the State of Florida, as the Bank in its sole discretion may elect. By the execution and delivery of this Assignment, the Assignor submits to and accepts, for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of those courts. The Assignor waives any claim that the State of Florida is not a convenient forum or the proper venue for any such suit, action or proceeding.

WAIVER OF SPECIAL DAMAGES. THE ASSIGNOR WAIVES, TO THE **MAXIMUM** EXTENT NOT PROHIBITED BY LAW, ANY RIGHT THE UNDERSIGNED MAY HAVE TO CLAIM OR RECOVER FROM THE BANK IN ANY LEGAL ACTION OR PROCEEDING ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

JURY WAIVER. THE ASSIGNOR AND THE BANK (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED ON CONTRACT, TORT, OR OTHERWISE) BETWEEN THE ASSIGNOR AND THE BANK ARISING OUT OF OR IN ANY WAY RELATED TO THIS DOCUMENT. THIS PROVISION IS A MATERIAL INDUCEMENT TO THE BANK TO PROVIDE THE FINANCING DESCRIBED HEREIN.

Assignor:

By: /s/ R. LaDuane Clifton

R. LaDuane Clifton	Chief Accounting Officer
Printed Name	Title

Date Signed: May 15, 2012

The Bank acknowledges that the Account has been assigned to the Bank and is subject to a lien, security interest, pledge and assignment in the Bank's favor and that the Bank has control of the Account and has recorded the Bank's interest in the Account in the books and records of JPMorgan Chase Bank, N.A. and the Bank will follow the Bank's instructions without the Assignor's further consent.

Bank:

JPMorgan Chase Bank, N.A.

By: /s/ Taylor Kennedy

Taylor Kennedy	Assistant Vice President
Printed Name	Title

EXHIBIT 31.1

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

I, Gregory P. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The LGL Group, Inc. for the quarterly period ended March 31, 2012;

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.

Date: May 15, 2012

/s/ Gregory P. Anderson

Name: Gregory P. Anderson
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, R. LaDuane Clifton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The LGL Group, Inc. for the quarterly period ended March 31, 2012;

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.

Date: May 15, 2012

/s/ R. LaDuane Clifton

Name: R. LaDuane Clifton
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 March 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gregory P. Anderson, 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.

Date: May 15, 2012

/s/ Gregory P. Anderson

Name:	Gregory P. Anderson
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 March 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, R. LaDuane Clifton, 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.

Date: May 15, 2012

/s/ R. LaDuane Clifton

Name: R. LaDuane Clifton
Title: Chief Accounting Officer
(Principal Financial Officer)