# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## LGL GROUP INC

### Form: 10-Q

### Date Filed: 2021-05-12

Corporate Issuer CIK: 61004

# 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 March 31, 2021**

**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** | **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)**

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 | New York Stock Exchange |
| Warrants to Purchase Common Stock, par value $0.01 | LGL WS | New York Stock Exchange |

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 May 3, 2021, the registrant had 5,272,204 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 March 31, 2021**

**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)

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 18,678 | $ 18,331 |
| Marketable securities | 5,918 | 5,791 |
| Accounts receivable, net of allowances of $191 and $189, respectively | 3,913 | 4,122 |
| Inventories, net | 5,339 | 5,280 |
| Prepaid expenses and other current assets | 365 | 257 |
| Total Current Assets | 34,213 | 33,781 |
| Property, plant and equipment: | | |
| Land | 536 | 536 |
| Buildings and improvements | 4,822 | 4,810 |
| Machinery and equipment | 17,818 | 17,775 |
| Gross property, plant and equipment | 23,176 | 23,121 |
| Less: accumulated depreciation | (20,451) | (20,336) |
| Net property, plant, and equipment | 2,725 | 2,785 |
| Right-of-use lease assets | 396 | 422 |
| Equity investment in unconsolidated subsidiary | 5,721 | 3,072 |
| Intangible assets, net | 308 | 327 |
| Deferred income taxes, net | 3,023 | 3,052 |
| Other assets | 64 | 16 |
| Total Assets | $ 46,450 | $ 43,455 |
| LIABILITIES AND STOCKHOLDERS’ EQUITY | | |
| Current Liabilities: | | |
| Subscription agreement payable (Note C) | $ 2,725 | $ - |
| Accounts payable | 1,517 | 1,265 |
| Accrued compensation and commissions | 1,491 | 1,324 |
| Other accrued expenses | 575 | 808 |
| Total Current Liabilities | 6,308 | 3,397 |
| Long-term lease liabilities | 272 | 293 |
| Total Liabilities | 6,580 | 3,690 |
| Contingencies (Note N) | | |
| Stockholders’ Equity | | |
| Common stock, $0.01 par value - 10,000,000 shares authorized; 5,383,300 shares issued and 5,272,204 shares outstanding at March 31, 2021, and 5,409,550 shares issued and 5,272,204 shares outstanding at December 31, 2020 | 53 | 53 |
| Additional paid-in capital | 45,555 | 45,477 |
| Accumulated deficit | (5,158) | (5,185) |
| Treasury stock, 81,584 shares held in treasury at cost at March 31, 2021 and December 31, 2020 | (580) | (580) |
| Total Stockholders' Equity | 39,870 | 39,765 |
| Total Liabilities and Stockholders' Equity | $ 46,450 | $ 43,455 |

*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 March 31, 2021 | Three Months Ended March 31, 2020 |
|---|---|---|
| **REVENUES** | $ 6,536 | $ 8,618 |
| Costs and expenses: | | |
| Manufacturing cost of sales | 4,401 | 5,662 |
| Engineering, selling and administrative | 2,195 | 2,296 |
| **OPERATING (LOSS) INCOME** | (60) | 660 |
| Other income (expense): | | |
| Interest expense, net | (3) | — |
| Loss on equity investment in unconsolidated subsidiary | (76) | (39) |
| Other income (expense), net | 172 | (384) |
| Total other income (expense), net | 93 | (423) |
| **INCOME BEFORE INCOME TAXES** | 33 | 237 |
| Income tax expense | 6 | 54 |
| **NET INCOME** | $ 27 | $ 183 |
| Basic per share information: | | |
| Weighted average shares outstanding | 5,272,204 | 5,052,184 |
| Net income | $ 0.01 | $ 0.04 |
| Diluted per share information: | | |
| Weighted average shares outstanding | 5,350,571 | 5,097,879 |
| Net income | $ 0.01 | $ 0.04 |

*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 | Accumulated Deficit | Treasury Stock | Total |
|---|---|---|---|---|---|---|
| Balance at December 31, 2020 | 5,272,204 | $ 53 | $ 45,477 | $ (5,185) | $ (580) | $ 39,765 |
| Net income | — | — | — | 27 | — | 27 |
| Stock-based compensation | — | — | 78 | — | — | 78 |
| Balance at March 31, 2021 | 5,272,204 | $ 53 | $ 45,555 | $ (5,158) | $ (580) | $ 39,870 |
| | | | | | | |
| Balance at December 31, 2019 | 4,933,063 | $ 50 | $ 41,576 | $ (6,153) | $ (580) | $ 34,893 |
| Net income | — | — | — | 183 | — | 183 |
| Exercise of stock options | 14,000 | — | 58 | — | — | 58 |
| At-the-market stock sales, net of costs of $346 | 263,725 | 3 | 3,251 | — | — | 3,254 |
| Stock-based compensation | — | — | 10 | — | — | 10 |
| Balance at March 31, 2020 | 5,210,788 | $ 53 | $ 44,895 | $ (5,970) | $ (580) | $ 38,398 |

*See Accompanying Notes to Condensed Consolidated Financial Statements.*

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

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income | $ 27 | $ 183 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 115 | 116 |
| Amortization of finite-lived intangible assets | 19 | 19 |
| Stock-based compensation | 78 | 10 |
| Loss from equity investment in unconsolidated subsidiary | 76 | 39 |
| Unrealized (gain) loss on marketable securities | (127) | 325 |
| Deferred income tax expense | 29 | 59 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in accounts receivable, net | 209 | (374) |
| (Increase) decrease in inventories, net | (59) | 30 |
| (Increase) decrease in prepaid expenses and other assets | (156) | 126 |
| Increase in accounts payable, accrued compensation and commissions and other | 191 | 389 |
| **Net cash provided by operating activities** | 402 | 922 |
| **INVESTING ACTIVITIES** | | |
| Capital expenditures | (55) | (56) |
| **Net cash used in investing activities** | (55) | (56) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from at-the-market stock sales | — | 3,254 |
| Proceeds from stock option exercise | — | 58 |
| **Net cash provided by financing activities** | — | 3,312 |
| Increase in cash and cash equivalents | 347 | 4,178 |
| Cash and cash equivalents at beginning of period | 18,331 | 12,453 |
| Cash and cash equivalents at end of period | $ 18,678 | $ 16,631 |
| | | |
| **Supplemental Disclosure:** | | |
| Cash paid for income taxes | $ 27 | $ 72 |
| Non-cash subscription agreement (Note C) | $ 2,725 | $ — |

*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 months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2021. The information included in this Form 10-Q should be read in conjunction with the information included in The LGL Group, Inc. (the "Company", "we", "our" or "us") Annual Report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission (the "SEC") on March 29, 2021.

## B. Summary of Significant Accounting Polices

### *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"). The VIE serves as the sponsor to a special purpose acquisition company ("SPAC"). Intercompany transactions and accounts have been eliminated in consolidation.

*VIE:* Our sole interest in a VIE, the Sponsor, is 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 it. 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 are not the primary beneficiary of the VIE and that consolidation is not warranted.

The Company reassesses its evaluation of whether an entity is a VIE when certain reconsideration events occur. The Company reassesses its determination of whether it is the primary beneficiary of a VIE on an ongoing basis based on current facts and circumstances.

*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.

### *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 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.

***Income Taxes***

The Company periodically undertakes a review of its valuation allowance and it evaluates all positive and negative factors that may affect whether it is more likely than not that the Company would realize its future tax benefits from its deferred tax balances.

***Impairments 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.

During the quarter ended March 31, 2021, 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. 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 is currently evaluating the impact of adopting this standard on its financial statements.

**C. Equity Investment in Unconsolidated Subsidiary**

On November 6, 2019, the Company invested $3.35 million in LGL Systems Acquisition Holding Company, LLC, a partially owned subsidiary that serves as the Sponsor of LGL Systems Acquisition Corp., (“the SPAC” or “DFNS”). The SPAC is a publicly-traded company on the NYSE under the ticker symbol “DFNS” which was formed for the purpose of effecting a business combination in the aerospace, defense and communications industries. The Sponsor holds 100% of the SPAC’s Class B common shares, which are restricted and non-tradable, and 5,200,000 private warrants. The Sponsor purchased the private warrants in a private placement that closed simultaneously with the consummation of the SPAC’s initial public offering (“SPAC IPO”). Each private warrant is exercisable to purchase one share of common stock of the SPAC at an exercise price of $11.50 per share. The Company contributed 62.2% of the Sponsor’s risk capital to effect the SPAC IPO.

The SPAC IPO closed on November 12, 2019; proceeds from the SPAC IPO totaled $172.5 million. If the SPAC does not complete a business combination within 24 months from the closing of the SPAC IPO, the proceeds from the sale of the private warrants will be used to fund the redemption of the shares sold in the SPAC IPO (subject to the requirements of applicable law); and the private warrants will expire worthless. The Sponsor holds 20% of the total common shares (Class A and Class B) in the SPAC along with the 5,200,000 private warrants.

The Company subscribed to a $2.725 million investment into the Sponsor in March 2021 which it funded in May 2021.The investment will be part of the Sponsor syndication of $5.66 million organized to participate in a $125 million private placement (“PIPE”) purchase of 12,500,000 shares of DFNS Class A common stock.

The PIPE is in connection with the recent announcement by DFNS and IronNet Cybersecurity, Inc. (“IronNet”) of the definitive business combination agreement reached between IronNet and DFNS. The PIPE and business combination are expected to close in the third quarter of 2021, after the required approval by the shareholders of DFNS and the fulfillment of certain other conditions. While the syndicated PIPE investment increases the Company’s commitment to the pro forma IronNet company, its position is not expected to be material to the pro forma capitalization. Upon completion of the business combination, which is subject to regulatory and other approvals, the combined company will be renamed IronNet Cybersecurity, Inc. and will be listed on the NYSE and trade under the ticker symbol “IRNT”.

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. For the three months ended March 31, 2021 and 2020, the Company recognized a loss on equity investment in unconsolidated subsidiary of $76,000 and $39,000, respectively. The Company has recognized a cumulative loss of $354,000 on its investment in the unconsolidated Sponsor asof March 31, 2021.

On April 12, 2021, the SEC's Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies (the "Staff Statement") was released. The SPAC evaluated the applicability and impact of the Staff Statement on its historical financial statements that have been filed with the SEC and determined that restatement was required. The SPAC changed its accounting treatment for both its public and private warrants outstanding using liability classification instead of equity classification resulting in a mark to market warrant liability adjustment for each reporting period since issuance in 2019. The Company reports its investment in the Sponsor under the equity method of accounting using hypothetical liquidation at book value ("HLBV"). HLBV determines the amount that would be received by the Company if the partnership were liquidated at book value at the end of each measurement period. The SPAC's mark to market accounting adjustments for the warrant liability does not change the Company's HLBV due to the warrants requiring no cash settlement as of December 31, 2020 under a hypothetical liquidation; therefore, the SPAC's restatement did not impact the Company's carrying amount of its equity investment in the Sponsor as of March 31, 2021, or any previously reported period.

### D. Related Party Transactions

Certain balances held and invested in various mutual funds are managed by a related entity (the "Fund Manager"). Marc Gabelli currently serves as an executive officer of the Fund Manager. The brokerage and fund transactions in 2021 and 2020 were directed solely at the discretion of the Company's management.

As of March 31, 2021, the balance with the Fund Manager totaled $19,189,000, including $13,282,000, which is classified within cash and cash equivalents on the accompanying unaudited condensed consolidated balance sheets, and $5,907,000 which is classified within marketable securities on the accompanying unaudited condensed consolidated balance sheets. Amounts invested generated $127,000 and ($293,000) of realized and unrealized investment income (loss) during the three months ended March 31, 2021 and 2020, respectively, that is included within other income (expense), net on the accompanying unaudited condensed consolidated statements of operations. Fund management fees are anticipated to average less than 0.25% of the asset balances under management on an annual basis.

As of December 31, 2020, the balance with the Fund Manager totaled $19,062,000, including $13,282,000 which is classified within cash and cash equivalents on the accompanying unaudited condensed consolidated balance sheets, and $5,780,000 which is classified as marketable securities on the accompanying unaudited condensed consolidated balance sheets.

Marc Gabelli serves as Chairman and Co-Chief Executive Officer of the SPAC, has invested in the Sponsor and is the initial managing member of Nevada GP, the manager of the Sponsor. Timothy Foufas, a member of the Company's board of directors (the "Board"), is also a member and investor of the Sponsor, Chief Operating Officer of the SPAC and is a member of Nevada GP. Robert LaPenta, a member of the Board, is also a member and investor of the Sponsor, Co-Chief Executive Officer and Chief Financial Officer of the SPAC and is a member of Nevada GP. John Mega, a member of the Board, is also a member and investor of the Sponsor and the President of the SPAC. Patrick Huvane, the Company's Senior Vice President of Business Development, is a member of both the Company's and the SPAC's management team and an investor in the Sponsor. Mike J. Ferrantino, the Company's Chief Executive Officer, is also a member of the Board, a member and investor of the Sponsor and a board member for the SPAC. Under separate arrangement, these people may be eligible to receive incentive compensation should the SPAC complete a successful acquisition.

### E. 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. Assets measured at fair value on a recurring basis are summarized below (in thousands).

| | Level 1 | Level 2 | Level 3 | Total at March 31, 2021 |
|---|---|---|---|---|
| Equity Security | $ 11 | $ — | $ — | $ 11 |
| Equity Mutual Fund | — | 5,907 | — | 5,907 |
| U.S. Treasury Mutual Fund | 13,282 | — | — | 13,282 |

| | Level 1 | Level 2 | Level 3 | Total at December 31, 2020 |
|---|---|---|---|---|
| Equity Security | $ 11 | $ — | $ — | $ 11 |
| Equity Mutual Fund | — | 5,780 | — | 5,780 |
| U.S. Treasury Mutual Fund | 13,282 | — | — | 13,282 |

There were no transfers from Level 3 during the periods presented. The Company also has assets that may be subject to measurement at fair value on a non-recurring basis, including goodwill and intangible assets and other long-lived assets. There were no liabilities subject to fair value on a non-recurring or recurring basis as of March 31, 2021 or December 31, 2020.

As of March 31, 2021 and December 31, 2020, the Company had investments in two mutual funds. The Equity Mutual Fund noted above is invested in the Gabelli ABC Fund, and the U.S. Treasury Mutual Fund is invested in the Gabelli US Treasury Money Market Fund.

## F. 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 March 31, 2021 and December 31, 2020 was $1,298,000 and $1,219,000, respectively.

Inventories are comprised of the following (in thousands):

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Raw materials | $ 2,116 | $ 2,080 |
| Work in process | 2,489 | 2,467 |
| Finished goods | 734 | 733 |
| Total Inventories, net | $ 5,339 | $ 5,280 |

## G. Intangible Assets

Intangible assets are recorded at cost less accumulated amortization which is included in engineering, selling and administrative expenses in the accompanying unaudited condensed consolidated statements of operations. Amortization is computed for financial reporting purposes using the straight-line method over the estimated useful lives of the assets, which range up to 10 years. The intangible assets consist of intellectual property and goodwill. The net carrying value of the amortizable intangible assets was $268,000 and $287,000 as of March 31, 2021 and December 31, 2020, respectively. Goodwill, which is not amortizable, was $40,000 as of both March 31, 2021 and December 31, 2020.

### H. Stock-Based Compensation

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

As of December 31, 2020, there was approximately $415,000 of total unrecognized compensation expense related to unvested share-based compensation arrangements, primarily related to restricted stock awards. In March 2021, 26,250 unvested restricted shares were forfeited; total unrecognized compensation expense amounted to $166,000 at March 31, 2021. This cost will be recognized over the weighted average remaining service period of these awards, 2.75 years for restricted stock and 1.5 years for stock options.

### 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 common shares 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 the three months ended March 31, 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. For the three months ended March 31, 2020, there were options to purchase 25,000 shares of common stock excluded from the diluted earnings per share computation. The warrants and stock options were excluded 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 months ended March 31, 2021 and 2020:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| Weighted average shares outstanding - basic | 5,272,204 | 5,052,184 |
| Effect of diluted securities | 78,367 | 45,695 |
| Weighted average shares outstanding - diluted | 5,350,571 | 5,097,879 |

### J. Stockholders' Equity

On January 22, 2020, the Company entered into an Open Market Sales Agreement (the "Sales Agreement") with Jefferies LLC, as sales agent ("Jefferies"), pursuant to which the Company may offer and sell, from time to time, in what is deemed to be an "at the market offering" ("ATM Offering") through Jefferies, shares of the Company's common stock, par value $0.01 per share, having an aggregate offering price of up to $15,000,000. Shares sold under the Sales Agreement are issued pursuant to the shelf registration statement on Form S-3 (File No. 333-235767), filed by the Company with the SEC on December 31, 2019, which was declared effective on January 8, 2020. The Company filed a prospectus supplement with the SEC on January 23, 2020 in connection with the offer and sale of the shares pursuant to the Sales Agreement. During February and March of 2020, 263,725 shares were sold under the Sales Agreement, at an average price per share of $13.65, generating net proceeds of approximately $3,492,000, after brokerage charges of $108,000 were deducted and paid to Jefferies. Form S-3 and at-the-market registration costs were approximately $238,000 and were charged to additional paid-in capital. The Sales Agreement and ATM Offering remain in effect in accordance with their terms.

### K. 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 three months ended March 31, 2021 and March 31, 2020 was 18.2% and 22.8%, respectively. Differences between the Company's effective income tax rate and the U.S. federal statutory rate are primarily the impact of state taxes, foreign taxes, non-deductible expenses and excess tax benefits or expense on share-based compensation.

## L. Segment Information

The Company has two reportable business segments, electronic components and electronic instruments. 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 March 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Revenues from Operations** | | |
| Electronic components | $ 6,254 | $ 8,276 |
| Electronic instruments | 282 | 342 |
| Total consolidated revenues | $ 6,536 | $ 8,618 |
| **Operating (Loss) Income** | | |
| Electronic components | $ 349 | $ 871 |
| Electronic instruments | 16 | 37 |
| Unallocated corporate expense | (425) | (248) |
| Total operating (loss) income | (60) | 660 |
| Interest expense, net | (3) | — |
| Loss on equity investment in unconsolidated subsidiary | (76) | (39) |
| Other income (expense), net | 172 | (384) |
| Total other income (expense) | 93 | (423) |
| **Income Before Income Taxes** | $ 33 | $ 237 |

Operating income is equal to revenues less cost of sales and operating expenses, excluding investment income, interest expense, loss on equity investment and income taxes.

## M. Domestic and Foreign Revenues

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Malaysia | $ 609 | $ 1,018 |
| Hong Kong | 189 | 246 |
| All other foreign countries | 550 | 822 |
| Total foreign revenues | $ 1,348 | $ 2,086 |
| Total domestic revenue | $ 5,188 | $ 6,532 |

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. Leases

The Company leases certain manufacturing and office space and equipment. The Company determines if an arrangement is a lease at inception. A contract is, or contains, a lease if the contract conveys the right to control the use of identified property, plant or equipment (an identified asset) for a period of time in exchange for consideration. Amounts associated with operating leases, which are not short-term, are included in right-of-use lease assets, and other accrued expenses and long-term lease liabilities in the Company’s condensed consolidated balance sheet. Right-of-use lease assets represents the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Right-of-use lease assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the expected lease term. The Company uses its incremental borrowing rate at the lease commencement date in determining the present value of lease payments. Short-term leases with an initial term of 12 months or less are not recorded in the Company’s condensed consolidated balance sheets; the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The Company leases certain property under operating leases with terms that range from one to five years. Certain of these leases have one or more options to renew, with renewal terms that can extend the lease term from one to 10 years or more, and the exercise of lease renewal options under these leases is at our sole discretion. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Future minimum lease payment obligations under operating leases are as follows (in thousands):

| | March 31, 2021 |
|---|---|
| 2021 | $ 106 |
| 2022 | 113 |
| 2023 | 113 |
| 2024 | 113 |
| 2025 | 13 |
| Total lease payments | 458 |
| Less: interest | (62) |
| Total lease payments | $ 396 |

**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, 2020. The terms “we,” “us,” “our,” and the “Company” 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, 2020, filed with the SEC on March 29, 2021, 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.

**Results of Operations**

***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, 2020. However, due to the COVID-19 pandemic in the U.S. and globally, our business and operations have been impacted and may be further impacted, as further discussed below.

***COVID-19***

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020 and has negatively impacted the U.S. and global economy, disrupted global supply chains, resulted in significant travel and transport restrictions, including mandated closures and orders to “shelter-in-place,” and created significant disruption of the financial markets.

As a result of the COVID-19 pandemic, the Company’s operations in India were closed on March 23, 2020 and resumed limited operations on May 7, 2020 with a reduced level of staffing. By the end of June 2020, the Company’s India facilities were fully operational; however, the recent India COVID-19 surge does present a potential risk. Post COVID-19 revenue and bookings declined; and cost saving measures were taken but certain costs continue to be incurred to preserve manufacturing capabilities at the Company’s India and Yankton plants to manage risks, maintain flexibility and support customers. Despite the decline in revenue and bookings associated with the foregoing suspension of operations in India and other COVID-19 impacts on our business, the Company does not anticipate COVID-19 having a significant ongoing impact on the Company’s future results. However, the ultimate effect on our future results could be significant and will largely depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the success of actions taken to contain or treat COVID-19 including the widespread availability and use of effective vaccines, and reactions by consumers, companies, governmental entities and capital markets.

In accordance with the Department of Defense (“DoD”) 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. In some cases, our facilities are not operating under full staffing as a result of COVID-19. Customer visits and representative training are being impacted by travel restrictions as a result of COVID-19, which could delay new design wins and future business with our customers.

The Company has taken measures to protect the health and safety of our employees, work with our customers to minimize potential disruptions and support our community in addressing the challenges posed by this global pandemic. The extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our contracts in the expected timeframe, will depend on future developments, including the duration and spread of the pandemic and related actions taken by the U.S. Government, state and local government officials and international governments to prevent disease spread, all of which are uncertain and cannot be predicted.

An extended period of global supply chain disruption caused by the response to COVID-19 could impact our ability to perform on our contracts. To date, we have identified a number of suppliers that have potential delivery impacts due to COVID-19 and, if we are not able to implement alternatives or other mitigations, contract deliveries could be adversely impacted.

Delays in inspection, acceptance and payment by our customers, many of whom are teleworking, could also affect our sales and cash flows. This is particularly an issue with respect to classified work that is unable to be done remotely. Limitations on government operations can also impact regulatory approvals such as export licenses that are needed for international sales and deliveries. In addition, we could experience delays in new contract starts or awards of future work as well as the uncertain impact of contract modifications to respond to the national emergency. Government funding priorities may change as a result of the costs of the COVID-19 pandemic. If significant portions of our workforce are unable to work effectively, including because of illness, quarantines, absenteeism, government actions, facility closures, travel restrictions or other restrictions in connection with the COVID-19 pandemic, our operations will be impacted. We may be unable to perform fully on our contracts and our costs may increase as a result of the COVID-19 outbreak. These cost increases, including costs for employees whose jobs cannot be performed remotely, may not be fully recoverable under our contracts, or adequately covered by insurance. The impact of COVID-19 could worsen if there is an extended duration of any COVID-19 outbreak or a resurgence of COVID-19 infection in affected regions after they have begun to experience improvement.

COVID-19 has also led to disruption and volatility in the global capital markets, which depending on future developments could impact our capital resources and liquidity in the future. COVID-19 has also caused volatility in the equity capital markets. We are monitoring the impacts of COVID-19 on the fair value of our assets. While we do not currently anticipate any material impairments on our assets as a result of COVID-19, future changes in expectations for sales, earnings and cash flows related to intangible assets and goodwill below our current projections could cause these assets to be impaired. While these are our current assumptions, this is an emerging situation and these could change, which could affect our outlook

***Backlog***

As of March 31, 2021, our order backlog was $20,388,000, an increase of 3.0% from $19,801,000 at December 31, 2020 and a decrease of 9.6% compared to the backlog of $22,556,000 as of March 31, 2020. Quarterly bookings of $7,123,000 for the first quarter 2021 declined 23.5% below pre-COVID-19 first quarter 2020 levels. The decrease reflects the Company’s slower post-COVID-19 booking rate, particularly related to the avionics market. Quarterly bookings have been improving sequentially over the last few quarters but remain substantially below pre-COVID-19 levels. Improvement in new avionics bookings started this quarter, but deliveries are not being scheduled until early next year.

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 in the next 12 months.

Order backlog is adjusted quarterly to reflect project cancellations, deferrals, revised project scope and cost, and sales of subsidiaries, if any. We expect to fill substantially all of our order backlog within the next twelve months but cannot provide assurances as to what portion of the order backlog will be fulfilled in a given year.

***Equity Investment in Unconsolidated Subsidiary***

On November 6, 2019, the Company invested $3.35 million in LGL Systems Acquisition Holding Company, LLC, a partially owned subsidiary that serves as the Sponsor of LGL Systems Acquisition Corp., (“the SPAC” or “DFNS”). The SPAC is a publicly-traded company on the NYSE under the ticker symbol “DFNS” which was formed for the purpose of effecting a business combination in the aerospace, defense and communications industries. The Sponsor holds 100% of the SPAC’s Class B common shares, which are restricted and non-tradable, and 5,200,000 private warrants. The Sponsor purchased the private warrants in a private placement that closed simultaneously with the consummation of the SPAC’s initial public offering (“SPAC IPO”). Each private warrant is exercisable to purchase one share of common stock of the SPAC at an exercise price of $11.50 per share. The Company contributed 62.2% of the Sponsor's risk capital to effect the SPAC IPO and holds a 43.57% membership interest in the Sponsor.

The SPAC IPO closed on November 12, 2019; proceeds from the SPAC IPO totaled $172.5 million. If the SPAC does not complete a business combination within 24 months from the closing of the SPAC IPO, the proceeds from the sale of the private warrants will be used to fund the redemption of the shares sold in the SPAC IPO (subject to the requirements of applicable law); and the private warrants will expire worthless. The Sponsor holds 20% of the total common shares (Class A and Class B) in the SPAC along with the 5,200,000 private warrants.

The Company subscribed to a $2.725 million investment into the Sponsor in March 2021 which itfunded in May 2021. The investment will be part of the Sponsor syndication of $5.66 million organized to participate in a $125 million private placement ("PIPE") purchase of 12,500,000 shares of DFNS Class A common stock.

The PIPE is in connection with the recent announcement by DFNS and IronNet Cybersecurity, Inc. ("IronNet") of the definitive business combination agreement reached between IronNet and DFNS. The PIPE and business combination are expected to close in the third quarter of 2021, after the required approval by the shareholders of DFNS and the fulfillment of certain other conditions. While the syndicated PIPE investment increases the Company's commitment to the pro forma IronNet company, its position is not expected to be material to the pro forma capitalization. Upon completion of the business combination, which is subject to regulatory and other approvals, the combined company will be renamed IronNet Cybersecurity, Inc. and will be listed on the NYSE and trade under the ticker symbol "IRNT".

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. 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. For the three months ended March 31, 2021 and 2020, the Company recognized a loss on equity investment in unconsolidated subsidiary of $76,000 and $39,000, respectively. The Company has recognized a cumulative loss of $354,000 on its investment in the unconsolidated Sponsor as of March 31, 2021.

***Three months ended March 31, 2021 compared to three months ended March 31, 2020***

*Consolidated Revenues and Gross Margin*

Total revenues were $6,536,000, a decrease of $2,082,000, or 24.2%, from revenues of $8,618,000 for the three months ended March 31, 2020. Revenues were significantly impacted by the decline in the avionics market and the delay of orders from certain customers experiencing semiconductor component shortages. The comparison also reflects the pre-COVID-19 conditions in all markets during the first quarter of 2020.

Consolidated gross margin, which is consolidated revenues less manufacturing cost of sales as a percentage of revenues, decreased to 32.7% from 34.3% for the three months ended March 31, 2020. The decline reflects the temporary onshoring of production to our U.S. factories after last year's COVID-19 shutdown in India and lower avionics volume at our Yankton plant, resulting in increased production costs. Cost saving measures have been taken, but certain costs continue to be incurred to preserve manufacturing capabilities at the Company's India and Yankton plants.

*Operating (Loss) Income*

The Company reported an operating loss of $60,000 compared to operating income of $660,000 for the three months ended March 31, 2020. This $720,000 decline was largely due to the lower revenues. The gross margin decline described above also contributed to the lower profitability.

*Other Income (Expense), Net*

Other income (expense), net was $172,000 compared to ($384,000) for the three months ended March 31, 2020. These balances are primarily comprised of unrealized gain (loss) from our investment portfolio and currency translation.

*Income Tax Expense*

We recorded a tax expense of $6,000 and $54,000 for the three months ended March 31, 2021 and 2020, respectively. The expense is based on an estimated annual effective tax rate across the jurisdictions in which we operate.

*Net Income*

Net income was $27,000, compared to $183,000 for the three months ended March 31, 2020. The decrease reflects the lower revenue and reduced margins in comparison to those in the pre-COVID-19 first quarter of 2020. Diluted net income per share for the three months ended March 31, 2021 and 2020 was $0.01 and $0.04, respectively.

*Liquidity and Capital Resources*

As of March 31, 2021 and December 31, 2020, cash and cash equivalents were $18,678,000 and $18,331,000, respectively. In the first quarter of 2020, we raised approximately $3,254,000 as a result of sales of securities under our ATM Offering.

Cash provided by operating activities for the three months ended March 31, 2021 and 2020 was $402,000 and $922,000, respectively. The $520,000 decrease was primarily due to the Company's year-over-year reduction in net income of $156,000 and the favorable change in non-cash unrealized gain (loss) on marketable securities of $452,000.

Cash used in investing activities for the three months ended March 31, 2021 and 2020 was $55,000 and $56,000, respectively. The use of cash for the three months ended March 31, 2021 and 2020 was for capital expenditures.

For the three months ended March 31, 2021, no cash was provided by financing as compared to the three months ended March 31, 2020, when the Company received $3,254,000 from the first quarter 2020 sale of securities under our ATM Offering and $58,000 of proceeds from the exercise of stock options.

As of March 31, 2021, our consolidated working capital was $27,905,000 compared to $30,384,000 as of December 31, 2020. As of March 31, 2021, we had current assets of $34,213,000, current liabilities of $6,308,000 and a ratio of current assets to current liabilities of 5.42 to 1.00. As of December 31, 2020, we had current assets of $33,781,000, current liabilities of $3,397,000 and a ratio of current assets to current liabilities of 9.94 to 1.00. As more fully described in Note C to the accompanying unaudited condensed consolidated financial statements, the Company's $2,725,000 subscription agreement with the Sponsor was executed in March 2021 and paid in May 2021. The current ratio was negatively impacted by the subscription agreement liability and returned to more normal levels once funded. 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.

The Company has a loan agreement for a revolving line of credit with Synovus Bank for up to $3.5 million bearing interest at the London Inter-bank Offered Rate (LIBOR) 30-day rate plus 2.50%, with a floor of 0.50%. The loan agreement has a maturity date of May 12, 2022 and contains certain financial covenants. 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 March 31, 2021, the Company had no borrowings outstanding under its revolving line of credit with Synovus Bank.

We believe that existing cash and cash equivalents, marketable securities, cash generated from operations and availability under our revolving credit agreement 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. However, we are continuing to monitor the outbreak of COVID-19 and its impact on our customers and suppliers, as well as our industry as a whole. To the extent that our customers and suppliers continue to be impacted by the COVID-19 outbreak, such impacts could materially disrupt our business.

Our board of directors 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 technology acquisitions or other strategic ventures, 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 Policies*

For a discussion of the Company's critical accounting policies, 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, 2020.

## 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 March 31, 2021 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 March 31, 2021, 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 March 31, 2021 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 are a party or to which our properties are subject.

**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 March 31, 2021 (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). |
| 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 |

* 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: **May 12, 2021** | By: | /s/ Mike J. Ferrantino<br>Mike J. Ferrantino<br>President and Chief Executive Officer<br>(Principal Executive Officer) |
| Date: **May 12, 2021** | By: | /s/ James W. Tivy<br>James W. Tivy<br>Chief Financial Officer<br>(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 March 31, 2021;

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.

May 12, 2021

/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 March 31, 2021;

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.

May 12, 2021

/s/ James W. Tivy

Name: James W. Tivy
Title: Chief Financial 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, 2021, 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.

May 12, 2021

/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 March 31, 2021, 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.

May 12, 2021

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