

LGL GROUP INC  
Form 10-Q  
November 14, 2016  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q  
(Mark  
One)

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

For the quarterly period ended September 30, 2016

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 (I.R.S. Employer Identification No.)  
Incorporation or Organization)

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

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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 (Do not check if a smaller reporting company)	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 November 10, 2016
Common Stock, \$0.01 par value	2,664,564

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THE LGL GROUP, INC.

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SIGNATURES

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## PART I

## FINANCIAL INFORMATION

## Item 1. Financial Statements.

## THE LGL GROUP, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED

(Dollars in Thousands)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 5,453	\$ 5,553
Accounts receivable, less allowances of \$35 and \$34, respectively	3,064	2,606
Inventories, net (Note D)	3,697	3,546
Prepaid expenses and other current assets	365	247
Total Current Assets	12,579	11,952
Property, Plant and Equipment:		
Land	633	633
Buildings and improvements	3,946	3,938
Machinery and equipment	16,809	16,633
Gross property, plant and equipment	21,388	21,204
Less: accumulated depreciation	(18,570 )	(18,039 )
Net property, plant, and equipment	2,818	3,165
Intangible assets, net (Note E)	647	475
Other assets, net	202	211
Total Assets	\$ 16,246	\$ 15,803
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 1,293	\$ 987
Accrued compensation and commissions expense	903	769
Other accrued expenses	409	320
Total Current Liabilities	\$ 2,605	2,076
Commitments and Contingencies (Note L)		
Stockholders' Equity		
Common stock, \$0.01 par value - 10,000,000 shares authorized; 2,745,098 shares issued and 2,664,564 shares outstanding at September 30, 2016 and 2,665,434 shares outstanding at December 31, 2015	27	27
Additional paid-in capital	29,102	29,106
Accumulated deficit	(14,952 )	(14,874 )
Treasury stock: 80,534 and 79,664 shares held in treasury at cost at September 30, 2016 and December 31, 2015, respectively	(576 )	(572 )
Accumulated other comprehensive income	40	40
Total Stockholders' Equity	13,641	13,727
Total Liabilities and Stockholders' Equity	\$ 16,246	\$ 15,803

See Accompanying Notes to Condensed Consolidated Financial Statements.



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

(Dollars in Thousands, Except Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
REVENUES	\$5,128	\$4,796	\$15,115	\$15,671
Cost and Expenses:				
Manufacturing cost of sales	3,353	3,209	10,069	10,497
Engineering, selling and administrative	1,803	1,741	5,210	5,822
OPERATING LOSS	(28 )	(154 )	(164 )	(648 )
Other Income (Expense):				
Interest expense, net	(7 )	(16 )	(20 )	(25 )
Other income (expense), net	67	(23 )	105	112
Total Other Income (Expense)	60	(39 )	85	87
INCOME (LOSS) BEFORE INCOME TAXES	32	(193 )	(79 )	(561 )
Income tax (provision) benefit	—	(2 )	1	(13 )
NET INCOME (LOSS)	\$32	\$(195 )	\$(78 )	\$(574 )
Basic per share information:				
Net income (loss)	0.01	(0.07 )	(0.03 )	(0.22 )
Weighted average shares outstanding	2,665,189	2,652,779	2,665,352	2,635,794
Diluted per share information:				
Net income (loss)	0.01	(0.07 )	(0.03 )	(0.22 )
Weighted average shares outstanding	2,665,831	2,652,779	2,665,352	2,635,794

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 September 30, 2016		Nine Months Ended September 30, 2015	
NET INCOME (LOSS)	\$32	\$(195)	\$(78)	\$(574)
Other Comprehensive Income (Loss):				
Unrealized gain (loss) on available-for-sale securities, net of taxes	6	(4 )	—	(5 )
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	38	(4 )	—	(5 )
COMPREHENSIVE INCOME (LOSS)	\$38	\$(199)	\$(78)	\$(579)

See Accompanying Notes to Condensed Consolidated Financial Statements.

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## 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	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2015	2,665,434	\$ 27	\$ 29,106	\$ (14,874 )	\$ (572 )	\$ 40	\$13,727
Net loss	—	—	—	(78 )	—	—	(78 )
Purchase of common stock for treasury	(870 )	—	—	—	(4 )	—	(4 )
Stock-based compensation	—	—	(4 )	—	—	—	(4 )
Balance at September 30, 2016	2,664,564	\$ 27	\$ 29,102	\$ (14,952 )	\$ (576 )	\$ 40	\$13,641

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

(Dollars in Thousands)

	Nine Months Ended September 30,	
	2016	2015
<b>OPERATING ACTIVITIES</b>		
Net loss	\$(78 )	\$(574 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	537	607
Amortization of finite-lived intangible assets	50	51
Stock-based compensation	(4 )	201
Impairment of note receivable	—	43
Gain on disposal of assets	(110 )	(67 )
Bargain purchase gain	(4)	—
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, net	(450 )	1,065
(Increase) decrease in inventories, net	(121 )	424
(Increase) decrease in other assets	(36 )	42
Increase (decrease) in trade accounts payable, accrued compensation and commissions expense and other accrued liabilities	484	(767 )
Net cash provided by operating activities	268	1,025
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(112 )	(370 )
Acquisition of a business	(295 )	—
Other	43	94
Net cash used in investing activities	(364 )	(276 )
<b>FINANCING ACTIVITIES</b>		
Purchase of treasury stock	(4 )	—
Net cash provided by financing activities	(4 )	—
(Decrease) increase in cash and cash equivalents	(100 )	749
Cash and cash equivalents at beginning of period	5,553	5,192
Cash and cash equivalents at end of period	\$5,453	\$5,941
<b>Supplemental Disclosure:</b>		
Cash paid for interest	\$17	\$—
Cash paid for income taxes	\$38	\$11

See Accompanying Notes to Condensed Consolidated Financial Statements.

THE LGL GROUP, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

A. Subsidiaries of the Registrant

The LGL Group, Inc. (the "Company"), 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 designing, manufacturing and marketing of highly-engineered electronic components 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.

As of September 30, 2016, the subsidiaries of the Company are as follows:

	Owned By The LGL Group, Inc.
M-tron Industries, Inc.	100.0 %
Piezo Technology, Inc.	100.0 %
Piezo Technology India Private Ltd.	99.0 %
M-tron Asia, LLC	100.0 %
M-tron Industries, Ltd.	100.0 %
GC Opportunities Ltd.	100.0 %
M-tron Services, Ltd.	100.0 %
Precise Time and Frequency, LLC	100.0 %
Lynch Systems, Inc.	100.0 %

The Company operates through its two principal subsidiaries, M-tron Industries, Inc., which includes the operations of Piezo Technology, Inc. ("PTI") and M-tron Asia, LLC ("Mtron"), together ("MtronPTI"), and Precise Time and Frequency, LLC ("PTF"), a newly formed subsidiary, to hold the assets of Precise Time and Frequency, Inc., as discussed in Note B below. The Company has operations in Orlando, Florida, Yankton, South Dakota, Wakefield, Massachusetts and Noida, India. MtronPTI also has sales offices in Sacramento, California and Hong Kong.

During 2007, the Company sold the operating assets of Lynch Systems, Inc., a subsidiary of the Company, to an unrelated party.

B. Business Combination

On September 2, 2016, PTF acquired certain assets and assumed certain liabilities of Precise Time and Frequency, Inc. ("PTF Inc.") (the "PTF Acquisition") for cash consideration of \$295,000. The acquisition was accounted for under the acquisition method of accounting for business combinations pursuant to the provisions of Accounting Standards Codification ("ASC") 805, Business Combinations, ("ASC 805"). The acquisition method of accounting requires, among other things, that the assets acquired and liabilities assumed in a business combination be measured at their fair values as of the closing date of the acquisition.

The acquired assets include intellectual property and equipment that will support the Company's strategy to be a broader based supplier of highly engineered products for the generation, synchronization and control of timing and frequency. The intangible assets acquired are being amortized over a weighted average period of ten years. The Company believes this product line will complement the complete line of spectrum control products that MtronPTI

currently provides.

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The following is a summary of the preliminary purchase price allocation to the estimated fair values of assets acquired and liabilities assumed in the PTF Acquisition (in thousands):

Purchase consideration \$295

Net assets acquired:

Current assets	45
Fixed assets	85
Intangible assets	214
Current liabilities	(45 )
Net assets acquired	\$299

Bargain purchase gain \$(4 )

The assets acquired and liabilities assumed by PTF were done so through the distressed sale of PTF Inc. and resulted in a bargain purchase gain which is recorded in other income (expense), net in the accompanying condensed consolidated statements of operations for the three and nine months ended September 30, 2016.

Management estimated the fair value of net assets acquired using valuation techniques including income, cost and market approaches. In estimating the fair value of acquired assets and assumed liabilities, the fair value estimates are based on, but not limited to, expected future revenues and cash flows, expected future growth rates and estimated discount rates. The allocation of the purchase price is preliminary as the third party valuation report is not finalized and may be adjusted during the remainder of fiscal 2016. The items still under review include the fair value of inventory, fixed assets and intangible assets.

The following table sets forth certain unaudited pro forma information for the three and nine months ended September 30, 2016 and 2015 assuming that the PTF Acquisition occurred on January 1, 2015 (in thousands, except per share data):

	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
	Pro Forma		Pro Forma	Pro Forma		Pro Forma
	Historical	Adjustments		Historical	Adjustments	
Revenue	\$5,188	\$ —	\$5,188	\$15,353	\$ —	\$15,353
Net income (loss)	\$29	\$ 34	\$63	\$(90 )	\$ 25	\$(65 )
Basic net income (loss) per share	\$0.01	\$ 0.01	\$0.02	\$(0.03 )	\$ 0.01	\$(0.02 )
Diluted net income (loss) per share	\$0.01	\$ 0.01	\$0.02	\$(0.03 )	\$ 0.01	\$(0.02 )

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	Pro Forma		Pro Forma	Pro Forma		Pro Forma
	Historical	Adjustments		Historical	Adjustments	
Revenue	\$4,979	\$ —	\$4,979	\$16,219	\$ —	\$16,219
Net loss	\$(205 )	\$ (42 )	\$(247 )	\$(605 )	\$ (51 )	\$(656 )
Basic net loss per share	\$(0.08 )	\$ (0.01 )	\$(0.09 )	\$(0.23 )	\$ (0.02 )	\$(0.25 )
Diluted net loss per share	\$(0.08 )	\$ (0.01 )	\$(0.09 )	\$(0.23 )	\$ (0.02 )	\$(0.25 )

The pro forma adjustments include amortization expense related to the acquired intangible assets and an adjustment to remove acquisition related expenses incurred in 2016 that for pro forma purposes should be reflected in 2015.

The net sales included in the Company's consolidated statement of operations which were generated by the PTF Acquisition from the acquisition closing date of September 2, 2016 through September 30, 2016 was \$14,000. The losses included in the Company's condensed consolidated statement of operations derived from the PTF Acquisition's business from the acquisition closing date to September 30, 2016 were (\$50,000).

Acquisition-related costs for purposes of accounting principles generally accepted in the United States of America ("GAAP") are costs the acquirer incurs to effect a business combination, including advisory, legal, accounting, valuation, and other professional or consulting fees. The Company incurred a total of approximately \$38,000 of acquisition-related costs charged to engineering, general and administrative expenses during the three and nine months ended September 30, 2016.

### C. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP 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 GAAP 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 and nine months ended September 30, 2016, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2016.

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This interim information should be read in conjunction with the consolidated financial statements and related notes thereto set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission (the "SEC") on March 29, 2016. The accompanying unaudited condensed consolidated financial statements should also be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this Quarterly Report on Form 10-Q.

### D. Inventories

Inventories are valued at the lower of cost or market value using the FIFO (first-in, first-out) method. The Company reduces the value of its inventories to market value when the market value is believed to be less than the cost of the item. The inventory reserve for obsolescence as of September 30, 2016 and December 31, 2015 was \$2,873,000 and \$3,016,000, respectively.

Inventories are comprised of the following (in thousands):

	September 30, 2016	December 31, 2015
Raw materials	\$ 1,387	\$ 1,418
Work in process	1,391	1,325
Finished goods	919	803
Total Inventories, net	\$ 3,697	\$ 3,546

### E. Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and included in engineering, selling and administrative expenses in the accompanying 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. As a result of the PTF Acquisition, the gross carrying amount of intangible assets increased from \$538,000 at December 31, 2015 to \$752,000 at September 30, 2016. The net carrying value of the amortizable intangible assets was \$607,000 and \$435,000 as of September 30, 2016 and December 31, 2015, respectively. Goodwill, which is not amortizable, was \$40,000 as of September 30, 2016 and December 31, 2015.

The estimated aggregate amortization expense for the remaining portion of 2016 and each of the four succeeding years and thereafter is as follows (in thousands):

2016	\$ 19
2017	75
2018	75
2019	75
2020	75
Thereafter	288
Total	\$ 607

### F. CNB Loan

On September 30, 2016, MtronPTI renewed its Loan Agreement (the "CNB Loan Agreement"), with City National Bank of Florida ("City National"). The CNB Loan Agreement provides for a revolving line of credit in the amount of \$3.0 million (the "CNB Revolver"), which bears interest at a variable rate equal to 30-day LIBOR plus 200 basis points to be set on the first day of each month, and expires on September 30, 2018. The CNB Loan Agreement also

provides that MtronPTI will pay City National a fee equal to 0.75% per year on the daily unused amount. The Company's obligations under the CNB Loan Agreement are secured only by cash collateral and do not require any other liens.

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At September 30, 2016 and December 31, 2015, there was no balance outstanding under the CNB Revolver and no associated restricted cash.

#### G. 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 revises, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Restricted stock awards are made at a value equal to the market price of the Company's common stock on the date of the grant.

On September 2, 2016, the Company's board of directors (the "Board") granted a total of 28,000 options to purchase shares of the Company's common stock to members of executive management pursuant to the Company's Amended and Restated 2011 Incentive Plan. These stock options have an exercise price equal to the grant date fair value of the Company's common stock of \$3.90, a three-year life expiring on September 2, 2021, and vest as follows: 25% on the grant date; 25% on the first anniversary of the grant date; an additional 25% on the second anniversary of the grant date; and the remaining 25% on the third anniversary of the grant date. These stock options have a grant date fair value of \$0.89 per option.

Compensation expense related to share-based compensation is recognized over the applicable vesting periods. As of September 30, 2016, there was approximately \$38,000 of total unrecognized compensation expense related to unvested share-based compensation arrangements that will be recognized over a weighted average period of 2.2 years..

#### H. Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with Accounting Standards Codification ("ASC") 260, Earnings Per Share ("ASC 260"). Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share adjusts basic income (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 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 income (loss) per share.

For the three and nine months ended September 30, 2016 there were options to purchase 130,554 shares and 139,902 shares, respectively, of the Company's common stock and warrants to purchase 519,241 shares of common stock that were excluded from the diluted income (loss) per share computation because the impact of the assumed exercise of such stock options would have been anti-dilutive during the respective periods.

For the three and nine months ended September 30, 2015, there were options to purchase 189,023 shares of the Company's common stock and warrants to purchase 519,241 shares of common stock that were excluded from the

diluted income (loss) per share computation because the impact of the assumed exercise of such stock options would have been anti-dilutive during the respective periods.

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The following table reconciles basic weighted average shares outstanding to diluted weighted average shares outstanding for the three and nine months ended September 30, 2016 and 2015

	Three Months Ended		Nine Months Ended	
	September 30, 2016	2015	September 30, 2016	2015
Weighted average shares outstanding - basic	2,665,189	2,652,779	2,665,352	2,635,794
Effect of diluted securities	642	—	—	—
Weighted average shares outstanding - diluted	2,665,831	2,652,779	2,665,352	2,635,794

### I. 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 September 30, 2016, the Company had repurchased a total of 80,534 shares of common stock at a cost of \$576,000, which shares are currently held in treasury.

On August 6, 2013, the Company distributed warrants to purchase shares of the Company's common stock as a dividend to holders of the Company's common stock on July 29, 2013, the record date for the dividend. Stockholders received five warrants for each share of the Company's common stock owned on the record date. When exercisable, 25 warrants will entitle their holder to purchase one share of the Company's common stock at an exercise price of \$7.50 per share (subject to adjustment).

The warrants are "European style warrants" and will only become exercisable on the earlier of (i) their expiration date, August 6, 2018, and (ii) such date that the 30-day volume weighted average price per share, or VWAP, of the Company's common stock is greater than or equal to \$15.00 (subject to adjustment). Once the warrants become exercisable, they may be exercised in accordance with the terms of the warrant agreement between the Company and the warrant agent until their expiration at 5:00 p.m., Eastern Time, on the expiration date.

The warrants are quoted on the over-the-counter market under the symbol "LGLPW."

### J. 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.

#### Fair Value Hierarchy

GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. GAAP emphasizes that fair value is intended to be a market-based measurement, as opposed to a transaction-specific measurement.

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 under current market conditions. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate the fair value. Assets and liabilities are measured using inputs from three levels of the fair value hierarchy, as follows:

Level Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to  
1. access at the measurement date. An active market is defined as a market in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level  
2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in less active markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities. Level 2 inputs also include non-binding market consensus prices that can be corroborated with observable market data, as well as quoted prices that were adjusted for security-specific restrictions.

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Level 3. Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities. Level 3 inputs also include non-binding market consensus prices or non-binding broker quotes that we were unable to corroborate with observable market data.

The following is a summary of valuation techniques utilized by the Company for its significant financial and non-financial assets and liabilities as of September 30, 2016 and December 31, 2015:

The following is a summary of valuation techniques utilized by the Company for its significant financial and non-financial assets and liabilities as of September 30, 2016 and December 31, 2015:

### Assets

To estimate the fair value of its equity and U.S. Treasury securities (Level 1), 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 September 30, 2016
Equity securities	\$55	\$ —	\$ —	\$ 55
U.S. Treasury securities (cash equivalents)	\$3,695	\$ —	\$ —	\$ 3,695

	Level 1	Level 2	Level 3	Total December 31, 2015
Equity securities	\$56	\$ —	\$ —	\$ 56
U.S. Treasury securities (cash equivalents)	\$4,089	\$ —	\$ —	\$ 4,089

There were no transfers from level 2 to level 3 during the period. There were no level 2 or 3 assets as of September 30, 2016 or December 31, 2015.

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. The Company reviews the carrying value of these assets whenever events and circumstances indicate that the carrying amounts of the assets may not be recoverable. If it is determined that the assets are impaired, the carrying value would be reduced to estimated fair value.

### K. Foreign Revenues

For the three and nine months ended September 30, 2016 and 2015, significant foreign revenues from operations (10% or more of foreign sales) were as follows (in thousands):

	Three Months Ended September 30, 2016    2015	
Significant Foreign Revenues:		
Malaysia	\$694	\$451
All other foreign countries	655	629
Total foreign revenues	\$1,349	\$1,080

Nine Months  
 Ended  
 September 30,  
 2016 2015

## Significant Foreign Revenues:

Malaysia	\$2,202	\$1,749
All other foreign countries	1,880	2,407
Total foreign revenues	\$4,082	\$4,156

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

## L. Commitments and Contingencies

In the normal 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. The Company is not involved in any legal proceedings other than routine litigation arising in the normal course of business, none of which the Company believes will have a material adverse effect on the Company's business, financial condition or results of operations.

## M. Related Party Transactions

At September 30, 2016 and December 31, 2015, approximately \$3,695,000 and \$4,089,000, respectively, was invested in United States Treasury money market funds managed by a related entity (the "Fund Manager") which is related through a common director. One of the Company's directors, who is also a 10% stockholder, currently serves as a director and executive officer of the Fund Manager. The fund transactions during the nine months ended September 30, 2016 and for the year ended December 31, 2015, were directed solely at the discretion of Company management. There are no management fees associated with fund transactions.

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 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, 2015.

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, 2015, filed with the the SEC on March 29, 2016, this Report 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 Report. 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.

Results of Operations

Three months ended September 30, 2016 compared to three months ended September 30, 2015

Consolidated Revenues, Gross Margin and Backlog

Total revenues for the three months ended September 30, 2016 were \$5,128,000, an increase of 6.9% from revenues of \$4,796,000 for the same prior year period. The increase is being driven by the Company's strategy to move away from low margin commodities business and focus on achieving revenue growth through the development of more complex, higher margin products, particularly in the Aerospace and Defense ("Aero/Defense") market segment.

Consolidated gross margin, which is consolidated revenues less manufacturing cost of sales, as a percentage of revenues increased to 34.6% from 33.1% for the three months ended September 30, 2016, compared to the same prior year period.

As of September 30, 2016, the Company's order backlog was \$11,017,000, which was an increase of 25.4% compared to the backlog as of September 30, 2015, which was \$8,783,000. The backlog of unfilled orders includes amounts based on signed contracts as well as agreed letters of intent, which MtronPTI has determined are firm orders and likely to proceed. Although backlog represents only firm orders that are considered likely to be fulfilled within the 12

months following receipt of the order, cancellations or scope adjustments may and do occur.

Order 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 its entire backlog within the next 12 months, but cannot provide assurances as to what portion of the order backlog will be fulfilled in a given year.

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## Operating Loss

Operating loss was (\$28,000) for the three months ended September 30, 2016, compared to (\$154,000) for the three months ended September 30, 2015. The improvement is due to a 6.9% increase in revenue and a 1.5 percentage point increase in gross margin offset by approximately \$38,000 of one-time period costs related to the PTF Acquisition.

## Stock-Based Compensation

For the three months ended September 30, 2016, stock-based compensation expense was \$8,000, compared to \$14,000 for the three months ended September 30, 2015. Compensation expense related to stock-based compensation is recognized over the applicable vesting periods. As of September 30, 2016, there was approximately \$38,000 of total unrecognized compensation expense related to unvested share-based compensation arrangements.

## Income Taxes

The Company recorded a tax benefit (provision) of \$0 and (\$2,000) for the three months ended September 30, 2016 and 2015, respectively.

The Company maintains a full valuation allowance against its deferred tax assets under the provisions of ASC 740, Income Taxes, ("ASC 740"), based on the Company's assessment of the uncertainty surrounding the realization of the favorable U.S. tax benefits in future tax returns. When assessing the need for valuation allowances, the Company considers future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the ability to realize deferred tax assets in future years, the Company will adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

## Other Income (Expense), Net

For the three months ended September 30, 2016, other income, net was \$67,000 compared to other expense, net of (\$23,000) for the three months ended September 30, 2015. The current period consists primarily of \$74,000 of net insurance proceeds received for damaged equipment and inventory and a \$4,000 bargain purchase gain resulting from the PTF Acquisition. The prior year expense consists primarily of foreign currency transaction losses.

## Net Income (Loss)

For the three months ended September 30, 2016, the Company reported net income of \$32,000, compared to a net loss of (\$195,000) for the comparable period in 2015. Basic and diluted net income (loss) per share for the three month periods ended September 30, 2016 and 2015, was \$0.01 and (\$0.07), respectively.

Nine months ended September 30, 2016 compared to nine months ended September 30, 2015

## Consolidated Revenues, Gross Margin and Backlog

Total revenues for the nine months ended September 30, 2016 were \$15,115,000, a decrease of 3.5% from revenues of \$15,671,000 for the same prior year period. Price compression from offshore manufacturers has reduced the number of economically feasible opportunities in the Internet Communications Technology market segment. The Company has moved away from such low margin commodities business and is focused on achieving revenue growth through the development of more complex, higher margin products, particularly in the Aero/Defense market segment.

Consolidated gross margin, which is consolidated revenues less manufacturing cost of sales, as a percentage of revenues was 33.4% for the nine months ended September 30, 2016, compared to 33.0% for the nine months ended

September 30, 2015.

As of September 30, 2016, the Company's order backlog was \$11,017,000, which was an increase of 25.2% compared to the backlog as of December 31, 2015, which was \$8,799,000.

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## Operating Loss

Operating loss of (\$164,000) for the nine months ended September 30, 2016 improved by \$484,000 compared to an operating loss of (\$648,000) for the comparable period in 2015. The improvement is due to a reduction in engineering, selling and administrative expenses which were 34.5% of revenue for the nine months ended September 30, 2016, compared to 37.2% of revenue for the comparable prior year period, partially offset by a 3.5% decrease in revenue.

## Stock-Based Compensation

For the nine months ended September 30, 2016, stock-based compensation expense was (\$4,000) due to the effect of actual forfeitures. For the nine months ended September 30, 2015, stock-based compensation expense was \$201,000. Compensation expense related to stock-based compensation is recognized over the applicable vesting periods. As of September 30, 2016, there was approximately \$38,000 of total unrecognized compensation expense related to unvested share-based compensation arrangements.

## Income Taxes

The Company recorded a tax benefit (provision) of \$1,000 and (\$13,000) for the three months ended September 30, 2016 and 2015, respectively.

The Company maintains a full valuation allowance against its deferred tax assets under the provisions of ASC 740, based on the Company's assessment of the uncertainty surrounding the realization of the favorable U.S. tax benefits in future tax returns. When assessing the need for valuation allowances, the Company considers future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the ability to realize deferred tax assets in future years, the Company will adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

## Other Income

For the nine months ended September 30, 2016, other income, net was \$105,000 compared to \$112,000 for the nine months ended September 30, 2015. The current period consists of approximately \$118,000 of net insurance proceeds received for damaged equipment and inventory and a \$4,000 bargain purchase gain resulting from the PTF Acquisition, offset by other expenses. The prior period consists of approximately \$159,000 of net insurance proceeds received for damaged equipment and inventory, partially offset by foreign currency transaction gains.

## Net Loss

Net loss for the nine months ended September 30, 2016 improved to (\$78,000), compared to a net loss of (\$574,000) for the comparable period in 2015. Basic and diluted net loss per share for the nine month periods ended September 30, 2016 and 2015 was (\$0.03) and (\$0.22), respectively.

## Liquidity and Capital Resources

Cash and cash equivalents decreased by \$100,000, to \$5,453,000 as of September 30, 2016 from \$5,553,000 at December 31, 2015.

Cash provided by operating activities was \$268,000 and \$1,025,000 for the nine months ended September 30, 2016 and 2015, respectively. The \$757,000 decrease was primarily due to a decrease in non-cash adjustments for depreciation, stock-based compensation, gain on disposal of assets and bargain purchase gain totaling (\$366,000), and

net changes in working capital accounts of (\$887,000), offset by an improvement in net loss of \$496,000.

Cash used in investing activities for the nine months ended September 30, 2016 and 2015 was (\$364,000) and (\$276,000), respectively. For the nine months ended September 30, 2016 the Company used (\$295,000) to investment in the PTF Acquisition and (\$112,000) to invest in capital expenditures. These investments were offset by insurance proceeds of \$43,000. For the nine months ended September 30, 2015 the Company invested (\$370,000) in capital expenditures. These investments were offset by insurance proceeds of \$94,000.

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For the nine months ended September 30, 2016 the Company used \$4,000 to purchase treasury shares. There were no financing activities for the nine months ended September 30, 2015.

As of September 30, 2016, the Company's consolidated working capital was \$9,974,000, compared to \$9,876,000 at December 31, 2015. As of September 30, 2016, the Company had current assets of \$12,579,000, current liabilities of \$2,605,000 and a ratio of current assets to current liabilities of 4.83 to 1.00. As of December 31, 2015, the Company had current assets of \$11,952,000, current liabilities of \$2,076,000 and a ratio of current assets to current liabilities of 5.76 to 1.00. Management continues to focus on efficiently managing working capital requirements to match operating activity levels.

On September 30, 2016, MtronPTI renewed its Loan Agreement (the "CNB Loan Agreement") with City National Bank of Florida ("City National"). The CNB Loan Agreement provides for a revolving line of credit in the amount of \$3.0 million (the "CNB Revolver"), which bears interest at a variable rate equal to 30-day LIBOR plus 200 basis points to be set on the first day of each month, and expires on September 30, 2018. The CNB Loan Agreement also provides that MtronPTI will pay City National a fee equal to 0.75% per year on the daily unused amount. The Company's obligations under the CNB Loan Agreement are secured only by cash collateral and do not require any other liens.

In connection with the CNB Loan Agreement, MtronPTI also entered into a Cash Collateral Agreement with City National (the "CNB Cash Collateral Agreement") and delivered a Revolving Promissory Note in the principal amount of \$3.0 million to City National (the "CNB Revolving Promissory Note").

The CNB Cash Collateral Agreement provides that MtronPTI will hold cash collateral equal to any amounts outstanding under the CNB Revolver in a non-interest bearing deposit account with City National. Provided that MtronPTI is not in default of any of its obligations under the CNB Loan Agreement, the CNB Revolving Promissory Note or the CNB Cash Collateral Agreement, the funds collateralizing the CNB Revolver are restricted only to the extent of the outstanding principal amount under the CNB Revolver. At September 30, 2016 and December 31, 2015, there was no balance outstanding under the CNB Revolver and no associated restricted cash.

The Company believes that existing cash and cash equivalents and cash generated from operations will be sufficient to meet its ongoing working capital and capital expenditure requirements for the next 12 months. However, the Company may 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.

The Board has adhered to a practice of not paying cash dividends. This policy takes into account our long-term growth objectives, including our anticipated investments for organic growth, potential 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

The Company's accounting policies and condensed consolidated financial statements have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires the Company to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Management believes that the Company has made these estimates and assumptions in an appropriate manner and in a way that accurately reflects the Company's financial condition. The Company continually tests and evaluates these estimates and assumptions using its historical knowledge of the business, as well as other factors, to ensure that they are reasonable for reporting purposes. However, actual results may differ from these estimates and assumptions. If the

Company's judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied, thus resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of the Company's results of operations to those of companies in similar businesses. The Company believes the following critical accounting policies govern the significant judgments and estimates used in the preparation of the financial statements, which should be read in conjunction with the more complete discussion of accounting policies and procedures included in Note A – Accounting and Reporting Policies to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

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 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. The amount of the reserve at September 30, 2016 and December 31, 2015 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 generally 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 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 using the FIFO (first-in, first-out) method and market value.

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

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. The future recoverability of the Company's net deferred tax assets is dependent upon the generation of future taxable income prior to the expiration of the loss carry forwards. The Company maintains a full valuation allowance against the Company's net deferred tax assets. The valuation allowance was calculated in accordance with the provisions of ASC 740, which requires an assessment of both positive and negative evidence when measuring the need for a valuation allowance. The Company intends to maintain a valuation allowance until sufficient positive evidence exists to support its reversal.

#### 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 revises, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Based upon past history of actual performance, forfeiture rates ranging from zero percent to twenty-five percent have been assumed for options granted.

Stock awards are made at a value equal to the market price of the Company's common stock on the date of the grant.

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#### Off-Balance Sheet Arrangements

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

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

#### Item 4. Controls and Procedures

##### Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the Company's 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 the Company, including the Company's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, the Company recognizes that no controls and procedures, no matter how well designed and operated, can provide absolute assurance of achieving the desired control objectives.

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, an evaluation as of September 30, 2016 was conducted under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures, as of September 30, 2016, were effective at a reasonable assurance level.

Notwithstanding the foregoing, on September 2, 2016, the Company completed the PTF Acquisition, and management has excluded the assets acquired and liabilities assumed in this transaction from its assessment of the effectiveness of disclosure controls and processes as of September 30, 2016.

##### Changes in Internal Control Over Financial Reporting

Except as set forth below, during the fiscal quarter ended September 30, 2016, 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.

Notwithstanding the foregoing, as permitted by guidance provided by the SEC, companies are allowed to exclude certain acquisitions from their assessment of internal controls over financial reporting during the first year of an acquisition while integrating the acquired company. As plans to integrate PTF Inc.'s processes and systems into the Company's structure are developed and accomplished, management will continue to update its assessment at each reporting period.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Not applicable.

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.

None.

Item 6. Exhibits.

The following exhibits are included, or incorporated by reference, in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016 (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).
4.1	Warrant Agreement, dated as of July 30, 2013, by and among The LGL Group, Inc., Computershare Inc. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2013).
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

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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

\*\* 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.

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SIGNATURES

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

THE LGL GROUP, INC.

Date: November 10, 2016 By: /s/ Michael J. Ferrantino, Sr.  
Michael J. Ferrantino, Sr.  
Chief Executive Officer  
(Principal Executive Officer)

Date: November 10, 2016 By: /s/ Patti A. Smith  
Patti A. Smith  
Chief Financial Officer  
(Principal Financial and Accounting Officer)