

LGL GROUP INC  
Form 10-Q  
August 14, 2008

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 June 30, 2008

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 Number: 1-106

THE LGL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

38-1799862

(I.R.S. Employer Identification No.)

2525 Shader Rd., Orlando, Florida

(Address of principal executive offices)

32804

(Zip Code)

(407) 298-2000

(Registrant's telephone number, including area code)

(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 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

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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

Class	Outstanding at August 11, 2008
Common Stock, \$0.01 par value	2,176,216

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THE LGL GROUP, INC.

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## PART I

## FINANCIAL INFORMATION

## Item 1 — Condensed Consolidated Financial Statements.

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

(In thousands)

	June 30, 2008	December 31, 2007 (A)
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,904	\$ 5,233
Investments - marketable securities	33	48
Accounts receivable, less allowances of \$517 and \$415, respectively	6,026	6,382
Inventories	5,462	5,181
Prepaid expenses and other current assets	193	381
Assets of Discontinued Operations	4	5
<b>Total Current Assets</b>	<b>16,622</b>	<b>17,230</b>
Property, Plant and Equipment:		
Land	698	698
Buildings and improvements	5,028	5,020
Machinery and equipment	12,586	12,541
Gross Property, Plant and Equipment	18,312	18,259
Less: Accumulated Depreciation	(13,676)	(13,196)
Net Property, Plant and Equipment	4,636	5,063
Deferred Income Taxes	111	111
Other Assets	435	472
<b>Total Assets</b>	<b>\$ 21,804</b>	<b>\$ 22,876</b>

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

(In thousands, except share and per share amounts)

	June 30, 2008	December 31, 2007 (A)
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Note payable to bank	\$ 1,346	\$ 1,035
Trade accounts payable	2,506	2,535
Accrued compensation expense	1,572	1,481
Accrued professional fees	16	51
Swap liability on hedge contracts	78	80
Other accrued expenses	589	640
Current maturities of long-term debt	409	419
Liabilities of Discontinued Operations	177	231
<b>Total Current Liabilities</b>	<b>6,693</b>	<b>6,472</b>
Long-term debt	3,852	4,035
<b>Total Liabilities</b>	<b>10,545</b>	<b>10,507</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity:</b>		
Common stock, \$0.01 par value - 10,000,000 shares authorized; 2,188,510 shares issued; 2,176,216 and 2,167,202 shares outstanding, respectively	22	22
Additional paid-in capital	20,815	20,921
Accumulated deficit	(9,229)	(8,066)
Accumulated other comprehensive loss	(114)	(101)
Treasury stock, at cost, 12,294 and 21,308 shares, respectively	(235)	(407)
<b>Total Stockholders' Equity</b>	<b>11,259</b>	<b>12,369</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 21,804</b>	<b>\$ 22,876</b>

(A) The Condensed Consolidated Balance Sheet at December 31, 2007 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

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

(In thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
REVENUES	\$ 10,150	\$ 10,014	\$ 19,933	\$ 19,391
Cost and expenses:				
Manufacturing cost of sales	7,544	7,476	14,698	14,892
Engineering, selling and administrative	3,000	2,674	6,085	5,325
Impairment loss on Lynch Systems' assets	--	905	--	905
OPERATING LOSS	(394)	(1,041)	(850)	(1,731)
Other income (expense):				
Investment income	--	--	--	1,526
Interest expense	(66)	(91)	(129)	(180)
Gain on sale of land	--	88	--	88
Other expense	(41)	(202)	(73)	(39)
Total Other Income (Expense)	(107)	(205)	(202)	1,395
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(501)	(1,246)	(1,052)	(336)
Benefit (Provision) for income taxes	(57)	108	(106)	50
LOSS FROM CONTINUING OPERATIONS	(558)	(1,138)	(1,158)	(286)
Discontinued Operations:				
Loss from Discontinued Operations	(15)	(803)	(5)	(1,007)
Loss on sale of Lynch Systems	--	(982)	--	(982)
Loss from discontinued operations	(15)	(1,785)	(5)	(1,989)
NET LOSS	\$ (573)	\$ (2,923)	\$ (1,163)	\$ (2,275)
Weighted average shares outstanding, basic and diluted	2,172,052	2,154,702	2,169,820	2,154,702
BASIC AND DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS	\$ (0.26)	\$ (0.53)	\$ (0.54)	\$ (0.13)
BASIC AND DILUTED LOSS PER SHARE FROM DISCONTINUED OPERATIONS	\$ (0.01)	\$ (0.83)	\$ (0.00)	\$ (0.93)
BASIC AND DILUTED NET LOSS PER SHARE	\$ (0.27)	\$ (1.36)	\$ (0.54)	\$ (1.06)

See accompanying Notes to Condensed Consolidated Financial Statements

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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	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
B a l a n c e a t January 1, 2007	2,154,702	\$ 22	\$ 21,081	\$ (5,512)	\$ 1,790	\$ (646)	\$ 16,735
Comprehensive loss:							
Net loss for period	--	--	--	(2,275)	--	--	(2,275)
O t h e r comprehensive loss	--	--	--	--	(1,775)	--	(1,775)
Comprehensive loss	--	--	--	--	--	--	(4,050)
Stock based compensation	--	--	49	--	--	--	49
Balance at June 30, 2007	2,154,702	\$ 22	\$ 21,130	\$ (7,787)	\$ 15	\$ (646)	\$ 12,734
B a l a n c e a t January 1, 2008	2,167,202	\$ 22	\$ 20,921	\$ (8,066)	\$ (101)	\$ (407)	\$ 12,369
Comprehensive loss:							
Net loss for period	--	--	--	(1,163)	--	--	(1,163)
O t h e r comprehensive loss	--	--	--	--	(13)	--	(13)
Comprehensive loss	--	--	--	--	--	--	(1,176)
Stock based compensation	--	--	66	--	--	--	66
I s s u a n c e o f treasury shares for vested restricted stock	9,014	--	(172)	--	--	172	--
Balance at June 30, 2008	2,176,216	\$ 22	\$ 20,815	\$ (9,229)	\$ (114)	\$ (235)	\$ 11,259

See accompanying Notes to Condensed Consolidated Financial Statements





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

(In thousands)

	Six Months Ended June 30,	
	2008	2007
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (1,163)	\$ (2,275)
Adjustments to reconcile net loss to net cash used in operating activities:		
Impairment on Lynch Systems' assets	--	905
Loss on sale of Lynch Systems	--	982
Depreciation	516	517
Stock based compensation	66	49
Amortization of finite-lived intangible assets	30	44
Gain on sale of land	--	(88)
Gain realized on sale of marketable securities	--	(1,526)
Changes in operating assets and liabilities:		
Receivables	356	103
Inventories	(281)	933
Accounts payable and accrued liabilities	(27)	(1,286)
Other assets/liabilities	198	(6)
Net cash used in operating activities of continuing operations	(305)	(1,648)
Net cash (used in) provided by operating activities of discontinued operations	(53)	420
Net cash used in operating activities	(358)	(1,228)
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(89)	(59)
Restricted cash	--	19
Proceeds from sale of marketable securities	--	2,292
Proceeds from sale of land	--	171
Net cash (used in) provided by investing activities of continuing operations	(89)	2,423
Net cash used in investing activities of discontinued operations	--	722
Net cash (used in) provided by investing activities	(89)	3,145
<b>FINANCING ACTIVITIES</b>		
Net borrowings on note payable to bank	311	805
Repayments of long-term debt	(193)	