

**SECURITIES & EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)



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

For the quarterly period ended September 30, 2005

or



TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 1-106

LYNCH CORPORATION

(Exact name of Registrant as specified in its charter)

Indiana	38-1799862
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification No.)
140 Greenwich Avenue, 4th Floor, Greenwich, CT	06830
(Address of principal executive offices)	(Zip Code)
	(203) 622-1150
	Registrant's telephone number, including area code

(Former address, 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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock, as of the latest practical date.

<u>Class</u>	<u>Outstanding at September 30, 2005</u>
Common Stock, \$0.01 par value	1,616,026

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Part 1 — FINANCIAL INFORMATION —

Item 1 — Financial Statements

LYNCH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS — UNAUDITED

(In thousands, except share amounts)

	<u>September 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004 (A)</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,824	\$ 2,580
Restricted cash (Note E)	650	1,125
Investments - marketable securities (Note F)	3,119	3,609
Accounts receivable, less allowance for doubtful accounts of \$85 and \$92, respectively	6,653	6,360
Unbilled accounts receivable (Note I)	1,480	2,507
Inventories (Note G)	6,358	7,852
Deferred income taxes	413	111
Prepaid expenses	<u>612</u>	<u>626</u>
Total Current Assets	22,109	24,770
Property, Plant and Equipment		
Land	855	871
Buildings and improvements	5,768	5,811
Machinery and equipment	<u>14,521</u>	<u>14,443</u>
	21,144	21,125
Less: accumulated depreciation	<u>(13,685)</u>	<u>(12,669)</u>
	7,459	8,456
Other assets	<u>619</u>	<u>657</u>
Total Assets	<u>\$ 30,187</u>	<u>\$ 33,883</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable (Note H)	\$ 3,095	\$ 5,557
Trade accounts payable	2,671	2,667
Accrued warranty expense (Note I)	459	466
Accrued compensation expense	1,271	1,101
Accrued income taxes	1,021	966
Accrued professional fees	422	534
Margin liability on marketable securities	325	1,566
Other accrued expenses	1,064	1,139
Commitments and contingencies (Note M)	961	775
Customer advances	293	2,115
Current maturities of long-term debt (Note H)	<u>1,212</u>	<u>3,842</u>
Total Current Liabilities	12,794	20,728
Long-term debt (Note H)	<u>5,204</u>	<u>3,162</u>
Total Liabilities	17,998	23,890
Shareholders' Equity		
Common stock, \$0.01 par value - 10,000,000 shares authorized; 1,649,834 shares issued; 1,616,026 shares outstanding	16	16
Additional paid-in capital	17,404	17,404
Accumulated deficit	(5,689)	(7,786)
Accumulated other comprehensive income (Note K)	1,104	849
Treasury stock, at cost, of 33,808 and 17,708 shares, respectively	<u>(646)</u>	<u>(490)</u>
Total Shareholders' Equity	12,189	9,993
Total Liabilities and Shareholders' Equity	<u>\$ 30,187</u>	<u>\$ 33,883</u>

(A) The Balance Sheet at December 31, 2004 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 Consolidated Financial Statements

PART I — FINANCIAL INFORMATION

Item 1 — Financial Statements

LYNCH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS — UNAUDITED

(In thousands, except share amounts)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
SALES AND REVENUES	\$ 10,745	\$ 8,257	\$ 36,253	\$ 21,805
Cost and expenses:				
Manufacturing cost of sales	7,784	6,332	24,503	16,382
Selling and administrative	3,277	2,341	9,838	6,644
Lawsuit settlement provision (Note M)	200	100	200	525
OPERATING PROFIT (LOSS)	(516)	(516)	1,712	(1,746)
Other income (expense):				
Investment income	583	6	600	14
Interest expense	(217)	(63)	(610)	(176)
Other income	(12)	23	68	45
	<u>354</u>	<u>(34)</u>	<u>58</u>	<u>(117)</u>
(LOSS) INCOME BEFORE INCOME TAXES	(162)	(550)	1,770	(1,863)
Benefit (provision) for income taxes	858	(16)	327	(71)
NET INCOME (LOSS)	<u>\$ 696</u>	<u>\$ (566)</u>	<u>\$ 2,097</u>	<u>\$ (1,934)</u>
Weighted average shares outstanding	<u>1,617,934</u>	<u>1,495,500</u>	<u>1,626,801</u>	<u>1,496,000</u>
BASIC AND DILUTED INCOME (LOSS) PER				
SHARE:	<u>\$ 0.43</u>	<u>\$ (0.38)</u>	<u>\$ 1.29</u>	<u>\$ (1.29)</u>

- Effective September 30, 2004, the Company acquired, through its subsidiary M-tron Industries, Inc., 100% of the common stock of Piezo Technology, Inc. (See Note D to the Condensed Consolidated Financial Statements.) The three month and nine month results for the period ended September 30, 2004 do not include Piezo Technology, Inc.

See accompanying Notes to Consolidated Financial Statements

PART I — FINANCIAL INFORMATION

ITEM 1 — Financial Statements

LYNCH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED
(In thousands)

	Nine Months Ended	
	September 30,	
	2005	2004
OPERATING ACTIVITIES		
Net income (loss).....	\$ 2,097	\$ (1,934)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,050	650
Amortization of definite-lived intangible assets	85	164
Gain on sale of fixed assets	(69)	-
Gain realized on sale of marketable securities	(567)	-
Lawsuit settlement provision (Note M)	200	525
Changes in operating assets and liabilities:		
Receivables	734	631
Inventories	1,494	(2,031)
Accounts payable and accrued liabilities	21	816
Other assets/liabilities	<u>(2,161)</u>	<u>(352)</u>
Net cash provided by (used in) operating activities.....	<u>2,884</u>	<u>(1,531)</u>
INVESTING ACTIVITIES		
Capital expenditures	(287)	(266)
Restricted cash.....	475	-
Purchase of marketable securities	-	(754)
Proceeds from sale of fixed assets.....	307	-
Proceeds from sale of marketable securities.....	1,348	-
Net repayment of margin liability on marketable securities.....	<u>(1,241)</u>	<u>(300)</u>
Cash provided by (used in) investing activities	<u>602</u>	<u>(1,320)</u>
FINANCING ACTIVITIES		
Net (repayments) borrowings of notes payable	(2,462)	297
Repayment of long-term debt.....	(588)	(137)
Purchase of treasury stock	(156)	(32)
Other.....	<u>(36)</u>	<u>-</u>
Net cash (used in) provided by financing activities.....	<u>(3,242)</u>	<u>128</u>
Increase (decrease) in cash and cash equivalents	244	(2,723)
Cash and cash equivalents at beginning of period.....	<u>2,580</u>	<u>3,981</u>
Cash and cash equivalents at end of period.....	<u>\$ 2,824</u>	<u>\$ 1,258</u>

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. Subsidiaries of the Registrant

As of September 30, 2005, the Subsidiaries of the Registrant are as follows:

	<u>Owned By Lynch</u>
Lynch Systems, Inc.	100.0%
M-tron Industries, Inc.	100.0%
M-tron Industries, Ltd.	100.0%
Piezo Technology, Inc.	100.0%
Piezo Technology India Private Ltd.	99.9%

B. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month and nine month period ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

The balance sheet at December 31, 2004 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Registrant Company and Subsidiaries Annual Report on Form 10-K for the year ended December 31, 2004.

C. Adoption of Accounting Pronouncements

On December 14, 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share Based Payment" ("SFAS 123R"), which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123R supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees", and amends SFAS No. 95 "Statement of Cash Flows". Generally, the approach in SFAS 123R is similar to the approach described in SFAS 123. However, SFAS 123R requires all share-based payments to employees, including grants to employee stock options, to be recognized in the income statement based on their fair values. Pro-forma disclosure is no longer an alternative.

On April 14, 2005, the Securities and Exchange Commission announced that it would provide for a phased-in implementation process for SFAS No. 123R. This ruling effectively delayed the Company's adoption of the standard until the first quarter of 2006. The Company will continue to evaluate the provisions of SFAS No. 123R to determine its impact on its financial condition and results of operations. See (Note J) for current pro-forma disclosure.

In November 2004, the FASB issued SFAS No. 151, "*Inventory Costs – an amendment of ARB No. 43*". SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. This Statement amends the guidance in ARB No. 43, Chapter 4, "*Inventory Pricing*", to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). This Statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal". In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The adoption of this standard is not expected to have a material impact on the Company's overall financial position or results of operations.

D. Acquisition

On October 15, 2004, the Company acquired, through its wholly-owned subsidiary, Mtron, 100% of the common stock of PTI. The acquisition was effective September 30, 2004. PTI manufactures and markets high-end oscillators, crystals, resonators and filters used in electronic and communications systems. The purchase price was approximately \$8,736,000 (before deducting cash acquired, and before adding acquisition costs and transaction fees). The Company funded the purchase price by (a) new notes payable and long-term debt of \$6,936,000 and (b) proceeds of \$1,800,000 received from the sale of Lynch Stock to Venator Merchant Fund ("Venator"), which is controlled by the Company's Chairman, Marc Gabelli.

The following is the final allocation of the purchase price to the estimated fair value of assets acquired and liabilities assumed for the PTI acquisition. The allocation is based on management's estimates, including the valuation of the fixed and intangible assets by independent third-party appraisers.

	<i>(in thousands)</i>
<u>Assets:</u>	
Cash.....	\$ 1,389
Accounts receivable	1,565
Inventories	2,485
Prepaid expenses and other current assets	853
Property and equipment.....	4,871
Intangible assets	688
Other assets	54
Total assets acquired	<u>\$ 11,904</u>
<u>Liabilities:</u>	
Accounts payable	\$ 556
Accrued expenses	1,468
Debt assumed by the Company	1145
Total liabilities assumed.....	<u>3,169</u>
Net Assets acquired.....	<u>\$ 8,736</u>

The fair market value of net assets acquired in the PTI acquisition exceeded the purchase price, resulting in negative goodwill of approximately \$4.8 million. In accordance with Statement of Financial Accounting Standards No. 141 "Accounting for Business Combinations", this negative goodwill was allocated back to PTI's non-current assets, resulting in a write-down in the fair market value initially assigned to property and equipment and intangible assets. The adjusted intangible assets of \$688,000 consist of customer relationships, trade name and funded technologies, and were determined to have definite lives that range from two to ten years.

E. Restricted Cash

At September 30, 2005 and December 31, 2004, the Company had \$650,000 and \$1,125,000, respectively, of Restricted Cash that secures a Letter of Credit issued by Bank of America to the First National Bank of Omaha as collateral for its M-tron subsidiary's loans.

F. Investments

The following is a summary of marketable securities (investments) held by the Company *(in thousands)*:

<u>Equity Securities</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
September 30, 2005.....	\$ 1,991	\$ 1,128	—	\$ 3,119
December 31, 2004.....	\$ 2,774	\$ 835	—	\$ 3,609

The Company has a margin liability against this investment of \$325,000 at September 30, 2005 and of \$1,566,000 at December 31, 2004 which must be settled upon the disposition of the related securities whose fair value is based on quoted market prices. The Company has designated these investments as available for sale pursuant to Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

Fair Value of Financial Instruments - Interest Rate Swap Hedging

The Company has an interest rate swap agreement to reduce the interest exposure on the \$3.0 million RBC Term Loan that is described in Note H. This agreement eliminates the variability of cash flows in the interest payments for 100% of the total variable-rate term loan effectively changing the Company's exposure from a variable interest rate to a fixed interest rate.

The Company has designated the agreement as a cash flow hedge. The critical terms of the swap and the term loan coincide (notional amount, interest rate reset dates, maturity/expiration date and underlying index) the hedge is expected to exactly offset changes in expected cash flows due to fluctuations in the LIBOR Base Rate over the term of the loan. Accordingly, this swap qualifies for the short-cut method and therefore changes in the fair value of the swap will recorded directly in the other comprehensive income and no ineffectiveness will be recorded directly in other comprehensive income and no ineffectiveness will be recorded in interest expense. At September 30, 2005 there was no change in fair value and no entry was recorded relating to the interest rate swap.

G. Inventories

Inventories are stated at the lower of cost or market value. At September 30, 2005, inventories were valued by two methods: last-in, first-out (LIFO) 50%, and first-in, first-out (FIFO) 50%. At December 31, 2004, inventories were valued by the same two methods: LIFO – 47%, and FIFO – 53%.

	<u>September 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
	<i>(in thousands)</i>	
Raw materials.....	\$ 2,339	\$ 2,308
Work in process.....	2,511	3,763
Finished goods.....	<u>1,509</u>	<u>1,781</u>
Total Inventories.....	<u>\$ 6,358</u>	<u>\$ 7,852</u>

Current costs exceed LIFO value of inventories by \$1,135,000 and \$1,110,000 at September 30, 2005 and December 31, 2004, respectively

H. Indebtedness

Lynch Systems and MtronPTI maintain their own short-term line of credit facilities. In general, the credit facilities are secured by property, plant and equipment, inventory, receivables and common stock of certain subsidiaries and contain certain covenants restricting distributions to the Company. The Lynch Systems credit facility includes an unsecured parent Company guarantee. MtronPTI's credit facility includes an unsecured parent Company guarantee and is supported by a \$650,000 Letter of Credit that is secured by a \$650,000 deposit at Bank of America (see Note E – "Restricted Cash").

On June 30, 2005, MtronPTI renewed its credit agreement with First National Bank of Omaha extending the due date to May 31, 2006. MtronPTI's short-term credit facility totals \$5.5 million, of which \$3.9 million was available for future borrowings.

On June 29, 2005, Lynch Systems entered into an extension agreement with SunTrust Bank to extend the due date of it credit agreement until August 31, 2005. Lynch Systems \$7.0 million short-term credit facility was reduced to \$4.3 million in accordance with the extension agreement, of which \$200,000 was available for letters of credit. The extension agreement also calls for the acceleration of the existing Lynch Systems term loan from August, 2013 to August 31, 2005. On August 29, 2005, Lynch Systems entered into a first amendment to the extension agreement, dated August 25, 2005 to extend until September 30, 2005 the due date of indebtedness. At September 30, 2005,

there were outstanding Letters of Credit of \$282,000 and borrowings of \$756,000 under the working capital line and \$390,000 under the term loan. Lynch Systems has entered into a new loan agreement with Branch Banking and Trust ("BB&T"), see "Subsequent Events". These loans include an unsecured parent company guarantee.

On May 12, 2005, Venator Merchant Fund, L.P. made a loan to Lynch Corporation in the amount of \$700,000 due September 11, 2005 or within seven days after demand by Venator. Venator is an investment limited partnership controlled by Lynch's Chairman of the Board, Marc Gabelli. On September 8, 2005, Lynch Corporation entered into a Letter Agreement extending the maturity date of its Promissory Note in the principal amount of \$700,000 to Venator Merchant Fund L.P. ("Venator"). The maturity date of the Promissory Note, which was to have been September 11, 2005 or within seven days after demand by Venator, was changed to November 10, 2005 or within seven days after demand by Venator. The loan was approved by the Audit Committee of the Board of Directors of Lynch.

On September 30, 2005, MtronPTI entered into a Loan Agreement with RBC Centura Bank("RBC"). The Loan Agreement provides for a loan in the amount of \$3,040,000 (the "RBC Term Loan"), the proceeds of which were used to pay off the \$3,000,000 bridge loan with First National Bank of Omaha which had been due October 2005. The RBC Term Loan bears interest at LIBOR Base Rate plus 2.75% and is to be repaid in monthly installments based on a twenty year amortization, with the then remaining principal balance to be paid on the fifth anniversary of the RBC Term Loan. The RBC Term Loan is secured by a mortgage on PTI's premises. In connection with this RBC Term Loan, MtronPTI entered into a five-year interest rate swap from which it will receive periodic payments at the LIBOR Base Rate and make periodic payments at a fixed rate of 7.51% with monthly settlement and rate reset dates.

	<u>September 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
	<i>(in thousands)</i>	
Notes payable consists of:		
Mtron bank revolving loan at variable interest rates (greater of prime or 4.5%; 6.75% at September 30, 2005), due May, 2006	\$ 1,639	\$ 3,557
Lynch Systems working capital revolving loan at variable interest rates, (LIBOR + 2%; 6.69% at September 30, 2005), due September, 2005	756	2,000
Venator promissory note at a fixed interest rate of 8% at September 30, 2005, due November 10, 2005	700	-
	<u>\$ 3,095</u>	<u>\$ 5,557</u>
Long-term debt consists of:		
Long-term debt:		
Mtron commercial bank term loan at variable interest rates (7.00% at September 30, 2005), due April, 2007	\$ 514	\$ 686
Yankton Area Progressive Growth loan at 0% interest	-	50
South Dakota Board of Economic Development at a fixed rate of 3%, due December, 2007	265	273
Yankton Areawide Business Council loan at a fixed interest rate of 5.5%, due November, 2007	76	83
Lynch Systems term loan at a fixed interest rate of 5.5%, due December, 2005	390	427
Mtron bridge loan at variable interest rates (greater of prime or 4.5%)	-	3,000
Mtron term loan at variable interest rates (greater of prime plus 50 basis points or 4.5%; 7.25% at September 30, 2005), due October, 2007	1,694	1,943
MtronPTI RBC term loan at variable interest rates (LIBOR + 2.75%; 6.59% at September 30, 2005), due October, 2010	3,040	-
Rice University Promissory Note at a fixed interest rate of 4.5%, due August, 2009	277	345
Smythe Estate Promissory Note at a fixed interest rate of 4.5% due August, 2009	160	197
	<u>6,416</u>	<u>7,004</u>
Current maturities	<u>(1,212)</u>	<u>(3,842)</u>
	<u>\$ 5,204</u>	<u>\$ 3,162</u>

I. Long-Term Contracts and Warranty Expense

Lynch Systems, a 100% wholly-owned subsidiary of the Company, is engaged in the manufacture and marketing of glass-forming machines and specialized manufacturing machines. Certain sales contracts require an advance payment (usually 30% of the contract price) which is accounted for as a customer advance. The contractual sales prices are paid either (i) as the manufacturing process reaches specified levels of completion or (ii) based on the shipment date or (iii) negotiated terms of sale. Guarantees by letter of credit from a qualifying financial institution are required for most sales contracts. Because of the specialized nature of these machines and the period of time needed to complete production and shipping, Lynch Systems accounts for these contracts using the percentage-of-completion accounting method as costs are incurred compared to total estimated project costs (cost-to-cost basis). At September 30, 2005 and December 31, 2004, unbilled accounts receivable were \$1,480,000 and \$2,507,000, respectively.

Lynch Systems provides a full warranty to world-wide customers who acquire machines. The warranty covers both parts and labor and normally covers a period of one year or thirteen months. Based upon experience, the warranty accrual is based upon three to five percent of the selling price of the machine. The Company periodically assesses the adequacy of the reserve and adjusts the amounts as necessary.

	<i>(in thousands)</i>
Balance, December 31, 2004	\$ 466
Warranties issued during the period	230
Settlements made during the period.....	(237)
Changes in liabilities for pre-existing warranties during the period, including expirations	-
Balance, September 30, 2005	<u>\$ 459</u>

J. Earnings Per Share and Stockholders' Equity

On May 26, 2005, the Company's shareholders approved amendments to the 2001 Equity Incentive Plan to increase the total number of shares of the Company's Common Stock available for issuance from 300,000 to 600,000 shares and to add provisions that require terms and conditions of awards to comply with section 409A of the Internal Revenue Code of 1986. Also on May 26, 2005, the Company granted options to purchase 120,000 shares of Company common stock to certain employees and directors of the Company at \$13.17 per share. These options were anti-dilutive and have lives of up to ten years. As of September 30, 2005, options to purchase 300,000 shares are outstanding and fully vested.

The Company accounts for the 2001 Equity Incentive Plan under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to or above the market value of the underlying common stock on the date of grant. The Company provides pro-forma disclosures of the compensation expense determined under the fair value provisions of Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation" as follows:

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	2005	2004	2005	2004
	<i>(in thousands, except share amounts)</i>			
Net income (loss) as reported	\$ 696	\$ (566)	\$ 2,097	\$(1,934)
Deduct: Total stock based employee compensation expense determined under fair value based method for all awards, net of related tax effect.....	<u>-</u>	<u>(39)</u>	<u>(222)</u>	<u>(116)</u>
Pro-forma net income (loss)	<u>\$ 696</u>	<u>\$ (605)</u>	<u>\$ 1,875</u>	<u>\$ (2,050)</u>
Basic & diluted income (loss) per share:				
As reported	\$ 0.43	\$ (0.38)	\$ 1.29	\$ (1.29)
Pro forma	\$ 0.43	\$ (0.40)	\$ 1.15	\$ (1.37)

The net income (loss) as reported in each period did not include any stock-based compensation.

K. Accumulated Other Comprehensive Income (Loss)

Total comprehensive income was \$684,000 in the three months ended September 30, 2005, compared to a total comprehensive loss of \$897,000 in the three months ended September 30, 2004. Included in total comprehensive income (loss) were unrealized gains on available for sale securities of \$59,000 and unrealized losses of \$331,000 in the three months ended September 30, 2005 and 2004, respectively.

Total comprehensive income was \$2,352,000 in the nine months ended September 30, 2005, compared to a total comprehensive loss of \$1,954,000 in the nine months ended September 30, 2004. Included in total comprehensive income (loss) were unrealized gains on available for sale securities of \$292,000 and unrealized losses of \$20,000 in the nine months ended September 30, 2005 and 2004, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net income (loss) as reported.....	\$ 696	\$ (566)	\$ 2,097	\$(1,934)
Foreign currency translation.....	(71)	-	(37)	-
Unrealized (loss) gain on available for sale securities.....	59	(331)	292	(20)
Total comprehensive income (loss).....	<u>\$ 684</u>	<u>\$ (897)</u>	<u>\$ 2,352</u>	<u>\$(1,954)</u>

The components of accumulated other comprehensive income, net of related tax, at September 30, 2005 and December 31, 2004, and September 30, 2004 are as follows:

	September 30, 2005	December 31, 2004	September 30, 2004
Balance beginning of period.....	\$ 849	\$ 291	\$ 291
Foreign currency translation.....	(37)	14	-
Unrealized gain on available for-sale securities	292	544	(20)
Accumulated other comprehensive income	<u>\$1,104</u>	<u>\$ 849</u>	<u>\$ 271</u>

L. Segment Information

The Company has two reportable business segments: 1) glass manufacturing equipment business, which represents the operations of Lynch Systems, and 2) frequency control devices (quartz crystals and oscillators) which represents products manufactured and sold by MtronPTI. The Company's foreign operations in Hong Kong and India are under the control of MtronPTI.

Operating profit (loss) is equal to revenues less operating expenses, excluding investment income, interest expense, and income taxes. The Company allocates a negligible portion of its general corporate expenses to its operating segments. Such allocation was \$125,000 and \$87,500 in the three months ending September 30, 2005 and 2004, respectively and \$375,000 and \$262,500 in the nine months ending September 30, 2005 and 2004, respectively. Identifiable assets of each industry segment are the assets used by the segment in its operations excluding general corporate assets. General corporate assets are principally cash and cash equivalents, short-term investments and certain other investments and receivables.

	Three Months Ended		Nine Months	
	September 30,		Ended September 30,	
	2005	2004	2005	2004
<i>Revenues</i>				
Glass manufacturing equipment - USA	\$ 394	\$ 132	\$ 1,460	\$ 465
Glass manufacturing equipment - Foreign	1,358	3,079	8,567	6,196
Total Glass manufacturing equipment	1,752	3,211	10,027	6,661
Frequency control devices - USA	5,303	2,026	14,994	6,215
Frequency control devices - Foreign	3,690	3,020	11,232	8,929
Total Frequency control devices	8,993	5,046	26,226	15,144
Consolidated total revenues	<u>\$10,745</u>	<u>\$ 8,257</u>	<u>\$36,253</u>	<u>\$21,805</u>
Operating Profit (Loss)				
Glass manufacturing equipment	\$ (518)	\$ 17	\$ 1,330	\$ (505)
Frequency control devices	540	114	1,757	583
Total manufacturing	22	131	3,087	78
Unallocated Corporate expense	(538)	(647)	(1,375)	(1,824)
Consolidated total operating profit (loss)	<u>\$ (516)</u>	<u>\$ (516)</u>	<u>\$ 1,712</u>	<u>\$(1,746)</u>
Other Profit (Loss)				
Investment income	\$ 583	\$ 6	\$ 600	\$ 14
Interest expense	(217)	(63)	(610)	(176)
Other income (expense)	(12)	23	68	45
Consolidated total profit (loss) before taxes	<u>\$ (162)</u>	<u>\$ (550)</u>	<u>\$ 1,770</u>	<u>\$(1,863)</u>
Capital Expenditures				
Glass manufacturing equipment	\$ —	\$ 61	\$ 16	\$ 74
Frequency control devices	100	21	270	192
General Corporate	—	—	1	—
Consolidated total capital expenditures	<u>\$ 100</u>	<u>\$ 82</u>	<u>\$ 287</u>	<u>\$ 266</u>
Total Assets				
Glass manufacturing equipment			\$ 9,176	\$ 10,939
Frequency control devices			16,688	18,810
General Corporate			4,323	3,671
Consolidated total assets			<u>\$30,187</u>	<u>\$33,420</u>

M. Commitments and Contingencies

In the normal course of business, subsidiaries of the Company are defendants in certain product liability, worker claims and other litigation in which the amounts being sought may exceed insurance coverage levels. The resolution of these matters is not expected to have a material adverse effect on the Company's financial condition or operations. In addition, the Company and/or one or more of its subsidiaries are parties to the following additional legal proceedings:

In re: Spinnaker Coating, Inc., Debtor/PACE Local 1-1069 v. Spinnaker Coating, Inc., and Lynch Corporation, U.S. Bankruptcy Court, District of Maine, Chapter 11, Adv. Pro. No. 02-2007, PACE Local 1-1069 v. Lynch Corporation and Lynch Systems, Inc. Cumberland County Superior Court, CV-2001-00352; and Maine Supreme Judicial Court, Law Docket No. CUM-04-682

On or about June 26, 2001, in anticipation of the July 15, 2001 closure of Spinnaker's Westbrook, Maine facility, Plaintiff PACE Local 1-1069 ("PACE") filed a three count complaint in Cumberland County Superior Court, CV-2001-00352 naming the following Defendants: Spinnaker Industries, Inc., Spinnaker Coating, Inc., and Spinnaker Coating-Maine, Inc. (collectively, the "Spinnaker Entities") and the Company. The complaint alleged that under Maine's Severance Pay Act both the Spinnaker Entities and the Company would be liable to pay approximately \$1,166,000 severance pay in connection with the plant closure. Subsequently, the Spinnaker Entities filed for relief under Chapter 11 of the Bankruptcy Code and the action proceeded against the Company on the issue of whether the Company has liability to PACE's members under the Maine Severance Pay Act.

In 2002, both PACE and the Company moved for summary judgment in the action. On July 28, 2003, the Court issued an order denying the Company's motion, finding that there remained a disputed issue of material fact regarding one of the Company's primary defenses. The Court granted partial summary judgment in favor of PACE to the extent that the Court found that the Company was the Spinnaker Entities "parent corporation" and, therefore, the Company was an "employer" subject to potential liability under Maine's Severance Pay Act.

On November 3, 2004, the Court held that the Spinnaker Entities' bankruptcy did not prevent the award of severance pay under the statute. The Court granted summary judgment to PACE on the second count of its complaint based on its earlier ruling that the Company was the parent corporation of the Spinnaker Entities. The Court also issued a separate order that related to the calculation of damages, largely agreeing with the Company on the appropriate method of calculating damages and awarded PACE \$653,018 (subsequently modified to \$656,020) in severance pay, which is approximately one-half the amount claimed by PACE. The Court rejected PACE's claim for pre-judgment interest, but granted its request for attorney fees.

Both PACE and the Company have appealed to the Maine Supreme Judicial Court. The Company filed its brief on April 4, 2005. PACE filed its brief on May 18, 2005. Lynch filed its Reply Brief on June 9, 2005. On September 13, 2005, the Maine Supreme Court heard oral argument. The Court has not yet issued its decision. Management does not believe that the resolution of this case will have a material adverse effect on the Company's consolidated financial condition and operations.

Qui Tam Lawsuit

The Company, Lynch Interactive and numerous other parties have been named as defendants in a lawsuit brought under the so-called "qui tam" provisions of the federal False Claims Act in the United States District Court for the District of Columbia. The complaint was filed under seal with the court in February, 2001, and the seal was lifted in January, 2002. The Company was formally served with the complaint in July, 2002. The main allegation in the case is that the defendants participated in the creation of "sham" bidding entities that allegedly defrauded the United States Treasury by improperly participating in Federal Communications Commission ("FCC") spectrum auctions restricted to small businesses, as well as obtaining bidding credits in other spectrum auctions allocated to "small" and "very small" businesses. While the lawsuit seeks to recover an unspecified amount of damages, which would be subject to mandatory trebling under the statute, a report prepared for the relator (a private individual who filed the action on behalf of the United States) in 2005 alleges damages of approximately \$91 million in respect of bidding credits, approximately \$70 million in respect of government loans and approximately \$206 million in respect of subsequent resales of licenses, in each case prior to trebling.

In September, 2003, the Court granted Lynch Interactive's motion to transfer the action to the Southern District of New York and in September, 2004, the Court issued a ruling denying defendants' motion to refer the issues in the action to the FCC. In December, 2004, the defendants filed a motion in the United States District Court for the District of Columbia to compel the FCC to provide information subpoenaed by them in order to conduct their defense. This motion was denied in May, 2005 and the defendants have both appealed the decision and requested a final agency action in order to seek review under the Administrative Procedures Act. In the mean-time, fact discovery is substantially complete and both the plaintiff and the defendants have moved for summary judgment on

a variety of grounds. In November 2005, with respect to one such motion for partial summary judgment on the issue of damages based on resales of licenses, the court ruled that such damages were not permissible.

The U. S. Department of Justice has notified the Court that it declined to intervene in the case. The Defendants strongly believe that the action is completely without merit and that the relator's damage computation is without basis, and are vigorously defending it. Under the separation agreement between the Company and Lynch Interactive pursuant to which Lynch Interactive was spun-off to the Company's shareholders on September 1, 1999, Lynch Interactive would be obligated to indemnify the Company for any losses or damages incurred by the Company as a result of this action. Lynch Interactive has agreed in writing to defend the case on the Company's behalf and to indemnify the Company for any losses it may incur. Lynch Interactive has retained legal counsel to defend the claim on behalf of the Company and Lynch Interactive, at the expense of Lynch Interactive and certain other defendants. Nevertheless, the Company cannot predict the ultimate outcome of the litigation, nor can the Company predict the effect that the lawsuit or its outcome will have on the Company's business or plan of operation.

N. Income Taxes

The Company files consolidated federal income tax returns. The Company has approximately \$2,600,000 net operating loss ("NOL") carry-forward as of September 30, 2005. This NOL expires in 2026 if not utilized prior to that date.

O. Guarantees

The Company presently guarantees (unsecured) the SunTrust Bank loans of its subsidiary, Lynch Systems. The Company presently guarantees (unsecured) the First National Bank of Omaha loans of its subsidiary, MtronPTI, and has guaranteed a Letter of Credit issued to the First National Bank of Omaha on behalf of its subsidiary, MtronPTI (see Note H - "Indebtedness Debt"). As of September 30, 2005, the \$650,000 Letter of Credit issued by Bank of America to The First National Bank of Omaha was secured by a \$650,000 deposit at Bank of America. (See Note E - "Restricted Cash", also see "Subsequent Events".)

There were no other financial, performance, indirect guarantees or indemnification agreements.

P. Subsequent Events

Effective October 6, 2005, Lynch Systems entered into a loan agreement (the "BB&T Loan Agreement") with Branch Banking and Trust Company ("BB&T"). The BB&T Loan Agreement provides for a line of credit in the maximum principal amount of \$3,500,000. This line of credit replaces the working capital revolving loan that Lynch Systems had with SunTrust Bank, which loan expired by its terms on September 30, 2005. Borrowings under the Loan Agreement bear interest at the One Month LIBOR Rate plus 2.75% and accrued interest is payable on a monthly basis, with the principal balance due to be paid on the first anniversary of the Loan Agreement.

The BB&T Loan Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including those relating to reporting requirements, maintenance of records, properties and corporate existence, compliance with laws, incurrence of other indebtedness and liens, restrictions on certain payments and transactions and extraordinary corporate events. The BB&T Loan Agreement also contains financial covenants relating to maintenance of levels of minimal tangible net worth, a debt to worth ratio, and restricting the amount of capital expenditures. In addition, the BB&T Loan Agreement provides that the following will constitute events of default thereunder, subject to certain grace periods: (i) payment defaults; (ii) failure to meet reporting requirements; (iii) breach of other obligations under the BB&T Loan Agreement; (iv) default with respect to other material indebtedness; (v) final judgment for a material amount not discharged or stayed; and (vi) bankruptcy or insolvency.

On October 6, 2005, Lynch Systems entered into an Extension Agreement by and among Lynch Systems, Lynch Corporation and SunTrust Bank ("SunTrust"), to extend until December 31, 2005 the due date of all

remaining indebtedness of Lynch Systems to SunTrust. After giving effect to the refinancing described above, such indebtedness aggregated \$389,406, which represents the unpaid principal balance under the term loan.

On October 26, 2005, Lynch Corporation announced that it has set Wednesday, November 9, 2005, as the record date for its previously announced rights offering. The offering will grant holders of the Company's common stock transferable subscription rights to purchase shares of the Company's common stock at a subscription price of \$7.25 per share. The subscription price represents a discount of 37% from \$11.51, the average of the closing prices of our common shares over the 30 trading day period ended October 25, 2005 and a discount of 28% from \$10.00, the closing price of our common shares on October 25, 2005.

Under the terms of the offering, holders of the Company's common stock will be entitled to one transferable subscription right for each share of common stock held on the record date, November 9, 2005. Every three such rights will entitle the shareholder to subscribe for one common share at a subscription price of \$7.25 per share. The basic subscription rights will be transferable. If any holders of subscription rights do not exercise their basic subscription rights in full, the Company will permit stockholders on the record date who do exercise their basic subscription rights in full to subscribe for up to an equal number of additional shares at the same subscription price per share. In the event of oversubscription, the additional common shares will be allocated on a pro rata basis.

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

Critical Accounting Policies

The Company has identified the accounting policies listed below that we believe are most critical to our financial condition and results of operations, and that require management's most difficult, subjective and complex judgments in estimating the effect of inherent uncertainties. This section should be read in conjunction with Note 1 to the Consolidated Financial Statements, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, which includes other significant accounting policies.

Accounts Receivable

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 except at Lynch Systems. In relation to export sales, the Company requires letters of credit supporting a significant portion of the sales price prior to production to limit exposure to credit risk. Certain subsidiaries and business segments have credit sales to industries that are subject to cyclical economic changes. The Company maintains an allowance for doubtful accounts at a level that management believes is sufficient to cover potential credit losses.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. We base our estimates on our historical collection experience, current trends, credit policy and relationship of our accounts receivable and revenues. In determining these estimates, we examine historical write-offs of our receivables and review each client's account to identify any specific customer collection issues. If the financial condition of our customers was to deteriorate, resulting in an impairment of their ability to make payment, additional allowances may be required. Our failure to estimate accurately the losses for doubtful accounts and ensure that payments are received on a timely basis could have a material adverse effect on our business, financial condition, and results of operations.

Inventory Valuation

Inventories are stated at the lower of cost or market value. Inventories valued using the last-in, first-out (LIFO) method comprised approximately 50% and 50% of consolidated inventories at September 30, 2005 and December 31, 2004, respectively. The balance of inventories are valued using the first-in-first-out (FIFO) method. If actual market conditions are more or less favorable than those projected by management, including the demand for our products, changes in technology, internal labor costs and the costs of materials, adjustments may be required.

Revenue Recognition and Accounting for Long-Term Contracts

Revenues, with the exception of certain long-term contracts discussed below, are recognized upon shipment when title passes. Shipping costs are included in manufacturing cost of sales.

Lynch Systems, a 100% owned subsidiary of the Company, is engaged in the manufacture and marketing of glass-forming machines and specialized manufacturing machines. Certain sales contracts require an advance payment (usually 30% of the contract price) which is accounted for as a customer advance. The contractual sales prices are paid either (i) as the manufacturing process reaches specified levels of completion; or (ii) based on the shipment date; or (iii) negotiated terms of sale. Guarantees by Letter of Credit from a qualifying financial institution are required for most sales contracts. Because of the specialized nature of these machines and the period of time needed to complete production and shipping, Lynch Systems accounts for these contracts using the percentage-of-completion accounting method as costs are incurred compared to total estimated project costs (cost-to-cost basis). At September 30, 2005, and December 31, 2004, unbilled accounts receivable were \$1,480,000 and \$2,507,000 respectively.

The percentage of completion method is used since reasonably dependable estimates of the revenues and costs applicable to various stages of a contract can be made, based on historical experience and milestones set in the contract. These estimates include current customer contract specifications, related engineering requirements and the achievement of project milestones. Financial management maintains contact with project managers to discuss the status of the projects and, for fixed-price engagements, financial management is updated on the budgeted costs and required resources to complete the project. These budgets are then used to calculate revenue recognition and to estimate the anticipated income or loss on the project. In the past, we have occasionally been required to commit unanticipated additional resources to complete projects, which have resulted in lower than anticipated profitability or losses on those contracts. Favorable changes in estimates result in additional profit recognition, while unfavorable changes in estimates result in the reversal of previously recognized earnings to the extent of the error of the estimate. We may experience similar situations in the future. Provisions for estimated losses on contracts are made during the period in which such losses become probable and can be reasonably estimated. To date, such losses have not been significant.

Warranty Expense

Lynch Systems provides a full warranty to world-wide customers who acquire machines. The warranty covers both parts and labor and normally covers a period of one year or thirteen months. Based upon experience, the warranty accrual is based upon three to five percent of the selling price of the machine. The Company periodically assesses the adequacy of the reserve and adjusts the amounts as necessary.

	<i>(in thousands)</i>
Balance, December 31, 2004	\$ 466
Warranties issued during the period	230
Settlements made during the period.....	(237)
Changes in liabilities for pre-existing warranties during the period, including expirations	-
Balance, September 30, 2005	<u>\$ 459</u>

Results of Operations

Third Quarter

Three months ended September 30, 2005 compared to September 30, 2004

Consolidated Revenues and Gross Margin

Consolidated revenues for the third quarter 2005 increased \$2.4 million, or 29%, to \$10.7 million from \$8.3 million for the comparable period in 2004. The increase came from MtronPTI, including the contribution of the PTI acquisition, which was partially offset by a decline at Lynch Systems.

Revenues at MtronPTI increased by \$4.0 million, or 80%, to \$9.0 million for the third quarter 2005 from \$5.0 million for the comparable period in 2004. The increase was due to the contribution of PTI, which was acquired effective September 30, 2004.

Revenues at Lynch Systems decreased by \$1.4 million, or 44%, to \$1.8 million for the third quarter 2005 from \$3.2 million for the comparable period in 2004. The decrease was primarily due to lower revenues for glass press machines which was partially offset by higher revenues for CRT machines. At September 30, 2005 the \$4.9 million backlog is comprised of glass press machine orders and parts and does not contain any CRT machine orders.

The consolidated gross margin as a percentage of revenues for the third quarter increased to 27.6%, compared to 23.3% for the comparable period in 2004. Both MtronPTI and Lynch Systems experienced higher margins as compared to 2004.

MtronPTI's gross margin as a percentage of revenues for the third quarter, increased to 29.2% from 23.1% for the comparable period in 2004. The contribution from PTI, combined with selective price increases and operational efficiencies resulted in the improved gross margin rates.

Lynch Systems' gross margin as a percentage of revenues for the third quarter, increased to 24.7% from 23.6% for the comparable period in 2004. The margin improvement was primarily due to higher margin sales of CRT machines in the third quarter of 2005.

Operating Profit (Loss)

The operating loss of \$516,000 for the third quarter 2005 was equal to the operating loss for the comparable period in 2004.

The operating profit at MtronPTI increased \$426,000 to \$540,000 for the third quarter 2005 from \$114,000 for the comparable period in 2004. The operating profit improvement was primarily due to the significant sales increase and improvements in gross margin, which was partially offset by higher operating expenses resulting from the addition of PTI, which was acquired effective September 30, 2004.

The operating loss at Lynch Systems increased \$435,000 to an operating loss of \$418,000 for the third quarter 2005 from an operating profit of \$17,000 for the comparable period in 2004. The operating loss resulted from lower revenues for the third quarter and higher engineering expenses.

Corporate expenses decreased \$109,000 to \$538,000 for the third quarter 2005 from \$647,000 for the comparable period in 2004. The decline was primarily due to lower other operating expenses and lower compensation costs due to a bonus expense of \$130,000 for prior management recorded in the third quarter of 2004. This decline was partially offset by a \$200,000 lawsuit settlement provision recorded in the third quarter of 2005 compared to a \$100,000 lawsuit settlement provision recorded in the third quarter of 2004.

Other Income (Expense), Net

Investment income increased \$577,000 to \$583,000 for the third quarter 2005 from \$6,000 for the comparable period in 2004 due to a \$567,000 gain on sale of marketable securities.

Interest expense increased \$154,000 to \$217,000 for the third quarter 2005 from \$63,000 for the comparable period in 2004, primarily due to an increase in debt outstanding resulting from the acquisition of PTI, the Venator loan, borrowings at Lynch Systems and higher interest rates.

Other expense was \$12,000 for the third quarter 2005 compared to other income of \$23,000 for the comparable period in 2004.

Income Taxes

The Company files consolidated federal income tax returns, which includes all subsidiaries.

The income tax benefit for the third quarter 2005 included federal, as well as state, local, and foreign taxes offset by provisions made for certain net operating loss carryforwards that may not be fully realized. The income tax

benefit also includes a non-recurring reduction to an income tax reserve of \$716,000 in the third quarter 2005, which was originally provided for during 2001.

Net Income (Loss)

Net income for the third quarter 2005 was \$696,000 compared to a net loss of \$566,000 in the comparable period in 2004. As a result, fully diluted income per share for the third quarter 2005 was \$0.43 compared to a loss of \$0.38 per share for the comparable period in 2004.

Nine months ended September 30, 2005 compared to September 30, 2004

Consolidated Revenues and Gross Margin

Consolidated revenues for the nine month period ending September 30, 2005 increased \$14.5 million, or 67%, to \$36.3 million from \$21.8 million for the comparable period in 2004. The significant increase came from both MtronPTI, including the contribution of the PTI acquisition, and Lynch Systems.

Revenues at MtronPTI increased by \$11.1 million, or 74%, to \$26.2 million for the nine month period ending September 30, 2005 from \$15.1 million for the comparable period in 2004. The increase was primarily due to the contribution of PTI, which was acquired effective September 30, 2004.

Revenues at Lynch Systems increased by \$3.3 million, or 49%, to \$10.0 million for the nine month period ending September 30, 2005 from \$6.7 million for the comparable period in 2004. The increase was primarily due to sales of large CRT machines in 2005. At September 30, 2005 the \$4.9 million backlog is comprised of glass press machine orders and parts and does not contain any CRT machine orders.

The consolidated gross margin as a percentage of revenues for the nine month period ending September 30, 2005 increased to 32.4%, compared to 22.2% for the comparable period in 2004. Both MtronPTI and Lynch Systems experienced higher margins as compared to 2004.

MtronPTI's gross margin as a percentage of revenues for the nine month period ending September 30, 2005 increased to 29.4% from 24.4% for the comparable period in 2004. The contribution from PTI, combined with selective price increases and operational efficiencies resulted in the improved gross margin rates.

Lynch Systems' gross margin as a percentage of revenues for the nine month period ending September 30, 2005 increased to 40.4% from 26.0% for the comparable period in 2004. The increase was primarily due to sales of large CRT machines, which carry higher gross margins, in 2005.

Operating Profit (Loss)

The operating profit increased \$3.4 million, to \$1.7 million for the nine month period ended September 30, 2005 from an operating loss of \$1.7 million for the comparable period in 2004.

The operating profit at MtronPTI increased \$1.2 million to \$1.8 million for the nine month period ended September 30, 2005 from \$583,000 for the comparable period in 2004. The operating profit improvement was primarily due to the significant sales increase and improvements in gross margin, which was partially offset by higher operating expenses resulting from the addition of PTI, which was acquired effective September 30, 2004.

The operating profit at Lynch Systems increased \$1.8 million to \$1.3 million for the nine month period ended September 30, 2005 from a \$505,000 operating loss for the comparable period in 2004. The operating profit improvement resulted from higher gross margins.

Corporate expenses decreased \$0.4 million, to \$1.4 million for the nine month period ending September 30, 2005 from \$1.8 million for the comparable period in 2004. The decline was primarily due to lower compensation expense and a lawsuit settlement provision in 2005 of \$200,000 compared to \$525,000 in 2004.

Other Income (Expense), Net

Investment income increased \$586,000 to \$600,000 for the nine month period ended September 30, 2005 from \$14,000 for the comparable period in 2004 due to a \$567,000 gain on sale of marketable securities in the third quarter 2005.

Interest expense increased \$434,000 to \$610,000 for the nine month period ended September 30, 2005 from \$176,000 for the comparable period in 2004 primarily due to an increase in debt outstanding resulting from the acquisition of PTI, borrowings at Lynch Systems and higher interest rates.

Other income increased \$23,000 to \$68,000 for the nine month period ended September 30, 2005 from \$45,000 for the comparable period in 2004 primarily due to a \$69,000 gain on the sale of a warehouse in Orlando in the second quarter 2005.

Income Taxes

The Company files consolidated federal income tax returns, which includes all subsidiaries.

The income tax benefit for the nine month period ended September 30, 2005 included federal, as well as state, local, and foreign taxes offset by provisions made for certain net operating loss carryforwards that may not be fully realized. The income tax benefit also includes a non-recurring reduction to an income tax reserve of \$716,000 in the third quarter 2005, which was originally provided for during 2001.

Net Income (Loss)

Net income for the nine months ended September 30, 2005 was \$2.1 million compared to a net loss of \$1.9 million in the comparable period in 2004. As a result, fully diluted income per share for the nine month period ended September 30, 2005 was \$1.29 compared to a loss of \$1.29 per share for the comparable period in 2004.

Backlog/New Orders

Total backlog of manufactured products at September 30, 2005 was \$13.1 million, a \$4.5 million decline compared to the backlog at December 31, 2004, and \$0.2 million increase from the backlog at June 30, 2005.

MtronPTI had backlog orders of \$8.2 million at September 30, 2005 compared to \$7.7 million at December 31, 2004 and \$7.6 million at June 30, 2005. Backlog increased \$0.5 million from December 31, 2004 and increased \$0.6 million from June 30, 2005.

Lynch Systems had backlog orders of \$4.9 million at September 30, 2005 compared to \$9.9 million at December 31, 2004 and \$5.3 million at June 30, 2005. Backlog decreased \$5.0 million from December 2004 due to sales of large CRT machines in 2005 and decreased \$0.4 million from June 30, 2005.

Financial Condition

At September 30, 2005, the Company had current assets of \$22.1 million and current liabilities of \$12.8 million. At September 30, 2005, working capital was \$9.3 million, compared to \$4.0 million at December 31, 2004 and \$2.4 million at September 30, 2004. The ratio of current assets to current liabilities was 1.73 to 1.00 at September 30, 2005; 1.19 to 1.00 at December 31, 2004; and 1.11 to 1.00 ratio at September 30, 2004.

Cash provided by operating activities was approximately \$2.9 million in the nine months ended September 30, 2005, compared to cash used in operating activities of approximately \$1.5 million in the nine months ended September 30, 2004. The year to year favorable change in operating cash flow of \$4.4 million was primarily due to net income of \$2.1 million for the nine months ended September 30, 2005 compared to a net loss of \$2.0 million for the comparable period in 2004 and changes in inventory and other liabilities. Capital expenditures were \$287,000 in the nine months ended September 30, 2005, compared to \$266,000 in the nine months ended September 30, 2004.

At September 30, 2005, the Company's total cash, cash equivalents and investments in marketable securities (before margin liability) was \$6.6 million (including \$650,000 of restricted cash) compared to \$7.3 million (including \$1,125,000 of restricted cash) at December 31, 2004.

Total debt of \$9.5 million at September 30, 2005 was \$3.1 million less than the amount outstanding at December 31, 2004 and \$4.4 million more than the debt at September 30, 2004. Debt outstanding at September 30, 2005 included \$1.9 million of fixed rate debt at an average interest rate of 5.8%, and \$7.6 million of variable rate debt at an average interest rate of 7.2%.

Pursuant to an Unconditional Guaranty for Payment and Performance, the Company has guaranteed to First National Bank of Omaha the payment and performance of its subsidiaries' obligations under the Loan Agreement and ancillary agreements and instruments. The Company has guaranteed a Letter of Credit issued to the First National Bank of Omaha on behalf of its subsidiary, MtronPTI. As of September 30, 2005, the \$650,000 Letter of Credit issued by Bank of America to The First National Bank of Omaha was secured by a \$650,000 deposit at Bank of America.

The outstanding obligations under the various loan agreements are collateralized by security interests in the assets of the operating subsidiaries. The loan agreements contain a variety of affirmative and negative covenants of types customary in an asset-based lending facilities. The loan agreements also contain financial covenants relating to maintenance of levels of minimal tangible net worth and working capital, and current, leverage and fixed charge ratios, restricting the amount of capital expenditures.

On June 30, 2005, MtronPTI renewed its Revolving Loan with First National Bank of Omaha extending the due date to May 31, 2006. At September 30, 2005, the Company had \$3.9 million available for future borrowings under the Revolving Loan. The Revolving Loan bears interest at the greater of prime rate or 4.5%. The Term Loan bears interest at the greater of prime rate plus 50 basis points, or 4.5%, and is to be repaid in monthly installments of \$37,514, with the then remaining principal balance plus accrued interest to be paid on the third anniversary of the Loan Agreement. On September 30, 2005 the \$3,000,000 Bridge loan was paid off from the proceeds of the RBC Term Loan.

On June 29, 2005, Lynch Systems entered into an extension agreement with SunTrust Bank to extend the due date of its credit agreement until August 31, 2005. Lynch Systems \$7.0 million short-term credit facility was reduced to \$4.3 million in accordance with the extension agreement, of which \$200,000 was available for letters of credit. The extension agreement also calls for the acceleration of the existing Lynch Systems term loan from August, 2003 to August 31, 2005. On August 29, 2005, Lynch Systems entered into a first amendment to the extension agreement, dated August 25, 2005 to extend until September 30, 2005 the due date of indebtedness. At September 30, 2005, there were outstanding Letters of Credit of \$282,000 and borrowings of \$756,000 under the working capital line and \$390,000 under the term loan. Lynch Systems entered into a new loan agreement with Branch Banking and Trust ("BB&T"), please see "**Subsequent Events**". These loans include an unsecured parent company guarantee. Under the terms of extension agreement Lynch Systems cannot make any cash distributions to the parent company.

On May 12, 2005, Venator Merchant Fund, L.P. made a loan to Lynch Corporation in the amount of \$700,000 due September 11, 2005 or within seven days after demand by Venator. Venator is an investment limited partnership controlled by Lynch's Chairman of the Board, Marc Gabelli. On September 8, 2005, Lynch Corporation entered into a Letter Agreement extending the maturity date of its Promissory Note in the principal amount of \$700,000 to Venator Merchant Fund L.P. ("Venator"). The maturity date of the Promissory Note, which was to have been September 11, 2005 or within seven days after demand by Venator, was changed to November 10, 2005 or within seven days after demand by Venator. The loan was approved by the Audit Committee of the Board of Directors of Lynch. The Company does not have any revolving credit facilities at the parent company level.

On September 30, 2005, MtronPTI entered into a Loan Agreement with RBC Centura Bank ("RBC"). The Loan Agreement provides for a loan in the amount of \$3,040,000 (the "RBC Term Loan"), the proceeds of which were used to pay off the \$3,000,000 bridge loan with First National Bank of Omaha which had been due October 2005. The RBC Term Loan bears interest at LIBOR Base Rate plus 2.75% and is to be repaid in monthly installments based on a twenty year amortization, with the then remaining principal balance to be paid on the fifth anniversary of the RBC Term Loan. The RBC Term Loan is secured by a mortgage on PTT's premises. In

connection with this RBC Term Loan, MtronPTI entered into a five-year interest rate swap from which it will receive periodic payments at the LIBOR Base Rate and make periodic payments at a fixed rate of 7.51% with monthly settlement and rate reset dates.

Rights offering

On July 1, 2005, Lynch Corporation filed a Registration Statement with the Securities and Exchange Commission in connection with a proposed rights offering to its existing shareholders.

The proposed rights offering consists of transferable rights to subscribe to Lynch common stock. Lynch would issue one subscription right for each share of common stock held on the record date. Every three such rights will entitle the shareholder to subscribe for one common share. The rights also contain an oversubscription privilege to subscribe for additional common shares, subject to certain terms and conditions, that are not purchased by other holders of rights.

The rights will not be exercisable until the registration statement is declared effective. Subscription rights in the proposed offering will be issued only to shareholders on the record date. See “**Subsequent Events**” for information regarding the record date and exercise price determined by the Lynch Board of Directors.

After the SEC declares effective the Registration Statement, a subscription certificate, together with a prospectus containing details of the rights offering, will be mailed to shareholders. It is expected that the rights offering will remain open for 30 days, subject to extension for up to 15 days. No fractional shares will be issued, and Lynch will round up to the nearest whole number the number of shares its shareholders may purchase.

The purpose of this offering is to provide for our ongoing operating needs. The proceeds will be used for working capital, general corporate purposes and acquisitions, although the Company has not identified any specific acquisitions at this time.

Adoption of Accounting Pronouncements

On December 14, 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 123 (revised 2004), “State Based Payment” (“SFAS 123R”), which is a revision of SFAS No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”). SFAS 123R supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees”, and amends SFAS No. 95 “Statement of Cash Flows”. Generally, the approach in SFAS 123R is similar to the approach described in SFAS 123. However, SFAS 123R requires all share-based payments to employees, including grants to employee stock options, to be recognized in the income statement based on their fair values. Pro-forma disclosure is no longer an alternative.

On April 14, 2005, the Securities and Exchange Commission announced that it would provide for a phased-in implementation process for SFAS No. 123R. This ruling effectively delayed the Company’s adoption of the standard until the first quarter of 2006. The Company will continue to evaluate the provisions of SFAS No. 123R to determine its impact on its financial condition and results of operations.

Off-Balance Sheet Arrangements

Aside from the Company’s stand-by Letter of Credit in the amount of \$650,000, the Company does not have any off-balance sheet arrangements.

Subsequent Events

Effective October 6, 2005, Lynch Systems entered into a loan agreement (the “BB&T Loan Agreement”) with Branch Banking and Trust Company (“BB&T”). The BB&T Loan Agreement provides for a line of credit in the maximum principal amount of \$3,500,000. This line of credit replaces the working capital revolving loan that Lynch Systems had with SunTrust Bank, which loan expired by its terms on September 30, 2005. Borrowings under the Loan Agreement bear interest at the One Month LIBOR Rate plus 2.75% and accrued interest is

payable on a monthly basis, with the principal balance due to be paid on the first anniversary of the Loan Agreement.

The BB&T Loan Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including those relating to reporting requirements, maintenance of records, properties and corporate existence, compliance with laws, incurrence of other indebtedness and liens, restrictions on certain payments and transactions and extraordinary corporate events. The BB&T Loan Agreement also contains financial covenants relating to maintenance of levels of minimal tangible net worth, a debt to worth ratio, and restricting the amount of capital expenditures. In addition, the BB&T Loan Agreement provides that the following will constitute events of default thereunder, subject to certain grace periods: (i) payment defaults; (ii) failure to meet reporting requirements; (iii) breach of other obligations under the BB&T Loan Agreement; (iv) default with respect to other material indebtedness; (v) final judgment for a material amount not discharged or stayed; and (vi) bankruptcy or insolvency.

On October 6, 2005, Lynch Systems entered into an Extension Agreement by and among Lynch Systems, Lynch Corporation and SunTrust Bank ("SunTrust"), to extend until December 31, 2005 the due date of all remaining indebtedness of Lynch Systems to SunTrust. After giving effect to the refinancing described above, such indebtedness aggregated \$389,406, which represents the unpaid principal balance under the term loan.

On October 26, 2005, Lynch Corporation announced that it has set Wednesday, November 9, 2005, as the record date for its previously announced rights offering. The offering will grant holders of the Company's common stock transferable subscription rights to purchase shares of the Company's common stock at a subscription price of \$7.25 per share. The subscription price represents a discount of 37% from \$11.51, the average of the closing prices of our common shares over the 30 trading day period ended October 25, 2005 and a discount of 28% from \$10.00, the closing price of our common shares on October 25, 2005.

Under the terms of the offering, holders of the Company's common stock will be entitled to one transferable subscription right for each share of common stock held on the record date, November 9, 2005. Every three such rights will entitle the shareholder to subscribe for one common share at a subscription price of \$7.25 per share. The basic subscription rights will be transferable. If any holders of subscription rights do not exercise their basic subscription rights in full, the Company will permit stockholders on the record date who do exercise their basic subscription rights in full to subscribe for up to an equal number of additional shares at the same subscription price per share. In the event of oversubscription, the additional common shares will be allocated on a pro rata basis.

Risk Factors

Certain subsidiaries and business segments of the Company sell to industries that are subject to cyclical economic changes. Any downturns in the economic environment would have a financial impact on the Company and its consolidated subsidiaries and may cause the reported financial information herein not to be indicative of future operating results, financial condition or cash flows.

Future activities and operating results may be adversely affected by fluctuating demand for capital goods such as large glass presses, delay in the recovery of demand for components used by telecommunications infrastructure manufacturers, disruption of foreign economies and the inability to renew or obtain new financing for expiring loans.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and trade accounts receivable.

The Company maintains cash and cash equivalents and short-term investments with various financial institutions. These financial institutions are located throughout the country and the Company's policy is designed to limit exposure to any one institution. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. Other than certain accounts receivable, the Company does not require collateral on these financial instruments. In relation to export sales, the Company requires Letters of Credit supporting a significant portion of the sales price prior to production to limit

exposure to credit risk. The Company maintains an allowance for doubtful accounts at a level that management believes is sufficient to cover potential credit losses.

For a complete list of risk factors, see the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

Forward Looking Information

Included in this Management Discussion and Analysis of Financial Condition and Results of Operations are certain forward looking financial and other information, including without limitation matters relating to "Risks". It should be recognized that such information are projections, estimates or forecasts based on various assumptions, including without limitation, meeting its assumptions regarding expected operating performance and other matters specifically set forth, as well as the expected performance of the economy as it impacts the Company's businesses, government and regulatory actions and approvals, and tax consequences, and the risk factors and cautionary statements set forth in reports filed by the Company with the Securities and Exchange Commission. As a result, such information is subject to uncertainties, risks and inaccuracies, which could be material.

The Registrant makes available, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and current reports, if any, on Form 8-K.

The Registrant also makes this information available on its website, whose internet address is www.lynchcorp.com.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company is exposed to market risk relating to changes in the general level of U.S. interest rates. Changes in interest rates affect the amounts of interest earned on the Company's cash equivalents and short-term investments (approximately \$3.5 million at September 30, 2005). The Company generally finances the debt portion of the acquisition of long-term assets with variable and fixed rate, long-term debt. In connection with the \$3,040,000 RBC Term Loan the Company has entered into a cash flow hedge, this position locks the interest rate for all of the \$3,040,000 at 7.51% (the 6.59% fixed pay rate of the swap plus the 0.92% differential between the variable rate of the loan and the variable rate of the swap). There has been no significant change in market risk since December 31, 2004.

Since the Company's international sales are in U.S. Dollars, there is no monetary risk.

At September 30, 2005, approximately \$7.6 million (\$4.6 million excluding the RBC Term Loan) of the Company's debt bears interest at variable rates. Accordingly, the Company's earnings and cash flows are affected by changes in interest rates.

Item 4. Controls and Procedures

The principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report based on the evaluation of these controls and procedures required by Exchange Act Rule 13a-15.

There has been no changes in the Registrant's internal control over financial reporting that occurred during the Registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In re: Spinnaker Coating, Inc., Debtor/PACE Local 1-1069 v. Spinnaker Coating, Inc., and Lynch Corporation, U.S. Bankruptcy Court, District of Maine, Chapter 11, Adv. Pro. No. 02-2007, PACE Local 1-1069 v. Lynch Corporation and Lynch Systems, Inc. Cumberland County Superior Court, CV-2001-00352; and Maine Supreme Judicial Court, Law Docket No. CUM-04-682

On or about June 26, 2001, in anticipation of the July 15, 2001 closure of Spinnaker's Westbrook, Maine facility, Plaintiff PACE Local 1-1069 ("PACE") filed a three count complaint in Cumberland County Superior Court, CV-2001-00352 naming the following Defendants: Spinnaker Industries, Inc., Spinnaker Coating, Inc., and Spinnaker Coating-Maine, Inc. (collectively, the "Spinnaker Entities") and the Company. The complaint alleged that under Maine's Severance Pay Act both the Spinnaker Entities and the Company would be liable to pay approximately \$1,166,000 severance pay in connection with the plant closure. Subsequently, the Spinnaker Entities filed for relief under Chapter 11 of the Bankruptcy Code and the action proceeded against the Company on the issue of whether the Company has liability to PACE's members under the Maine Severance Pay Act.

In 2002, both PACE and the Company moved for summary judgment in the action. On July 28, 2003, the Court issued an order denying the Company's motion, finding that there remained a disputed issue of material fact regarding one of the Company's primary defenses. The Court granted partial summary judgment in favor of PACE to the extent that the Court found that the Company was the Spinnaker Entities "parent corporation" and, therefore, the Company was an "employer" subject to potential liability under Maine's Severance Pay Act.

On November 3, 2004, the Court held that the Spinnaker Entities' bankruptcy did not prevent the award of severance pay under the statute. The Court granted summary judgment to PACE on the second count of its complaint based on its earlier ruling that the Company was the parent corporation of the Spinnaker Entities. The Court also issued a separate order that related to the calculation of damages, largely agreeing with the Company on the appropriate method of calculating damages and awarded PACE \$653,018 (subsequently modified to \$656,020) in severance pay, which is approximately one-half the amount claimed by PACE. The Court rejected PACE's claim for pre-judgment interest, but granted its request for attorney fees.

Both PACE and the Company have appealed to the Maine Supreme Judicial Court. The Company filed its brief on April 4, 2005. PACE filed its brief on May 18, 2005. Lynch filed its Reply Brief on June 9, 2005. On September 13, 2005, the Maine Supreme Court heard oral argument. The Court has not yet issued its decision. Management does not believe that the resolution of this case will have a material adverse effect on the Company's consolidated financial condition and operations.

Qui Tam Lawsuit

The Company, Lynch Interactive and numerous other parties have been named as defendants in a lawsuit brought under the so-called "qui tam" provisions of the federal False Claims Act in the United States District Court for the District of Columbia. The complaint was filed under seal with the court in February, 2001, and the seal was lifted in January, 2002. The Company was formally served with the complaint in July, 2002. The main allegation in the case is that the defendants participated in the creation of "sham" bidding entities that allegedly defrauded the United States Treasury by improperly participating in Federal Communications Commission ("FCC") spectrum auctions restricted to small businesses, as well as obtaining bidding credits in other spectrum auctions allocated to "small" and "very small" businesses. While the lawsuit seeks to recover an unspecified amount of damages, which would be subject to mandatory trebling under the statute, a report prepared for the relator (a private individual who filed the action on behalf of the United States) in 2005 alleges damages of approximately \$91 million in respect of bidding credits, approximately \$70 million in respect of government loans and approximately \$206 million in respect of subsequent resales of licenses, in each case prior to trebling.

In September, 2003, the Court granted Lynch Interactive's motion to transfer the action to the Southern District of New York and in September, 2004, the Court issued a ruling denying defendants' motion to refer the issues in the action to the FCC. In December, 2004, the defendants filed a motion in the United States District Court

for the District of Columbia to compel the FCC to provide information subpoenaed by them in order to conduct their defense. This motion was denied in May, 2005 and the defendants have both appealed the decision and requested a final agency action in order to seek review under the Administrative Procedures Act. In the mean-time, fact discovery is substantially complete and both the plaintiff and the defendants have moved for summary judgment on a variety of grounds. In November 2005, with respect to one such motion for partial summary judgment on the issue of damages based on resales of licenses, the court ruled that such damages were not permissible.

The U. S. Department of Justice has notified the Court that it declined to intervene in the case. The Defendants strongly believe that the action is completely without merit and that the relator's damage computation is without basis, and are vigorously defending it. Under the separation agreement between the Company and Lynch Interactive pursuant to which Lynch Interactive was spun-off to the Company's shareholders on September 1, 1999, Lynch Interactive would be obligated to indemnify the Company for any losses or damages incurred by the Company as a result of this action. Lynch Interactive has agreed in writing to defend the case on the Company's behalf and to indemnify the Company for any losses it may incur. Lynch Interactive has retained legal counsel to defend the claim on behalf of the Company and Lynch Interactive, at the expense of Lynch Interactive and certain other defendants. Nevertheless, the Company cannot predict the ultimate outcome of the litigation, nor can the Company predict the effect that the lawsuit or its outcome will have on the Company's business or plan of operation.

Item 2. Issuer Purchase of Its Equity Securities

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</u>
July 1, 2005 – July 31, 2005	7,400	\$ 10.4961	7,400	33,000 Shares
August 1, 2005 – August 31, 2005	1,500	\$ 10.0633	1,500	31,500 Shares
September 1, 2005 – September 30, 2005	-	-	-	31,500 Shares
Total	8,900	\$ 10.4231	8,900	31,500 Shares

On February 4, 2004, Lynch announced that on January 23, 2004, the Board of Directors authorized the repurchase of up to 50,000 shares of the Company's outstanding common stock. The timing of the buy-back and the exact number of shares purchased will depend on market conditions; this program does not have an expiration date. The Company will buy back shares through both public and private channels at prices believed to be appropriate and in the best interest of shareholders.

As of September 30, 2005, the Company has repurchased 18,500 shares in the amount of \$187,761, at an average price of \$10.1492 per share and 31,500 shares remain available for purchase under this program.

Item 6. Exhibits

Exhibits filed herewith:

- 31.1 Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certificate of Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Act of 1934, as amended, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

LYNCH CORPORATION
(Registrant)

November 10, 2005

By: /s/ EUGENE HYNES
Eugene Hynes
Principal Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Section 1350 Certifications of Registrant's principal executive and principal financial officers required by Exchange Act Rule 13a-14(b).

The Exhibits listed above have been filed separately with the Securities and Exchange Commission in conjunction with this Quarterly Report on Form 10-Q or have been incorporated by reference into this Quarterly Report on Form 10-Q. Upon request, Lynch Corporation will furnish to each of its shareholders a copy of any such Exhibit. Requests should be addressed to the Office of the Secretary, Lynch Corporation, 140 Greenwich Avenue, 4th Floor, Greenwich CT 06830.

CERTIFICATIONS

I, John C. Ferrara, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lynch Corporation;
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 operation 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)) (inapplicable language intentionally omitted) 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) [Intentionally omitted]
 - (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 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 registrant's board of directors (or persons performing the equivalent function):
 - (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 controls over financial reporting.

Date: November 10, 2005

/s/ JOHN C. FERRARA
John C. Ferrara
President & Chief Executive Officer

CERTIFICATIONS

I, Eugene Hynes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lynch Corporation;
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 operation 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)) (inapplicable language intentionally omitted) 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) [Intentionally omitted]
 - (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 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 registrant's board of directors (or persons performing the equivalent function):
 - (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 controls over financial reporting.

Date: November 10, 2005

/s/ EUGENE HYNES
Eugene Hynes
*Vice President and Principal Financial
Officer*

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Lynch Corporation (the "Company") on Form 10-Q for the period ending September 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John C. Ferrara, Chief Executive Officer of the Company, and I, Eugene Hynes, 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:

(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 result of operations of the Company.

/s/ JOHN C. FERRARA

John C. Ferrara

Chief Executive Officer

November 10, 2005

/s/ EUGENE HYNES

Eugene Hynes

Principal Financial Officer

November 10, 2005

A signed original of this written statement required by Section 906 has been provided to Lynch Corporation and will be retained by Lynch Corporation and furnished to the Securities and Exchange Commission or its staff upon request.