

The LGL Group, Inc.

Warrant FAQ

1. Why is The LGL Group, Inc. (“LGL”) distributing warrants?

LGL’s Board of Directors declared a warrant dividend to holders of record of LGL common stock as a means of distributing value to its stockholders.

2. What is the record date?

The warrants will be issued to LGL stockholders of record as 5:00 pm, November 9, 2020

3. What is the issuance date?

The warrants are expected to be issued on or around November 16, 2020.

4. What is the ex-dividend date?

LGL common stock is expected to begin trading ex-dividend on or around November 17, 2020, the first trading day following the issuance of the warrants.

5. What is the trading symbol for the warrants?

The warrants will trade on the NYSE American under the ticker symbol “LGL WS”, although different financial information websites may use slight variants of this symbol.

6. What is the CUSIP number for the warrants?

The CUSIP number for these warrants is “50186A 132”.

7. How many warrants will stockholders receive?

Stockholders will receive one (1) warrant for every share of LGL common stock owned on the Record Date of November 9, 2020. Five (5) warrants will enable the warrant holder to purchase one (1) share of LGL common stock at a price of \$12.50 per share, subject to anti-dilution adjustments for certain events.

8. Is the issuance of the warrants a spin-off?

No, the warrants were issued as a dividend.

9. Do the warrants expire?

Yes. The warrants will expire on the five-year anniversary of issuance, on or about November 16, 2025. If November 16, 2025 is not a trading day for the NYSE American, the warrants will expire on the next trading day following November 16, 2025.

10. Will holders of the warrants be entitled to receive any future cash dividends?

No. Holders of unexercised warrants are not entitled to any of the rights of LGL common stock, which includes the right to vote and to receive dividends. Future cash dividends, if any, will be paid on shares of LGL common stock outstanding on the record date set for any such dividend.

11. What type of event would cause an anti-dilution adjustment to the warrant?

The initial exercise price for LGL common stock to be purchased in connection with these warrants is subject to anti-dilution adjustment for certain events, including:

- Stock dividends
- Stock splits or combinations

- Issuance of shares in connection with a consolidation or merger in which LGL is the continuing corporation
- Issuance of rights, options, or warrants to all holders of common stock
- Distribution of debt instruments or assets to all holders of common stock
- Consummation of tender offer for more than 30% of LGL, or any of its wholly owned subsidiaries, outstanding common stock at a price that is above market price

A full description of the anti-dilutive adjustment provisions of the warrants is included in the warrant agreement.

12. Why will the warrants trade before the ex-dividend date?

The warrants will begin trading on the NYSE American on a “when issued” basis on or around November 10, 2020. LGL has been advised by NYSE American that LGL common stock will trade with “due bills” attached from November 6, 2020 through the date of issuance, and that the LGL warrants will begin trading separately from LGL common stock on the first trading day following the date of issuance. Due bills are essentially an assignment from a seller of common stock to a buyer of the right to receive the warrant dividend.

13. Will I receive certificates for the warrants or will they held in an electronic account?

The warrants will not be certificated (not issued in paper form).

14. What is the process to sell my warrants?

Direct registration holders should contact Computershare Investor Services, the warrant agent. Holders in street name should contact their broker, bank, or other intermediary.

15. What is the process to exercise my warrants?

Direct registration holders should contact Computershare Investor Services, the warrant agent. To exercise, you will be required to complete an exercise notice and provide payment to Computershare Investor Services by money order, certified check, or official back check in an amount equal to the exercise price multiplied by the number of warrants being exercised. Upon exercise, you will receive the whole number of shares of LGL common stock to which you are entitled. Holders in street name should contact their broker, bank, or other intermediary for information on how to exercise warrants.

16. How can I obtain a copy of the Warrant Agreement?

The warrant agreement contains the complete terms and conditions of the warrants and is attached as an exhibit to [LGL’s filing on Form S-1/A](#), which was filed with the SEC on November 2, 2020. It is available on the SEC’s web site www.SEC.gov.

17. Who is the warrant agent and how can I contact them?

- By Telephone:
Computershare Investor Services
1-800-942-5909 or 1-312-360-5195 (M-F 8 AM to 8 PM EST)
- By Mail:
Computershare Investor Services

P. O. Box 43078
Providence, RI 02940-3078

- By Overnight Delivery:
Computershare Investor Services
250 Royall Street
Canton, MA 02021

18. Is there a waiting period to exercise the warrants?

Yes. The warrants are “European-Style” warrants that are exercisable only at the earlier of (i) the expiration of the warrant term which is on or about November 16, 2025, or (ii) immediately after the average volume weighted average price (“VWAP”) of LGL common stock for 30 consecutive trading days is greater than or equal to \$17.50.

19. Do I need to hold the shares of LGL common stock I receive from exercising my warrants for a certain time period before I can sell the shares?

No. The LGL common shares received from the exercise of LGL warrants may be traded immediately.

Tax-Related FAQs

IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

CONSULT YOUR TAX ADVISOR

The information contained herein provides a general summary regarding the application of certain U.S. Federal income tax laws and regulations relating to the distribution of the warrants. The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. **LGL does not provide tax advice to its shareholders. You are urged to consult your own tax advisor regarding the particular consequences of the distribution of the warrants to you, including the applicability and effect of all U.S. Federal, state and local and foreign tax laws.**

20. Are there any substantial tax implications related to the warrants?

The LGL Warrants are being issued as a dividend proportionate to all outstanding shares of LGL common stock. As such, the warrant dividend would normally be a non-taxable distribution for U.S. tax payers.

The above information is presented here for information purposes only and is not intended to constitute tax advice for any individual stockholder or warrant holder or stockholder. Holders should consult their own tax advisors regarding the United States federal and other tax consequences of the distribution of the warrants.

21. Is this a qualified dividend?

No. This warrant dividend is a distribution of stock rights to holders of LGL common stock and does not qualify as a qualified dividend.

22. Will I need to allocate any portion of the tax basis in my LGL common stock to the warrants I receive?

The general rules for allocating tax basis between common stock and rights (such as these warrants) received as a distribution require U.S. taxpayers to allocate the tax basis of their stock between the stock and the rights received. However, there is an exception to this general rule when the fair market value of the rights received is less than 15% of the value of the stock immediately prior to the distribution.

Once the fair market value of the warrants at issuance is known, we will update this section to let recipients know whether or not the fair market value of the warrants is less than 15% of the value of the common stock.

23. How is the fair market value of the warrants determined?

The fair market value of the warrants is based upon the trading value of the warrants as separate from the common stock on the first day of trading.

24. What adjustment is needed to the tax basis per share of my LGL common stock?

Once the fair market value of the warrants at issuance is known, we will update this section to let recipients know if the general rules for U.S. taxpayers indicate that an allocation of tax basis is required.

25. What is my tax basis for the warrants I received or obtained through buying the common stock with due bills attached?

Generally, if you purchased your LGL common stock after the record date with a due bill attached, your tax basis in the warrants is the fair market value of the warrants at the time that you purchased the common stock.

Last Updated: November 2, 2020