

# The LGL Group, Inc.

## Warrant FAQ's for the Spin Off of Mtron Industries \*

**1. What is the trading symbol for the LGL warrants?**

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

**2. What is the CUSIP number for the warrants?**

The CUSIP number for these warrants is "50186A 132".

**3. What are the details of warrants prior to the Spin Off?**

The warrant FAQ's from their original issue can be found:

<https://www.lglgroup.com/WarrantFAQ>

The warrants are "European-Style" warrants that were originally issued as exercisable at \$12.50 ("exercise price") 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. These terms have been amended for the spin-off of Mtron, as noted in item #5 below.

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](http://www.SEC.gov).

**4. WILL MTRON future shareholders benefit from the LGL warrants?**

No. Mtron shareholders will not participate in LGL, and warrants will exercise only into LGL group shares.

**5. How did the distribution of Mtron affect the Exercise Price of the Warrants?**

The Exercise Price was adjusted following the distribution of Mtron shares to LGL shareholders.

The previously announced distribution of Mtron shares is a qualifying dilutive event that required an adjustment under Section 10 (c) of the warrant agreement, with the exercise price of the warrants and the trigger price for the potential acceleration of the exercise date for its warrants to be adjusted using the calculation provided within the warrant agreement, as follows:

$$EP1 = EPO \times MPO / (FMVO + MPO)$$

Where,

EP1 = the Exercise Price in effect immediately after the record date

EPO = the Exercise Price in effect at the Close of Business on the record date (\$12.50)

MPO = the average VWAP per share of LGL from October 4<sup>th</sup> through October 17<sup>th</sup>

FMV0 = the average VWAP per share of MPTI from October 4<sup>th</sup> through October 17<sup>th</sup>  
(FMV0 must be adjusted to include the effect of the distribution ratio of one-half share of MPTI for one share of LGL)

The VWAP was derived from the when-issued trading for the period from October 4, 2022 through October 6, 2022 and from the regular way trading from October 7, 2022 through October 17, 2022.

The adjustment of the Exercise Price will be made immediately after the open of business on the day after the last day of the valuation period, which was October 18, 2022, but will be given effect as of the open of business on the Business Day immediately following the record date for any spin-off, which was October 3, 2022.

In accordance with the foregoing formula using the available market data from October 4 through October 17, the exercise price, originally set at \$12.50, is adjusted to be \$4.75, calculated as follows:

$$\$4.75 = \$12.50 \times \$4.9777 / ((\$16.2324 / 2) + \$4.9777)$$

**6. How will the distribution of Mtron affect the target price for acceleration of the exercise date?**

In accordance with the foregoing formula used for adjusting the exercise price, the target trigger price for potential acceleration of the exercise date, originally set at \$17.50, has been adjusted to be \$6.65, calculated as follows:

$$\$6.65 = \$17.50 \times \$4.9777 / ((\$16.2324 / 2) + \$4.9777)$$

**7. When should I expect to see an official notice for the change to the exercise price and acceleration target price as a result of the distribution of Mtron?**

LGL filed a press release and Form 8-k Current Report on October 19, 2022 to disclose the adjustments to the LGL Warrants with respect to the exercise price and the target price for acceleration of the exercise date.

**8. When will the warrant adjustment occur?**

The warrant exercise price will be updated by DTC shortly after the October 19th press release.

**9. Do the warrants expire?**

Yes. The warrants will expire on the five-year anniversary of issuance, on or about 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 an adjustment for certain events, including:

- Stock dividends, subdivisions (stock splits), reclassifications 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 adjustment provisions of the warrants is included in the warrant agreement.

**12. 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).

**13. 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.

**14. 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 bank 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.

**15. 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

**16. 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 shares of LGL common stock 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.**

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

The LGL Warrants were 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. taxpayers.

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.

**18. Was this a qualified dividend?**

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

**19. 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.

The fair market value of the warrants at issuance was approximately \$0.45, while LGL closed at \$9.27 on November 17, 2020. Since the fair market value of the warrants is calculated to be around 5% of the value of LGL common stock and is significantly less than the threshold of 15% of the value of the common stock so no allocation of basis will be required.

**20. How was the fair market value of the warrants determined?**

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

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

Since the fair market value of the warrants was calculated to be around 5% of the value of LGL common stock and is significantly less than the threshold of 15% of the value of the common stock, no allocation of basis will be required.

**22. 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: October 19, 2022