LGL GROUP INC
Form 10-Q
May 20, 2009

UNITED STATES

SECURITIES & EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended March 31, 2009
	OR
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File No. 1-106

THE LGL GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	38-1799862
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2525 Shader Rd., Orlando, Florida	32804
(Address of principal executive offices)	(Zip Code)

(407) 298-2000
(Registrant s telephone number, including area code)

(Former name, former address, and former fiscal year if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x

No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o

No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o

Accelerated filer o

Non-accelerated filer o

Smaller reporting company x

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of c ommon s tock, as of the latest practicable date.

Class	Outstanding at May 20, 2009
Common Stock, $0.01 par value	2,194,348

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THE LGL GROUP, INC.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

THE LGL GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS UNAUDITED

(In thousands, except share and per share amounts)

	March 31, 2009	December 31, 2008 (A)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,481	$ 5,325
Investment - marketable security	16	14
Accounts receivable, less allowances of $128 and $158, respectively	4,133	6,483
Inventories	5,234	5,121
Prepaid expenses and other current assets	363	400
Total Current Assets	15,227	17,343
Property, Plant and Equipment:		
Land	693	693
Buildings and improvements	5,048	5,048
Machinery and equipment	13,030	12,901
Gross Property, Plant and Equipment	18,771	18,642
Less: Accumulated Depreciation	(14,399)	(14,129)
Net Property, Plant and Equipment	4,372	4,513
Deferred Income Taxes	111	111
Other Assets	380	398
Total Assets	$ 20,090	$ 22,365

THE LGL GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS UNAUDITED, continued

(In thousands, except share and per share amounts)

	March 31, 2009	December 31, 2008 (A)
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Note payable to bank	$ 1,383	$ 2,749
Accounts payable	1,740	2,093
Accrued compensation expense	1,483	1,323
Other accrued expenses	1,381	1,098
Current maturities of long-term debt	382	397
Total Current Liabilities	6,369	7,660
Long-term debt	3,592	3,660
Total Liabilities	9,961	11,320
Commitments and Contingencies		
Stockholders Equity:		
Common stock, $0.01 par value - 10,000,000 shares authorized; 2,194,348 and 2,188,510 shares issued at March 31, 2009 and December 31, 2008, respectively; 2,194,348 and 2,183,236 shares outstanding, respectively	22	22
Additional paid-in capital	20,647	20,728
Accumulated deficit	(10,323)	(9,369)
Accumulated other comprehensive loss	(217)	(235)
Treasury stock, at cost, of 0 and 5,274 shares at March 31, 2009 and December 31, 2008, respectively	--	(101)
Total Stockholders Equity	10,129	11,045
Total Liabilities and Stockholders Equity	$ 20,090	$ 22,365

(A)

The Condensed Consolidated Balance Sheet at December 31, 2008 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

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THE LGL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS UNAUDITED

(In thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2009	2008
REVENUES	$ 7,542	$ 9,783
Cost and expenses:		
Manufacturing cost of sales	5,892	7,154
Engineering, selling and administrative	2,554	3,085
OPERATING LOSS	(904)	(456)
Other income (expense):		
Interest expense, net	(89)	(63)
Other income (expense)	9	(22)
Total Other Income (Expense)	(80)	(85)
LOSS BEFORE INCOME TAXES	(984)	(541)
Benefit (Provision) for income taxes	30	(49)
NET LOSS	$ (954)	$ (590)
Weighted average shares outstanding, basic and diluted.	2,183,236	2,167,563
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.44)	$ (0.27)

See accompanying Notes to Condensed Consolidated Financial Statements.

THE LGL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY UNAUDITED

(In thousands, except share amounts)

	Shares of Common Stock Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at January 1, 2009	2,183,236	$ 22	$ 20,728	$ (9,369)	$ (235)	$ (101)	$ 11,045
Comprehensive loss:							
Net loss for period	--	--	--	(954)	--	--	(954)
Other comprehensive income	--	--	--	--	18	--	18
Comprehensive loss							(936)
Stock based compensation	--	--	20	--	--	--	20
Issuance of treasury shares for vested restricted stock	5,274		(101)			101	
Issuance of new shares for vested restricted stock	5,838	--	--	--	--	--	--
Balance at March 31, 2009	2,194,348	$ 22	$ 20,647	$ (10,323)	$ (217)	$ --	$ 10,129

See accompanying Notes to Condensed Consolidated Financial Statements.

THE LGL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS UNAUDITED

(In thousands)

	Three Months Ended March 31, 2009	2008
OPERATING ACTIVITIES		
Net loss	$ (954)	$ (590)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	257	255
Stock based compensation	20	33
Amortization of finite-lived intangible assets	15	15
Changes in operating assets and liabilities:		
Accounts receivable	2,350	237
Inventories	(113)	(79)
Accounts payable and accrued liabilities	107	(23)
Other assets/liabilities	39	(25)
Net cash provided by (used in) operating activities	1,721	(177)
INVESTING ACTIVITIES		
Capital expenditures	(116)	(35)
Net cash used in investing activities	(116)	(35)
FINANCING ACTIVITIES		
Net (repayments) borrowings on note payable to bank	(1,366)	586
Repayments of long-term debt	(83)	(97)
Net cash (used in) provided by financing activities	(1,449)	489
Increase in cash and cash equivalents	156	277
Cash and cash equivalents at beginning of period	5,325	5,233

Cash and cash equivalents at end of period	$ 5,481	$ 5,510
Supplemental Disclosure:		
Cash paid for interest	$ 93	$ 98
Cash paid for income taxes	$ --	$ --
Noncash Financing Transactions:		
Issuance of treasury shares for vested restricted stock	$ 101	$ 86

See accompanying Notes to Condensed Consolidated Financial Statements.

THE LGL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A.

Subsidiaries of the Registrant

As of March 31, 2009, the subsidiaries of The LGL Group, Inc. (the Company) are as follows:

	Owned By LGL
M-tron Industries, Inc.	100.0%
M-tron Industries, Ltd.	100.0%
Piezo Technology, Inc.	100.0%
Piezo Technology India Private Ltd.	99.9%
Lynch Systems, Inc.	100.0%

The Company operates through its principal subsidiary, M-tron Industries, Inc. (Mtron), which includes the operations of M-tron Industries, Ltd. and Piezo Technology, Inc. (PTI). The combined operations are referred to herein as MtronPTI. MtronPTI has operations in Orlando, Florida, Yankton, South Dakota and Noida, India. In addition, MtronPTI has a sales office in Hong Kong.

B.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2009 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2009.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

Reclassifications

Certain prior year amounts in the accompanying condensed consolidated financial statements have been reclassified to conform to the current year presentation. We have reclassified $144,000 from liabilities of discontinued operations to other accrued expenses.

C.

Investment

At December 31, 2008, the Company determined that a decline in fair value of a marketable security held was judged to be other than temporary and recorded an impairment charge of $54,000 included in other income (expense) during the three months ended December 31, 2008 to adjust the cost basis down to the fair value at December 31, 2008.

The following is a summary of a marketable security (investment) held by the Company:

	Cost	Gross Unrealized Gain	Fair Value
		(in thousands)	
March 31, 2009	$ 14	$ 2	$ 16

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December 31, 2008	$ 14	$ --	$ 14

At March 31, 2009 and December 31, 2008, the Company has no margin liability against its investment.

D.

Inventories

Inventories are stated at the lower of cost or market value. At MtronPTI, inventories are valued using the first-in first-out (FIFO) method for 69.2% and 66.4% of the inventories, as of March 31, 2009 and December 31, 2008, respectively, and the remaining 30.8% and 33.6% as of March 31, 2009 and December 31, 2008, respectively, are valued using last-in first-out (LIFO). The Company reduces the value of its inventories to market value when the market value is believed to be less than the cost of the item.

	March 31, 2009	**December 31, 2008**
	(in thousands)	
Raw materials	$ 2,524	$ 2,576
Work in process	1,514	1,440
Finished goods	1,196	1,105
Total Inventories	$ 5,234	$ 5,121

Current cost exceeded the LIFO value of inventories by $233,000 and $287,000 at March 31, 2009 and December 31, 2008, respectively.

E.

Note Payable to Banks and Long-Term Debt

	March 31, 2009	**December 31, 2008**
Note Payable:	(in thousands)	
MtronPTI revolving loan (First National Bank of Omaha (FNBO)) at 30-day LIBOR plus 2.1%, not to go below 4.00% (4.00% at March 31, 2009), due June 2009	$ 1,383	$ 2,749

Long-Term Debt:		
MtronPTI term loan (RBC Centura Bank (RBC)) due October 2010. The note bears interest at LIBOR Base Rate plus 2.75%. Interest rate swap converts loan to a fixed rate, at 7.51% at March 31, 2009	$ 2,797	$ 2,817
MtronPTI term loan (FNBO) at 30-day LIBOR plus 2.1%. Interest rate swap converts loan to a fixed rate, at 5.60% at March 31, 2009, due January 2013	1,144	1,187
Rice University Promissory Note at a fixed interest rate of 4.5%, due August 2009	33	53
	3,974	4,057
Current maturities	382	397
Long -Term Debt	$ 3,592	$ 3,660

On October 14, 2004, MtronPTI entered into a loan agreement with FNBO (the FNBO Loan Agreement). The FNBO Loan Agreement provides for a short-term credit facility of up to $5,500,000 (the FNBO Revolving Loan). The provisions of the FNBO Revolving Loan were subsequently amended, most recently on June 30, 2008. The principal balance of the FNBO Revolving Loan currently bears interest at 30-day LIBOR plus 2.1% (not to go below 4.00%), with interest only payments due monthly and the final payment of principal and interest due on June 30, 2009. At March 31, 2009, the amount outstanding under the revolving credit loan was $1,383,000. The Company had $4,117,000 of unused borrowing capacity under its revolving line of credit at March 31, 2009, compared to $2,751,000 at December 31, 2008.

The FNBO Loan Agreement also provides for a term loan in the original principal amount of $2,000,000 (the FNBO Term Loan). The provisions of the FNBO Term Loan were subsequently amended, most recently on June 30, 2008. Under such amendment, the original principal amount of the FNBO Term Loan was approximately $1,410,000, and the principal balance bears interest at 30-day LIBOR plus 2.1%, with principal and interest payments due monthly and the final payment of principal and interest due January 24, 2013.

The FNBO Loan Agreement contains a variety of affirmative and negative covenants, including, but not limited to, financial covenants that MtronPTI maintain: (i) tangible net worth of not less than $7.0 million, (ii) a ratio of current assets to current liabilities of not less than 1.5 to 1.0; (iii) a ratio of total liabilities to tangible net worth of not greater than 2.75 to 1.0; and (iv) a fixed charge coverage ratio of not less than 1.2 to 1.0.

At March 31, 2009, the Company s subsidiary MtronPTI was not in compliance with the tangible net worth covenant ($6.9 million in tangible net worth vs. the minimum requirement of $7.0 million) and the fixed charge coverage ratio covenant (0.52 to 1.0 fixed charge ratio vs. the minimum requirement of 1.2 to 1.0). FNBO has agreed to waive non-compliance with those covenants for the quarter ended March 31, 2009, provided that (i) the Company making a cash infusion to MtronPTI for the repayment of $1.0 million of the amount outstanding under the FNBO Revolving Loan and (ii) a freeze on all payments from MtronPTI to the Company (including, but not limited to, interest payments and management fees) until MtronPTI is in full compliance with those covenants. FNBO also agreed to amend the FNBO Loan Agreement to (i) allow the $1.0 million cash infusion to be included in the numerator of the fixed charge coverage ratio for future calculations and (ii) provide that if MtronPTI is not in compliance with the covenants at the subsequent quarterly testing dates, MtronPTI will have 45 days from the end of such quarter to cure the default. The Company expects to finalize the amendments with FNBO shortly. The Company expects that, with these amendments and based on its current covenant compliance projections, MtronPTI will be in compliance with the FNBO Loan Agreement covenants at each quarterly testing date through March 31, 2010.

All outstanding obligations under the FNBO Loan Agreement are guaranteed by the Company.

In connection with the FNBO Term Loan, MtronPTI entered into a separate interest rate swap agreement with FNBO from which it receives periodic payments at the LIBOR Base Rate and makes periodic payments at a fixed rate of 5.60% through the term of the FNBO Term Loan. The Company has designated this swap as a cash flow hedge in accordance with Statement of Financial Accounting Standards (SFAS) No. 133 Accounting for Derivative Instruments and Hedging Activities (SFAS 133). The fair value of the interest rate swap at March 31, 2009 is ($50,000) net of any tax effect, and is included in other accrued expenses on the condensed consolidated balance sheets. The change in fair value is reflected in accumulated other comprehensive loss, net of any tax effect.

On September 30, 2005, MtronPTI entered into a loan agreement (the RBC Loan Agreement) with RBC, which provides for a loan in the original principal amount of $3,040,000 (the RBC Term Loan). The RBC Term Loan bears interest at LIBOR Base Rate plus 2.75% and is being repaid in monthly installments based on a 20 year amortization, with the then remaining principal balance and interest due on the fifth anniversary of the RBC Loan Agreement. The RBC Loan Agreement contains a variety of affirmative and negative covenants, including, but not limited to, financial covenants that MtronPTI maintain: (i) a ratio of total liabilities to tangible net worth of not greater than 4.0 to 1.0; (ii) tangible net worth of at least $4.2 million; and (iii) a fixed charge coverage ratio of not less than 1.2 to 1.0.

At March 31, 2009, the Company s subsidiary MtronPTI was not in compliance with the fixed charge coverage ratio covenant (0.52 to 1.0 fixed charge coverage ratio vs. the minimum requirement of 1.2 to 1.0). RBC has agreed to waive non-compliance with that covenant for the quarter ended March 31, 2009, contingent upon (i) the repayment by the Company on behalf of MtronPTI of $400,000 of the amount outstanding under the RBC Term Loan on or before May 31, 2009, (ii) a freeze on all payments from MtronPTI to the Company (including, but not limited to, interest payments and management fees) until MtronPTI is in full compliance with that covenant and (iii) RBC s receipt of an updated appraisal of certain of MtronPTI s property securing obligations under the RBC Loan Agreement, which appraisal may necessitate an additional repayment under the RBC Term Loan in order to maintain a loan-to-value ratio acceptable to RBC. RBC also agreed to amend the RBC Loan Agreement to (i) allow the $1,000,000 cash infusion to MtronPTI for the partial repayment under the FNBO Revolving Loan to be included in the numerator of the fixed charge coverage ratio for calculations on each quarterly testing date through March 31, 2010, (ii) increase the amount required under the tangible net worth covenant from $4.2 million to $7.0 million (in line with the tangible net worth covenant under the FNBO Loan Agreement) and (iii) provide that if MtronPTI is not in compliance with the covenants at any quarterly testing date through March 31, 2010, MtronPTI will have 45 days from the end of such quarter to cure the default. The Company expects to finalize the amendments with RBC shortly. The Company expects that, with these amendments and based on its current covenant compliance projections, MtronPTI will be in compliance with the RBC Loan Agreement covenants at each quarterly testing date through March 31, 2010.

All outstanding obligations under the RBC Loan Agreement are collateralized by security interests in the assets of MtronPTI and guaranteed by the Company.

In connection with the RBC Term Loan, MtronPTI entered into a five-year interest rate swap from which it receives periodic payments at the LIBOR Base Rate and makes periodic payments at a fixed rate of 7.51% with monthly settlement and rate reset dates. The Company has designated this swap as a cash flow hedge in accordance with SFAS 133. The fair value of the interest rate swap at March 31, 2009 is ($169,000) net of any tax effect, and is included in other accrued expenses on the condensed consolidated balance sheets. The change in fair value is reflected in accumulated other comprehensive loss, net of any tax effect.

F.

Stock Based Compensation

On December 17, 2008, the Board of Directors granted restricted shares to eight of its members at 5,555 shares each. No expense was recognized in 2008 for this grant. All of these shares vest ratably during 2009 at the end of each respective quarter. Total stock compensation related expense for all outstanding grants for the three-month period ended March 31, 2009 was $20,000. The unrecognized compensation expense of $60,000 will be recognized over the next nine months.

G.

Loss Per Share

The Company computes loss per share in accordance with SFAS No. 128, Earnings Per Share. Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share adjusts basic earnings per share for the effects of stock options, restricted common stock, and other potentially dilutive financial instruments, only in the periods in which the effects are dilutive.

The following securities have been excluded from the diluted loss per share computation because the impact of the assumed exercise of stock options and unvested restricted stock would have been anti-dilutive because the Company has reported net losses:

	Three Months Ended March 31,	
	2009	**2008**
Options to purchase common stock	200,000	200,000
Unvested restricted stock	33,328	12,264

Totals	233,328	212,264

H.

Other Comprehensive Loss

Other comprehensive loss includes the changes in fair value of investments classified as available-for-sale and the changes in fair values of derivative instruments designated as cash flow hedges.

For the three months ended March 31, 2009, total comprehensive loss was ($936,000), comprised of net loss of ($954,000) and change in accumulated other comprehensive loss of ($18,000), compared to total comprehensive loss of ($700,000) in the three months ended March 31, 2008, which was comprised of net loss of ($590,000) and change in accumulated other comprehensive loss of ($110,000).

The change in accumulated other comprehensive loss, net of related taxes, for the three-month periods ended March 31, 2009 and 2008, are as follows:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
	(in thousands)	
Balance beginning of period	$ (235)	$ (101)
Deferred gain (loss) on swap liability on hedge contracts	16	(101)
Unrealized gain (loss) on available-for-sale securities	2	(9)
Balance end of period	$ (217)	$ (211)

The components of accumulated other comprehensive loss, net of related taxes at March 31, 2009 and December 31, 2008, are as follows:

	March 31, 2009	December 31, 2008
	(in thousands)	
Deferred loss on swap liability on hedge contracts	$ (219)	$ (235)
Unrealized gain on available-for-sale securities	2	--
Accumulated other comprehensive loss	$ (217)	$ (235)

I.

Fair Value Measurements

The Company measures financial assets and liabilities at fair value in accordance with SFAS No. 157, Fair Value Measurements. These measurements involve various valuation techniques and assume that the transactions would occur between market participants in the most advantageous market for the Company. The following is a summary of valuation techniques utilized by the Company for its significant financial assets and liabilities:

Assets

To estimate the market value of its marketable securities, the Company obtains current market pricing from quoted market sources or uses pricing for identical securities. Assets measured at fair value on a recurring basis are summarized below.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	March 31, 2009
	(in thousands)			
Marketable security	$ 16	$ --	$ --	$ 16

Liabilities

To estimate the fair value of the swap liability on hedge contracts as of the measurement date, the Company obtains inputs other than quoted prices that are observable for the liability. Liabilities measured at fair value on a recurring basis are summarized below.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	March 31, 2009
	(in thousands)			
Swap liability on hedge contracts	$ --	$ 219	$ --	$ 219

J.

Foreign Sales

For the three months ended March 31, 2009 and 2008, foreign revenues to specific countries were as follows:

	Three Months Ended March 31,	
Foreign Revenues:	**2009**	**2008**
	(in thousands)	
Malaysia	$ 896	$ 1,587
China	790	1,106
Singapore	605	367
Mexico	355	430
Thailand	238	423
Canada	91	518
All other foreign countries	723	950
Total foreign revenues	$ 3,698	$ 5,381

K.

Commitments and Contingencies

In the normal course of business, the Company and its subsidiaries may become defendants in certain product liability, worker claims and other litigation. The Company and its subsidiaries have no litigation pending at this time.

L.

Income Taxes

The Company files a consolidated federal income tax returns, which includes all U.S. subsidiaries. The Company had a total net operating loss (NOL) carry-forward of $7,366,000 as of December 31, 2008. This NOL expires through 2028 if not utilized prior to that date. The Company had research and development credit carry-forwards of approximately $890,000 at December 31, 2008 that can be used to reduce future income tax liabilities and expire principally between 2020 and 2028. In addition, the Company has foreign tax credit carry-forwards of approximately $230,000 at December 31, 2008 that are available to reduce future U.S. income tax liabilities subject to certain limitations. These foreign tax credit carry-forwards expire at various times through 2018.

The Company provided a benefit of $30,000 and a provision of $49,000 for foreign income taxes, respectively, in the three months ended March 31, 2009 and 2008 and $0 for state taxes in each of those periods.

Due to the uncertainty surrounding the realization of the favorable U.S. tax attributes in future tax returns, we continue to record a full valuation allowance against our otherwise recognizable U.S. net deferred tax assets as of March 31, 2009 and December 31, 2008, except for the Company s $111,000 in AMT deferred tax assets which do not expire.

M.

Related Party Transactions

At March 31, 2009, the Company had $5,481,000 of cash and cash equivalents. Of this amount, $3,026,000 is invested in United States Treasury money market funds for which affiliates of the Company serve as the investment manager to the respective fund, compared with $3,123,000 of $5,325,000 at December 31, 2008.

N.

New Accounting Pronouncements