FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: **1996-08-26** | Period of Report: **1996-03-31**
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LYNCH CORP

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

(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, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) of the
SECURITIES EXCHANGE ACT OF 1934

For the transition period from   to

Commission File 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.)

8 Sound Shore Drive, Suite 290, Greenwich, Connecticut	06830
(Address of principal executive offices)	(Zip code)

(203) 629-3333
Registrant's telephone number, including area code

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

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

Class	Outstanding at May 1, 1996
Common Stock, no par value	1,390,579

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LYNCH CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Financial Statements as amended August 19, 1996, to revised Note C (Acquisition of Central Products - Proforma Information)

SIGNATURES

Part 1- FINANCIAL INFORMATION

Item 1- Financial Statements

LYNCH CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>

(UNAUDITED)

(In thousands, except share amounts)

<CAPTION>

Three Months
Ended March 31

	1996	1995
SALES AND REVENUES		
<S>	<C>	<C> >
Multimedia	$ 6,715	$ 5,685
Services	30,506	26,803
Manufacturing	73,709	37,300
	110,930	69,788
Costs and expenses:		
Multimedia	4,610	4,225
Services	28,561	24,233
Manufacturing	61,234	30,236
Selling and administrative	10,615	7,060
OPERATING PROFIT	5,910	4,034
Other income (expense):		
Investment Income	433	884
Interest expense	(3,954)	(2,204)
Share of operations of affiliated companies	19	(70)
Gain on Sale of Stock by Subsidiary	44	
0		
	(3,458)	(1,390)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	2,452	2,644
Provision for income taxes	(963)	(1,096)
Minority interests	(288)	(423)
NET INCOME $1,201	$1,125	
Weighted average shares outstanding	1,397,000	1,401,000
NET INCOME PER SHARE	$0.86	$0.80

</TABLE>

LYNCH CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

<TABLE> (In thousands)
<CAPTION>

	March 31 1996 (Unaudited)	December 31 1995 (A)
ASSETS		
CURRENT ASSETS:		
<S>	<C>	<C>
Cash and Cash Equivalents	$ 23,204	$ 15,921
Marketable Securities and Short-Term Investments	6,409	11,432
Receivables, less Allowances of $ 1286 and $1732	52,959	52,306
Inventories	33,911	33,235
Deferred Income Tax Benefits	3,944	3,944
Other Current Assets	7,016	6,810
Total Current Assets	127,443	123,648
PROPERTY, PLANT AND EQUIPMENT:		
Land	2,068	2,068
Buildings and Improvements	17,725	16,675
Machinery and Equipment	132,602	128,397
	152,395	147,140
Less Accumulated Depreciation	40,053	36,093
Net Property, Plant and Equipment	112,342	111,047
INVESTMENT IN AND ADVANCES TO AFFILIATED COMPANIES	9,356	8,982
ACQUISITION INTANGIBLES	51,843	53,060
OTHER ASSETS	7,449	5,702
Total Assets	$308,433	$302,439
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes Payable to Banks	$ 8,789	$ 9,622
Trade Accounts Payable	24,528	20,147
Accrued Liabilities	28,338	28,545
Current Maturities of Long-Term Debt	38,419	39,708
Total Current Liabilities	100,074	98,022
LONG-TERM DEBT	139,485	138,029
DEFERRED INCOME TAXES	17,912	17,912
MINORITY INTERESTS	13,532	12,964

SHAREHOLDERS' EQUITY		
COMMON STOCK, NO PAR VALUE-10,000,000 SHARES AUTHORIZED; 1,471,191 shares issued (at stated value)	5,139	5,139
ADDITIONAL PAID - IN CAPITAL	8,425	7,873
RETAINED EARNINGS	24,977	23,776
TREASURY STOCK OF 80,612 AND 92,528 SHARES, AT COST	(1,111)	(1,276)
Total Shareholders' Equity	37,430	35,512
Total Liabilities and Shareholders' Equity	$308,433	$302,439

</TABLE>

(A) The Balance Sheet at December 31,1995 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.

LYNCH CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>

(UNAUDITED)
(In thousands)

<CAPTION>

	Three Months Ended March 31	
	1996	1995
OPERATING ACTIVITIES		
<S>	<C>	<C>
Net Income	$ 1,201	$ 1,125
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,931	2,550
Net effect of sales of trading securities	5,023	2,726
Share of operations of affiliated companies	(19)	70
Minority interests	288	423
Changes in operating assets and liabilities:		
Receivables	(653)	5,876
Inventories	(676)	(12,193)

Accounts payable and accrued liabilities	4,174	4,402
Other	(2,008)	(90)
NET CASH FROM OPERATING ACTIVITIES	11,261	4,889
INVESTING ACTIVITIES		
Capital Expenditures	(3,906)	(3,101)
Other	(327)	0
NET CASH USED IN INVESTING ACTIVITIES	(4,233)	(3,101)
FINANCING ACTIVITIES		
Repayments of debt, net	(741)	(482)
Treasury stock transactions	723	0
Minority interest transactions	273	(117)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	255	(599)
Net increase in cash and cash equivalents	7,283	1,189
Cash and cash equivalents at beginning of period	15,921	18,010
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 23,204	$ 19,199

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. Subsidiaries of the Registrant

The present operating subsidiaries of the Registrant are as follows:

Lynch Multimedia Corporation
  CLR Video LLC (60% owned)
Lynch Telecommunications Corporation
  Lynch Telephone Corporation (80.1% owned)
    Western New Mexico Telephone Company, Inc.
    WNM Communications Corporation

Lynch Telephone Corporation II (83.0% owned)
Inter-Community Telephone Company
Lynch Telephone Corporation III (81% owned)
Cuba City Telephone Exchange Company
Belmont Telephone Company
Lafayette County Satellite TV, Inc.
Brighton Communications Corporation
Lynch Telephone Corporation IV
Bretton Woods Telephone Company
Lynch Telephone Corporation VI (98% owned)
J.B.N. Telephone Company, Inc.
J.B.N. Finance Corporation
Lynch Telephone Corporation VII
USTC Kansas Inc.
Haviland Telephone Company
Haviland Finance Corporation
Global Television Inc.
Lynch Entertainment Corporation
Coronet Communications Company (20% owned)
Lynch Entertainment Corporation II
Capital Communications Corporation (49% owned)
The Morgan Group, Inc. (equity ownership 49%
- voting ownership 64%)
Morgan Drive Away, Inc.
Transport Services Unlimited, Inc.
Interstate Indemnity Inc.
Morgan Finance, Inc.
Lynch Capital Corporation
Lynch Manufacturing Corporation
Lynch Machinery, Inc. (90% owned)
Tri-Can International, Ltd.
M-tron Industries, Inc. (94% owned)
M-tron Industries, Ltd.
Spinnaker Industries, Inc. (previously named Safety Railway
Service Corporation) (78% owned)
Central Products Acquisition Corp.
Brown-Bridge Industries, Inc. (80.1% owned)
Entoleter, Inc.
Lynch International Exports, Inc.

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 period ended March 31, 1996 are not necessarily indicative of the results that may be expected for the year ended December 31, 1996. For further information, refer to the consolidated financial statements and footnotes thereto included in the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.

C. Acquisitions

On October 4, 1995, Central Products Acquisition Corp., a wholly-owned subsidiary of Spinnaker Industries, Inc. (an 78% owned subsidiary of Lynch) acquired from Alco Standard Corporation ("Alco"), the assets and stock of Central Products Company. Central Products manufactures a wide variety of carton sealing tapes and related equipment. The cost of the acquisition was $80.0 million. As a result of this transaction, the Company recorded $27.2 million in goodwill which is being amortized over 25 years. This transaction was accounted for as a purchase, and accordingly, the assets acquired and liabilities assumed were recorded at their estimated fair market value.

The operating results of the acquired companies are included in the consolidated statements of operations from their respective acquisition dates. The following combined proforma information shows the results of the Registrant's operations presented as through the purchase of Central Products had been made at the beginning of 1995.
<TABLE>
<CAPTION>

	First Quarter Ended March 31	
	1996	1995
	(In thousands, except per share data)	
<S>	<C>	<C>
Sales and Revenues	$110,930	$100,798
Operating Profit	5,910	6,464
Net Income	1,201	1,370
Net Income per Share	0.86	0.97

</TABLE>

D. Inventories

Inventories are stated at the lower of cost or market value. At March 31, 1996, inventories were valued by three methods: last-in, first-out (LIFO) - 56%, specific identification - 40%, and first-in, first-out (FIFO) - 4%. At December 31, 1995, the respective percentages were 58%, 38%, and 4%.
<TABLE>
<CAPTION>

In Thousands

	3-31-96	12-31-95
<S>	<C>	<C>
Raw materials and supplies	$11,572	$10,676
Work in process	10,322	10,286
Finished goods	12,017	12,273
TOTAL INVENTORIES	$33,911	$33,235

</TABLE>

E. Indebtedness

On a consolidated basis, at March 31, 1996, the Registrant maintains short-term and long term lines of credit facilities totaling $81.6 million, of which $30.2 million is available. Lynch Corporation, the Parent Company, maintains a $12.0 million short term line of credit facility, of which $6.8 million was available at March 31,1996. This facility has recently been extended to April 15, 1997. Spinnaker Industries, Inc. maintains lines of credit at its subsidiaries which total $45.5 million, of which $11.7 million was available at March 31, 1996 and The Morgan Group maintains lines of credit totaling $18.0 million, $10.5 million of which was available at March 31, 1996. These facilities as well as facilities at other subsidiaries of the Registrant, generally limit the credit available under the lines of credit to certain variables, such as inventories and receivables, are secured by the operating assets of the subsidiary, and include various financial covenants. At March 31, 1996, $3.4 million of these total facilities expire within one year.

Long-term debt consists of (all interest rates are weighted averages, where applicable at March 31, 1996):

<TABLE>
<CAPTION>

	In Thousands 3-31-96	12-31-95
<S>	<C>	<C>
Rural Electrification Administration and Rural Telephone Bank notes payable in equal quarterly installments through 2023 at fixed rates (3.5%)	28,251	27,543
Bank credit facilities utilized by certain telephone and telephone holding companies at both 9.5% fixed and 8.9% variable rates	28,140	28,255
Unsecured notes issued in connection with telephone company acquisitions at 10% fixed rate	16,120	16,149
Debt associated with Central Products:		
Revolving line of credit 9.25% variable rate	13,223	14,126
Term loan 9.5% variable rate	35,250	35,625
Notes to seller 9.2% variable rate	30,000	30,000
Bank debt associated with Brown-Bridge at variable rates 9.5%:		

Revolving line of credit	12,611	12,646
Term loan	6,112	6,691
Other	8,197	6,702
	177,904	177,737
Current Maturities	(38,419)	(39,708)
	$139,485	$138,029

</TABLE>

In general, the long-term debt 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 Registrant.

As part of Spinnaker's acquisition of Central Products Company from Alco Standard on October 4, 1995 (see note C), Alco provided two loans totaling $25 million and received the right to sell these notes to Spinnaker and demand payment (the "Put Agreement"). Lynch agreed to guarantee the notes and provide funds for the Put Agreements. As of January 2, 1996, Alco exercised the rights under the Put Agreement to sell the notes back to Spinnaker and in connection therewith, as described below, Spinnaker entered into a new financing agreement with the seller and a third party to make a partial principal payment on the note and replace the balance with a new financing arrangement.

On April 5, 1996, Spinnaker entered into an agreement with a third party for an $8.5 million bridge loan. The bridge loan is due on December 30, 1996, and if not paid will convert into a 5 year term loan. The third party will be entitled to receive a warrant to purchase 2.5% of the common equity of Spinnaker for each quarter the term loan is outstanding up to 20% on a fully diluted basis, of the common equity of Spinnaker. The bridge loan bears interest at the greater of the LIBOR reference rate or the Treasury rate plus 5% for the first 90 days, then incrementally increasing by .25% for every subsequent 90 day period.

On April 5, 1996, the rate in effect was 10.4%. Spinnaker may also fix the rate at 18% if the floating rate increases to or above that rate. The bridge loan and term loan include a payment in kind ("PIK") feature that allows Spinnaker to pay an interest in excess of 16% (the maximum cash interest) by issuing additional bridge notes. Also on April 5, 1996, an entity affiliated with Richard J. Boyle and Ned N. Fleming III ("BF"), the Company's Chairman and Chief executive Officer and President, respectively, exercised warrants to purchase 187,476 share of Spinnaker's common stock resulting in proceeds of $500,000 which will be used by the Company to make scheduled interest payment on the bridge loans. The Company has pledged its shares of Spinnaker stock to secure such loans. The agreement requires BF to continue to exercise its warrants to provide funds to satisfy the outstanding interest that will be due on the bridge loan and term loans. Spinnaker is actively pursuing various alternatives to refinance the indebtedness of Spinnaker and its subsidiaries, including refinancing the bridge loan before it matures. There can be no assurance that Spinnaker can successfully complete any such refinancing.

Concurrently with the closing of the bridge loan, Spinnaker paid Alco $7.5 million of which $5.5 million was a principal payment on the $25 million note, approximately $1.0 million related to accrued interest and $1.0 million was applied toward a $1.75 million purchase price for a warehouse facility in Denver, Colorado. The unpaid balance of the $25 million note, together with the balance due on the warehouse facility was restructured into a series of new convertible subordinated notes consisting of the following:

(a) A 7%, $6 million convertible subordinated note that automatically converts including accrued interest, into Spinnaker common stock 30 days after the execution of the note at a conversion price per share of approximately $35. After conversion, Alco is entitled to sell the shares. If the proceeds of this sale are less than $6 million, Spinnaker is required to pay the difference between $6 million and the sales proceeds to Alco either in cash or an equivalent number of common shares;

(b) A 7%, $7 million convertible subordinated note due April 1997. The note contains a PIK feature that allows Spinnaker, at its option, to satisfy the interest by increasing the principal amount of the note. However, if Spinnaker selects the PIK option, the interest rate on the note is 9%. All or any part of this note can be converted at Alco's option into shares of Spinnaker's common stock after April 1, 1997 at the then market price; and

(c) A 7%, $7.25 million convertible subordinated note due April 1998. The note contains a PIK feature that allows Spinnaker, at its option, to satisfy interest by increasing the principal amount of the note. However, if Spinnaker selects the PIK option, the interest rate on the note is 9%. All or any part of this note can be converted at Alco's option into shares of Spinnaker stock after April 1, 1998 at the then current market price.

Based on the terms of the bridge loan and the restructured subordinated notes with Alco, the Company has classified the $25 million subordinated notes to Alco as long-term.

F. Income Taxes

The income tax provision includes federal, as well as state and local taxes. The tax provisions for the three months ending March 31, 1996 and 1995 represent effective tax rates of 40.0% and 41.5%, respectively. The rates differ from the federal statutory rate principally due to the effect of state income taxes, amortization of goodwill, and, in 1995 a valuation reserve provided on the benefit associated with the Registrant's equity in losses of Capital Communications Corporation.

G. Capital Stock

In 1987 and 1992, the Board of Directors authorized the purchase of up to a total of 300,000 shares of Common Stock of the Registrant. These shares will be retained as treasury stock for future use as required. Through March 31, 1996, the Registrant had purchased 230,861 shares of Common Stock to date at an average price of $13.15.

H. Earnings Per Share

Earnings per common and common equivalent share amounts are based on the average number of common shares outstanding during each period, assuming the exercise of all stock options having an exercise price less than the average market price of the common stock using the treasury stock method. Fully diluted earnings per share reflect the effect, where dilutive, of the exercise of all stock options having an exercise price less than the greater of the average or closing market price at the end of the period of the Common Stock of the Registrant using the treasury stock method.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

10(w)(i) - Amendment No. 1 to the Loan Agreement, dated as of November, 1996, between Lynch PCS Corporation A and Aer Force Communications, L.P. (amendments in similar form are being entered into with respect to the other Loan Agreements).

27-Financial Data Schedule

(b) Reports on Form 8-K

On January 4, February 2, March 1, March 14, and April 19,1996, Registrant filed Amendments (2)-(6), respectively, to its Form 8-K, dated October 4, 1995, with respect to the Central Products acquisition and financing. On March 20, 1996, Registrant filed a Form 8-K, dated March 13, 1996, with respect to a change of independent accountants at Registrant's subsidiary, The Morgan Group, Inc. and with respect to the pending acquisition of Dunkirk & Fredonia Telephone Company, which was amended on April 4, 1996.

SIGNATURE

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

LYNCH CORPORATION
(Registrant)

By:s/Robert E. Dolan

Robert E. Dolan
Chief Financial Officer

August 19, 1996