

TRANS LUX Corp  
Form 10-K  
April 02, 2015

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C.**

**FORM 10-K**

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2014

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 number 1-2257

TRANS-LUX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

13-1394750

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

445 Park Avenue, Suite 2001, New York, NY 10022

(Address of registrant's principal executive offices) (Zip code)

Registrant's telephone number, including area code: (800) 243-5544

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Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☐

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CONTINUED

TRANS-LUX CORPORATION

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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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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 12(b)-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ 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 ☐ No ☒

The aggregate market value of the registrant's voting Common Stock held by non-affiliates of the registrant based upon the last sale price of the registrant's Common Stock reported on OTCQB on June 30, 2014, was approximately \$7,381,000, which value solely for the purposes of this calculation excludes shares held by the registrant's officers and directors. Such exclusion should not be deemed a determination by the registrant that all of such individuals are, in fact, affiliates of the registrant. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant's Common Stock, par value \$0.001 per share, as of the latest practicable date, on March 31, 2015, was 1,700,429 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

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**TRANS-LUX CORPORATION**

2014 Form 10-K Annual Report

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**PART I**

ITEM 1.

BUSINESS

SUMMARY

Unless the context otherwise requires, the terms “Company”, “Corporation”, “we”, “our” and “us” as used herein refer to Trans-Lux Corporation and its subsidiaries. The Company is a leading designer and manufacturer of digital signage display solutions. The essential elements of these systems are the real-time, programmable digital displays the Company designs, manufactures, distributes and services. These display systems utilize LED (light emitting diode) technologies. Designed to meet the digital signage solutions for any size venue’s indoor and outdoor needs, these display products include full color text, graphic and video displays for stock and commodity exchanges, financial institutions, college and high school sports stadiums, schools, casinos, convention centers, corporate applications, government applications, theatres, retail sites, airports, billboard sites and numerous other applications. In 2010, the Company started a business in the LED lighting market with energy-saving lighting solutions that feature a comprehensive offering of the latest LED lighting technologies that provide facilities and public infrastructure with “green” lighting solutions that emit less heat, save energy and enable creative designs.

Unless otherwise indicated herein, all share information herein reflects a reverse stock split of 1-for-1,000 immediately followed by a 40-for-1 forward stock split effected in October 2013.

DIGITAL DISPLAY PRODUCTS

The Company’s new generation of LED large screen systems features the latest digital display technologies and capabilities. The Company’s product line of high performance state-of-the-art digital displays and controllers are used to show full color video and messages in virtually any configuration in a variety of indoor and outdoor applications. Most of the Company’s digital display products include hardware components and sophisticated software. In both the indoor and outdoor markets in which the Company serves, the Company adapts basic product types and technologies for specific use in various niche market applications. The Company also operates a direct service network throughout the United States and parts of Canada, which performs on-site project management, installation, service and maintenance for its customers and others.

The Company employs a modular engineering design strategy, allowing basic building blocks of electronic modules to be easily combined and configured in order to meet the broad application requirements of the various industries it serves. This approach ensures product flexibility, reliability, ease of service and minimum spare parts requirements.

The Company's Digital display market is comprised of two distinct segments: the Digital display sales division and the Digital display lease and maintenance division. Digital displays are used by sports arenas and stadiums; financial institutions, including brokerage firms, banks, energy companies, insurance companies and mutual fund companies; educational institutions; outdoor advertising companies; corporate and government communication centers; retail outlets; casinos, race tracks and other gaming establishments; airports, train stations, bus terminals and other transportation facilities; movie theatres; health maintenance organizations and in various other applications.

*Digital Display Sales Division:* The Digital display sales market is currently dominated by five categories of users: financial, government/private sector, gaming, sports and outdoor advertising.

The financial sector, which includes trading floors, exchanges, brokerage firms, banks, mutual fund companies and energy companies, has long been a user of electronic information displays due to the need for real-time dissemination of data. The major stock and commodity exchanges depend on reliable information displays to post stock and commodity prices, trading volumes, interest rates and other financial data. Brokerage firms use electronic ticker displays for both customers and brokers; they have also installed other larger displays to post major headline news events in their brokerage offices to enable their sales force to stay up-to-date on events affecting general market conditions and specific stocks. Banks and other financial institutions also use information displays to advertise product offerings to consumers. The financial sector has a product line of advanced last sale price displays, full color LED tickers and graphic/video displays.

The government/private sector includes applications found in major corporations, public utilities and government agencies for the display of real-time, critical data in command/control centers, data centers, help desks, visitor centers, lobbies, inbound/outbound telemarketing centers, retail applications to attract customers and for employee communications. Digital displays have found acceptance in applications for the healthcare industry such as outpatient pharmacies, military hospitals and HMOs to automatically post patient names when prescriptions are ready for pick up. Theatres use digital displays to post current box office and ticket information, directional information and to promote concession sales. Information displays are consistently used in airports, bus terminals and train stations to post arrival and departure times and gate and baggage claim information, all of which help to guide passengers through these facilities.

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The gaming sector includes casinos, Indian gaming establishments and racetracks. These establishments generally use large information displays to post odds for race and sporting events and to display timely information such as results, track conditions, jockey weights, scratches and real-time video. Casinos and racetracks also use digital displays throughout their facilities to advertise to and attract gaming patrons.

The scoreboard sector includes digital displays used by high schools, college sports stadiums, sports venues, municipal sports playing fields, entertainment facilities and recreational facilities to disseminate pertinent game information and advertising to the audience. This sector generally sells through dealers and distributors.

The outdoor advertising sector includes digital displays used by automobile dealerships, churches, military installations, gas stations, highway departments, entertainment facilities and outdoor advertisers, such as digital billboards, attempting to capture the attention of passers-by.

Equipment for the digital display sales segment generally has a lead-time of 30 to 120 days depending on the size and type of equipment ordered and material availability.

*Digital Display Lease and Maintenance Division:* The Digital display lease and maintenance division leases and performs maintenance on digital displays across all of the sectors under agreement terms ranging from 30 days to 10 years.

*Sales Order Backlog (excluding leases):* The amount of sales order backlog at December 31, 2014 and 2013 was approximately \$3.1 million and \$4.2 million, respectively. The December 31, 2014 backlog is expected to be recognized as sales in 2015. These amounts include only the sale of products; they do not include new lease orders or renewals of existing lease agreements that may be presently in-house.

## LED LIGHTING

In 2010, the Company started a new business opportunity in the LED lighting market with energy-saving lighting solutions that features a comprehensive offering of the latest LED lighting technologies that provide facilities and public infrastructure with green lighting solutions that emit less heat, save energy and enable creative designs.

The Company has developed what it believes is a completely unique business model for the LED Lighting market as a source manufacturer and distributor that integrates energy efficiency as well as customer experience solutions into a seamless package that is delivered directly to the end customer. The Company manufactures as well as distributes all lighting solutions from single watt vanity lights to 750-watt facility lighting.

The business model for the lighting sales team is ROI driven and focuses on maximizing rebates and energy incentives to subsidize upfront capital expenses. We believe we provide our customers with the highest quality lights, widest array of financing options and world-class manufacturing with full product warranties and guarantees.

#### ENGINEERING AND PRODUCT DEVELOPMENT

The Company's ability to compete and operate successfully depends on its ability to anticipate and respond to the changing technological and product needs of its customers, among other factors. For this reason, the Company continually develops enhancements to its existing product lines and examines and tests new display technologies.

In 2010, the Company introduced TLVision™, our new generation of LED Large Screen Systems that feature the latest digital display technologies and capabilities, available in various pitch design, including the industry's first 1.5mm LED display solution. TLVision™ consists of full color video products that can be used in a multitude of applications. These applications range from posting alphanumeric data to the displaying of full HD video. The pixel pitches of the products range from 1.5mm for very close distance viewing and up to 50mm for very long distance viewing. The Company also recently expanded its line of scoreboard solutions using its TLVision™ technology and improved hand-held, simple to operate remotes and wireless control devices.

As part of its ongoing development efforts, the Company seeks to package certain products for specific market segments as well as continually tracking emerging technologies that can enhance its products. Full color, live video and digital input technologies continue to be enhanced.

The Company maintains a staff who are responsible for product development and support. The engineering, product enhancement and development efforts are supplemented by outside independent engineering consulting organizations, as required.

#### MARKETING AND DISTRIBUTION

In North America, the Company markets its digital display products in the United States and Canada using a combination of distribution channels, including direct sales representatives and a network of independent dealers and distributors. By working with software vendors and using the internet to expand the quality and quantity of multimedia content that can be delivered to our digital displays, we are able to offer customers relevant, timely information, content management software and display hardware in the form of turnkey display communications packages.

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The Company employs a number of different marketing techniques to attract new customers, including direct marketing efforts by its sales force to known and potential users of information displays; internet marketing; advertising in industry publications; and exhibiting at domestic and international trade shows annually.

Headquartered in New York, New York, the Company has sales and service offices in Des Moines, Iowa, Chicago, Illinois and Burlington, Ontario, as well as satellite offices in the United States and Canada.

Internationally, the Company uses a combination of internal sales people and independent distributors to market its products outside the United States. The Company has existing relationships with independent distributors worldwide covering Europe, the Middle East, South America, Africa, the Far East and Australia. Foreign revenues represented less than 10% of total revenues for the years ended December 31, 2014 and 2013, respectively.

The Company's revenues included one multinational customer that accounted for 10.8% of total revenues in 2014. The Company's revenues in 2013 did not include any single customer that accounted for more than 10% of total revenues.

## MANUFACTURING AND OPERATIONS

The Company's production facilities are located in Des Moines, Iowa. The production facilities consist principally of the manufacturing, assembly and testing of digital display units and related components. The Company performs most subassembly and most final assembly of its digital display products.

All product lines are design engineered by the Company and controlled throughout the manufacturing process. The Company has the ability to produce very large sheet metal fabrications, cable assemblies and surface mount and through-hole designed assemblies. Some of the subassembly processes are outsourced. The Company's production of many of the subassemblies and final assemblies gives the Company the control opportunity needed for on-time delivery to its customers.

The Company has the ability to rapidly modify its product lines. The Company's displays are designed with flexibility in mind, enabling the Company to customize its displays to meet different applications with a minimum amount of lead-time. The Company designs certain of its materials to match components furnished by suppliers. If such suppliers are unable to provide the Company with those components, the Company would have to contract with other

suppliers to obtain replacement sources. Such replacement might result in engineering design changes, as well as delays in obtaining such replacement components. The Company believes it maintains suitable inventory and has contracts providing for delivery of sufficient quantities of such components to meet its needs. The Company also believes that there are presently other qualified vendors of these components. Other than the LEDs and LED modules which are manufactured by foreign sources, the Company does not acquire significant amounts of components directly from foreign suppliers. The Company's products are third-party certified for compliance with applicable safety, electromagnetic emissions and susceptibility requirements worldwide.

## SERVICE AND SUPPORT

The Company emphasizes the quality and reliability of its products and the ability of its field service personnel and third-party agents to provide timely and expert service to the Company's equipment on lease and maintenance bases and other types of customer-owned equipment. The Company believes that the quality and timeliness of its on-site service personnel are important components for the Company's ongoing and future success. The Company provides turnkey installation and support for the products it leases and sells in the United States and Canada. The Company provides training to end-users and provides ongoing support to users who have questions regarding operating procedures, equipment problems or other issues. The Company provides installation and service to those who purchase and lease equipment. Additionally, the Company's dealers and distributors offer support for the products they sell in the market segments they cover.

Personnel based in regional and satellite service locations throughout the United States and Canada provide high quality and timely on-site service for the installed equipment on lease and maintenance bases and other types of customer-owned equipment. Purchasers or lessees of the Company's larger products, such as financial exchanges, casinos and sports stadiums, often retain the Company to provide on-site service through the deployment of a service technician who is on-site daily for scheduled events. The Company operates its National Technical Services and Repair Center from its Des Moines, Iowa facility. Equipment repairs are performed in Des Moines and service technicians are dispatched nationwide from the Des Moines facility. The Company's field service division is augmented by various service companies in the United States, Canada and overseas. From time to time, the Company uses various third-party service agents to install, service and/or assist in the service of certain displays for reasons that include geographic area, size and height of displays.

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COMPETITION

The Company's availability of short and long-term leases to customers and its nationwide sales, service and installation capabilities are major competitive advantages in the digital display business. The Company believes that it is the largest supplier of large-scale stock, commodity, sports and race book gaming digital displays in the United States, as well as one of the larger digital display and service organizations in the country.

The Company competes with a number of competitors, both larger and smaller than itself, with products based on different forms of technology. There are several competitors whose current products utilize similar technology to the Company's and who possess the resources necessary to develop competitive and more sophisticated products in the future.

DISCONTINUED OPERATIONS

The Company owned an income-producing real estate property located in Santa Fe, New Mexico, which was sold in 2013 because it did not directly relate to our core business.

INTELLECTUAL PROPERTY

The Company holds a number of trademarks for its products and considers such trademarks important to its business.

EMPLOYEES

The Company had approximately 81 employees as of March 30, 2015. Approximately 33% of the employees are unionized. The Company believes its employee relations are good.

ITEM 1A.



## RISK FACTORS

### THERE IS SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN

Our independent registered public accounting firm has issued an opinion on our Consolidated Financial Statements that states that the Consolidated Financial Statements were prepared assuming we will continue as a going concern and further states that the continuing losses and uncertainty regarding the ability to make the required minimum funding contributions to the defined benefit pension plan, as well as the sinking fund payments on the Debentures and the principal and interest payments on the Notes and the Debentures, raises substantial doubt about our ability to continue as a going concern. As a result, if the Company is unable to (i) obtain additional liquidity for working capital, (ii) make the required minimum funding contributions to the defined benefit pension plan and/or (iii) make the required principal and interest payments on the outstanding Notes and Debentures, there would be a significant adverse impact on the financial position and the operating results of the Company.

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WE HAVE EXPERIENCED OPERATING LOSSES FOR THE PAST SEVERAL YEARS, AND THERE CAN BE NO ASSURANCE THAT WE WILL BE ABLE TO INCREASE OUR REVENUE SUFFICIENTLY TO GENERATE THE CASH REQUIRED TO FUND OUR CURRENT OPERATIONS

The Company has incurred operating losses for the past several years. During the years ended December 31, 2014 and 2013, the Company incurred losses from continuing operations of \$4.6 million and \$2.5 million, respectively. The year ended December 31, 2013 includes a \$1.1 million gain on a warrant valuation adjustment. The Company is dependent upon future operating performance to generate sufficient cash flows in order to continue to run its businesses. Future operating performance is dependent on general economic conditions, as well as financial, competitive and other factors beyond our control. We have experienced a decline in our lease and maintenance bases for the past several years. There can be no assurance that we will be able to increase our revenue sufficiently to generate the cash required to fund our current operations.

NON-PAYMENT OF PRINCIPAL AND INTEREST ON OUTSTANDING NOTES AND DEBENTURES HAS RESULTED IN EVENTS OF DEFAULT AND MAY CONTINUE TO NEGATIVELY AFFECT OUR BALANCE SHEET

The Company has outstanding \$1.1 million of 8¼% Limited convertible senior subordinated notes due 2012 (the Notes ) which are no longer convertible into common shares and which matured as of March 1, 2012; interest was payable semi-annually. Such Notes were not exchanged into cash and the Company's Common Stock as part of an exchange offer in 2011. Based on the payment schedule prior to the offer to exchange, the Company had not remitted the March 1, 2010 and 2011 and September 1, 2010 and 2011 semi-annual interest payments of \$418,000 each and the March 1, 2012 semi-annual interest and principal payment of \$1.4 million to the trustee. The non-payments constituted an event of default under the Indenture governing the Notes. The trustee, by notice to the Company, or the holders of 25% of the principal amount of the Notes outstanding, by notice to the Company and the trustee, may declare the outstanding principal plus interest due and payable immediately. The Company currently does not have any Senior Indebtedness. If the Company subsequently incurs any Senior Indebtedness, the Notes would be subordinate to any Senior Indebtedness of the Company. At December 31, 2014, the total amount outstanding under the Notes is classified as Current portion of long-term debt in the Consolidated Balance Sheet.

The Company has outstanding \$334,000 of 9½% Subordinated debentures due 2012 (the Debentures ) which matured on December 1, 2012; interest was payable semi-annually. Such Debentures were not exchanged into cash as part of an exchange offer in 2011. Based on the payment schedule prior to the offer to exchange, the Company had not remitted the December 1, 2009, 2010 and 2011 sinking fund payments of \$106,000 each, the June 1, 2010, 2011 and 2012 and the December 1, 2010 and 2011 semi-annual interest payments of \$50,000 each and the December 1, 2012 semi-annual interest and principal payment of \$790,000 to the trustee. The non-payments constituted an event of default under the Indenture governing the Debentures. The trustee, by notice to the Company, or the holders of 25% of the principal amount of the Debentures outstanding, by notice to the Company and the trustee, may declare the outstanding principal plus interest due and payable immediately. The Company currently does not have any Senior Indebtedness. If the Company subsequently incurs any Senior Indebtedness, the Debentures would be subordinate to

any Senior Indebtedness of the Company. At December 31, 2014, the total amount outstanding under the Debentures is classified as Current portion of long-term debt in the Consolidated Balance Sheets.

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WE HAVE RECEIVED WAIVERS, SUBJECT TO CERTAIN CONDITIONS, OF THE 2009, 2010 AND 2012 MINIMUM FUNDING STANDARDS FOR OUR DEFINED BENEFIT PENSION PLAN, WHICH, IF WE FAIL TO FULFILL THE REQUIRED CONDITIONS FOR, MAY RESULT IN THE TERMINATION OF THE PLAN OR REQUIRE US TO MAKE THE UNPAID CONTRIBUTIONS

In March 2010, 2011 and 2013, the Company submitted to the Internal Revenue Service requests for waivers of the 2009, 2010 and 2012 minimum funding standards for its defined benefit pension plan. The waiver requests were submitted as a result of the economic climate and the business hardship that the Company experienced. The 2009, 2010 and 2012 plan year waivers have been approved and granted subject to certain conditions, and deferred payment of \$285,000, \$559,000 and \$871,000 of the minimum funding standard for the 2009, 2010 and 2012 plan years, respectively. If the Company does not fulfill the conditions of the waivers, the Pension Benefit Guaranty Corporation and the Internal Revenue Service have various enforcement remedies that can be implemented to protect the participant's benefits, such as termination of the plan or a requirement that the Company make the unpaid contributions. In 2014, the Company made \$958,000 of contributions to the plan. At this time, the Company is expecting to make its required contributions in 2015 of \$1.4 million and has already made \$229,000 of such contributions; however there is no assurance that we will be able to make any or all of such remaining payments. The Pension Benefit Guaranty Corporation has placed a lien on the Company's assets in respect of amounts owed under the plan.

THE COMPANY HAS SIGNIFICANT DEBT, WHICH COULD IMPAIR OUR FINANCIAL CONDITION

As of December 31, 2014, the Company's total debt was \$1.8 million, all of which was current. We expect we may incur indebtedness in connection with new rental leases and working capital requirements. Our ability to satisfy our obligations will be dependent upon our future performance, which is subject to prevailing economic conditions and financial, business and other factors, including factors beyond our control. There can be no assurance that our operating cash flows will be sufficient to meet our long-term debt service requirements or that we will be able to refinance indebtedness at maturity. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

COMPETITORS MAY POSSESS SUPERIOR RESOURCES AND DELIVER MORE MARKETABLE PRODUCTS, WHICH WOULD ADVERSELY AFFECT OUR OPERATING MARGINS

Our digital displays compete with a number of competitors, both larger and smaller than us, and with products based on different forms of technology. In addition, there are several competitors whose current products utilize similar technology and who possess the resources to develop competitive and more sophisticated products in the future. Our success is, to some extent, dependent upon our ability to anticipate technological changes in the industry and to successfully identify, obtain, develop and market new products that satisfy evolving industry requirements. There can be no assurance that competitors will not market new products which may have perceived advantages over our products or which, because of pricing strategies, render the products currently sold by the Company less marketable or would otherwise adversely affect our operating margins.

**OUR SUCCESS IS DEPENDENT UPON OUR ABILITY TO OBTAIN THE RENEWAL OF EXISTING LEASES OR ENTER INTO NEW LEASES AS OUR CURRENT LEASES EXPIRE, WHICH MAY NOT BE FEASIBLE. THE INABILITY TO RENEW OR REPLACE OUR LEASES WOULD NEGATIVELY AFFECT OUR OPERATIONS**

We derive a substantial percentage of our revenues from the leasing of our digital displays, generally pursuant to leases that have an average term of one to five years. Consequently, our future success is, at a minimum, dependent on our ability to obtain the renewal of existing leases or to enter into new leases as existing leases expire. We also derive a significant percentage of our revenues from maintenance agreements relating to our digital display products. The average term of such agreements is generally one to five years. A portion of the maintenance agreements are cancelable upon 30 days notice. There can be no assurance that we will be successful in obtaining the renewal of existing leases or maintenance agreements, obtaining replacement leases or realizing the value of assets currently under leases that are not renewed. See Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

**WE ARE DEPENDENT ON OUR PRESIDENT AND CHIEF EXECUTIVE OFFICER AND OTHER KEY PERSONNEL**

We believe that our President and Chief Executive Officer, Jean-Marc Allain, plays a significant role in the success of the Company and the loss of his services could have an adverse effect on the Company. There can be no assurance that the Company would be able to find a suitable replacement for Mr. Allain. The Company has an employment agreement with Mr. Allain that expires on February 16, 2018. The Company believes that in addition to Mr. Allain, there is a core group of executives that also plays a significant role in the success of the Company.

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OUR INTERNATIONAL OPERATIONS SUBJECT US TO POTENTIAL FLUCTUATIONS IN EXCHANGE RATES BETWEEN THE UNITED STATES DOLLAR AND FOREIGN CURRENCIES, AS WELL AS INTERNATIONAL LEGAL REQUIREMENTS, WHICH COULD IMPACT OUR PROFITABILITY

Our financial condition, operating results and future growth could be significantly impacted by risks associated with our international activities, including specifically changes in the value of the U.S. dollar relative to foreign currencies and international tax rules. Because a significant portion of the Company's business is done in Canada, fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar could seriously impact our manufacturing and other costs, as well as overall profitability. The risks to our business related to fluctuations in currency exchange rates is further magnified by the current volatility in the currency markets that are characteristic of financial markets, and currency markets in particular.

Compliance with U.S. and foreign laws and regulations that apply to our international operations, including import and export requirements, anti-corruption laws, including the Foreign Corrupt Practices Act, tax laws (including U.S. taxes on foreign subsidiaries), foreign exchange controls, anti-money laundering and cash repatriation restrictions, data privacy requirements, labor laws and anti-competition regulations, increases the costs of doing business in foreign jurisdictions, and may subject us to additional costs which may arise in the future as a result of changes in these laws and regulations or in their interpretation. We have not implemented formal policies and procedures designed to ensure compliance with all of these laws and regulations. Any such violations could individually or in the aggregate materially adversely affect our reputation, financial condition or operating results.

OUR RELIANCE UPON THIRD PARTY MANUFACTURERS IN CHINA COULD SUBJECT US TO POLITICAL AND LEGAL RISKS BEYOND OUR CONTROL

Many components of our products are produced in China by third-party manufacturers. Our reliance on third-party Chinese manufacturers exposes us to risks that are not in our control, such as unanticipated cost increases or negative fluctuations in currency, which could negatively impact our results of operations and working capital. Any termination of or significant disruption in our relationship with our Chinese suppliers may prevent us from filling customer orders in a timely manner. Given the state of the Chinese political system, we cannot guaranty that our agreements with our Chinese suppliers will remain enforceable pursuant to Chinese law. Furthermore, we cannot guaranty that all rights to payment or performance under our agreements with our Chinese manufacturing partners will be enforceable, and that all debts owing to us, whether in the form of cash or product, will be collectable. While we do not envision any adverse change to our international operations or suppliers, especially given the gradual move towards global integration by the Chinese government and financial markets, adverse changes to these operations as a result of political, governmental, regulatory, economic, exchange rate, labor, logistical or other factors could have a material adverse effect on our future operating results.

OUR SUCCESS IS DEPENDENT UPON OUR ABILITY TO OBTAIN THE RENEWAL OF EXISTING LEASES OR I

**SUPPLIERS MAY BE UNABLE OR UNWILLING TO FURNISH US WITH REQUIRED COMPONENTS, WHICH MAY DELAY OR REDUCE OUR PRODUCT SHIPMENTS AND NEGATIVELY AFFECT OUR BUSINESS**

We design certain of our products to match components furnished by suppliers. If such suppliers were unable or unwilling to provide us with those components, we would have to contract with other suppliers to obtain replacement sources. In particular, we purchase most of the LEDs and LED module blocks used in our digital displays and lighting from three main suppliers. We do not have long-term supply contracts with these suppliers. A change in suppliers of either LED module blocks or certain other components may result in engineering design changes, as well as delays in obtaining such replacement components. We believe that there are presently other qualified vendors of these components. Our inability to obtain sufficient quantities of certain components as required, or to develop alternative sources at acceptable prices and within a reasonable time, could result in delays or reductions in product shipments that could have a materially adverse effect on our business and results of operations.

**EFFECT OF CERTAIN ANTI-TAKEOVER PROVISIONS AND CONTROL BY EXISTING STOCKHOLDERS**

Our Amended and Restated Certificate of Incorporation contains certain provisions that could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company. Such provisions could limit the price that certain investors might be willing to pay in the future for shares of our Common Stock, thus making it less likely that a stockholder will receive a premium on any sale of shares of our Common Stock. Our Board of Directors is divided into three classes, each of which serves for a staggered three-year term, making it more difficult for a third party to gain control of our Board.

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Additionally, we are authorized to issue 500,000 shares of Preferred Stock, none of which are outstanding. The Preferred Stock contains such rights, preferences, privileges and restrictions as may be fixed by our Board of Directors, which may adversely affect the voting power or other rights of the holders of Common Stock or delay, defer or prevent a change in control of the Company, or discourage bids for the Common Stock at a premium over its market price or otherwise adversely affect the market price of the Common Stock.

As of February 13, 2015, 10 stockholders who are executive officers and/or directors of the Company beneficially own approximately 36.2% of our Common Stock and 2 stockholders who are neither officers nor directors of the Company beneficially own approximately 31.2% of our Common Stock. Accordingly, such stockholders could exert significant control over any potential stockholder actions.

LIMITED TRADING VOLUME AND VOLATILITY OF THE PRICE OF OUR COMMON STOCK

Our Common Stock is not widely held and the volume of trading has been relatively low and sporadic. Accordingly, the Common Stock is subject to increased price volatility and reduced liquidity. There can be no assurance that a more active trading market for the Common Stock will develop or be sustained if it does develop. The limited public float of our Common Stock could cause the market price for the Common Stock to fluctuate substantially. In addition, stock markets have experienced wide price and volume fluctuations in recent periods and these fluctuations often have been unrelated to the operating performance of the specific companies affected. Any of these factors could adversely affect the market price of the Company's Common Stock.

ITEM 1B.

UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2.

PROPERTIES

The Company's headquarters and principal executive offices are located in a leased facility at 445 Park Avenue, Suite 2001, New York, New York, which is used for administration. The Company owns a facility in Des Moines, Iowa

OUR SUCCESS IS DEPENDENT UPON OUR ABILITY TO OBTAIN THE RENEWAL OF EXISTING LEASES OR I



where its manufacturing operations are maintained.

The Company leases two other premises throughout North America for use as sales, service and/or administrative operations. The aggregate rent expense was \$428,000 and \$346,000 for the years ended December 31, 2014 and 2013, respectively.

ITEM 3.

LEGAL PROCEEDINGS

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business and/or which are covered by insurance. The Company has accrued reserves individually and in the aggregate for such legal proceedings. Should actual litigation results differ from the Company's estimates, revisions to increase or decrease the accrued reserves may be required. Our former outside legal counsel had brought a claim against us for \$593,000 plus interest, which we have settled for \$600,000. Of the settlement, \$383,000 was paid in 2014, with the remainder due in monthly installments through April 2016. The liability is included in Accrued liabilities on the Consolidated Balance Sheet at December 31, 2014.

ITEM 4.

MINE SAFETY DISCLOSURES

Not applicable.

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**PART II**

ITEM 5.

**MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

(a)

The Company's Common Stock trades on the OTCQB under the symbol TNLX. Sales price information is set forth in Item 5(d) below

(b)

The Company had approximately 205 holders of record of its Common Stock as of March 30, 2015. The number of record holders does not include DTC participants or beneficial owners holding shares through nominee names.

(c)

The Board of Directors did not declare any cash dividends for Common Stock during 2014 and the Company does not anticipate paying any cash dividends for the foreseeable future.

(d)

The following table sets forth the range of Common Stock prices on the OTCQB, adjusted for the reverse and forward stock splits effected in October 2013.

2014		2013	
High	Low	High	Low

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First Quarter	\$ 5.45	\$3.47	\$8.00	\$5.25
Second Quarter	\$ 7.60	\$3.55	\$9.00	\$3.75
Third Quarter	\$11.00	\$7.17	\$6.75	\$3.25
Fourth Quarter	\$ 7.75	\$5.55	\$8.55	\$4.56

(e)

The Company did not purchase any of its equity securities during any month of the fourth fiscal quarter of 2014.

ITEM 6.

SELECTED FINANCIAL DATA

(a)

Not applicable.

(b)

Not applicable.

ITEM 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Overview**

Trans-Lux is a leading supplier of LED technology for displays and lighting applications. The essential elements of these systems are the real-time, programmable digital displays and lighting fixtures that we design, manufacture, distribute and service. De

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