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Trans-Lux Corporation

2020 3 20 2019

2019 Trans-Lux Corporation

	17,035	14,399	18.31%
	-1,402	-4,694	70.13%
	-4,337	-1,068	-306.09%
/	-0.13	-1.88	93.09%
	12,254	11,466	6.87%
	-1,744	-7,764	77.54%

Trans-Lux Corporation 2019

<https://www.sec.gov/>

2020 3 23

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, 2019

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

(State or other jurisdiction of  
incorporation or organization)

13-1394750

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

135 East 57<sup>th</sup> Street, 14<sup>th</sup> Floor, New York, New York

(Address of registrant's principal executive offices)

10022

(Zip code)

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

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

CONTINUED

TRANS-LUX CORPORATION  
2019 Form 10-K Cover Page Continued

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files.) Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 OTC Pink on June 30, 2019, was approximately \$249,000, which value solely for the purposes of this calculation excludes shares held by the registrant's officers, directors and 10% stockholders. Such exclusion should not be deemed a determination by the registrant that all such individuals or entities 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 19, 2020, was 13,446,276 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

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TRANS-LUX CORPORATION  
2019 Form 10-K Annual Report

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**PART I**

ITEM 1. BUSINESS

SUMMARY

Trans-Lux Corporation is a Delaware corporation incorporated on February 5, 1920. Our Common Stock is quoted on OTC Pink under the symbol "TNLX." Our principal executive offices are located at 135 East 57<sup>th</sup> Street, 14<sup>th</sup> Floor, New York, NY 10022, where our telephone number is (800) 243-5544.

Unless the context otherwise requires, the terms "Trans-Lux," the "Company," the "Corporation," "we," "us," and "our" as used herein refer to Trans-Lux Corporation and its subsidiaries.

The Company is a leading designer and manufacturer of digital display solutions and fixed digit scoreboards.

DIGITAL DISPLAY PRODUCTS

The Company's LED display systems include the latest features and functionality. The Company's product line of high-performance state-of-the-art digital display products and controllers are used to show full-color video and messages in virtually any configuration and application. The products 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, racetracks and other gaming establishments; airports, train stations, bus terminals and other transportation facilities; movie theatres; health maintenance organizations and in various other applications. All sales and service, including fixed digit scoreboards, related to sports are sold through our wholly owned subsidiary, Farisplay Corporation, capitalizing on a well-recognized brand name that has been servicing this segment for over 85 years.

For its fixed digit scoreboards, the Company has an industry leading unibody design that allows for seamless appearance and facilitates field installation.

For its digital displays, the Company employs a modular engineering design strategy, allowing basic "building blocks" of 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 reduced spare parts requirements.

The Company's display product line is comprised of two distinct segments: the Digital product sales division and the Digital product lease and maintenance division.

The Digital product sales division is segmented into five categories: Out-of-Home, Sports, Transportation, Live Entertainment and Retail & Hospitality.

The Digital product lease and maintenance division leases and performs maintenance on digital products across all the sectors under agreement terms ranging from 30 days to 10 years.

The amount of sales order backlog at December 31, 2019 and 2018 was approximately \$967,000 and \$3.2 million, respectively. The December 31, 2018 backlog included orders for which delivery had been delayed due to our financial issues at that time. The December 31, 2019 backlog is expected to be recognized as sales in 2020, although there can be no assurance thereof. 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.

ENGINEERING AND PRODUCT DEVELOPMENT

The Company's ability to compete and operate successfully depends on its capacity 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.

The Company's TLVision™ line includes our latest LED Large Screen Systems that feature the most recent digital product technologies and capabilities, available in various pitch design. 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 continues to expand its line of scoreboard solutions using its TLVision™ technology and improved hand-held, simple to operate remotes and wireless control devices.

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

The Company maintains a staff 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 products, we offer customers relevant, timely information, content management software and display hardware in the form of turnkey display communications packages.

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.

Headquartered in New York, New York, the Company has sales and service offices in Urbandale, Iowa, and Hazelwood, Missouri, as well as satellite offices in other parts of the United States.

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 the rest of North America, 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, 2019 and 2018.

In 2019 and 2018, no customers accounted for at least 10% of the Company's total revenues.

## MANUFACTURING AND OPERATIONS

The Company's production facility is located in Hazelwood, Missouri. The production facility consist principally of the manufacturing, assembly and testing of digital product units and related components. The Company performs most subassembly and 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 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, and 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.

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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 essential 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 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 Centers from its facilities in Urbandale, Iowa and Hazelwood, Missouri. Equipment repairs are performed in Urbandale, Iowa and service technicians are dispatched nationwide from various locations including Urbandale and Hazelwood. 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.

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 product business. The Company believes that it is the largest supplier of large-scale stock, commodity, sports and race book gaming digital products in the United States, as well as one of the larger digital product 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.

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 50 employees as of March 1, 2020, none of whom are unionized. The Company believes its employee relations are good.

ITEM 1A. RISK FACTORS

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

We have incurred operating losses for the past several years. During the years ended December 31, 2019 and 2018, we incurred losses of \$1.4 million and \$4.7 million, respectively. We are dependent upon future operating performance and, to the extent that operating performance falls short of our needs, future financing to generate sufficient cash flows to continue to run our businesses. Future operating performance

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WE HAVE SIGNIFICANT DEBT, WHICH COULD IMPAIR OUR FINANCIAL CONDITION

As of December 31, 2019, we had outstanding debt of approximately \$2.2 million (including \$650,000 of a forgivable loan), \$1.6 million of which was reflected under current portion of long-term debt in our consolidated balance sheet. Such amount includes an aggregate of \$572,000 of 8¼% Limited convertible senior subordinated notes due 2012 (the "Notes") and 9½% Subordinated debentures due 2012 (the "Debentures") for which we are in default. 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."

LIBOR IS EXPECTED TO BE DISCONTINUED AFTER 2021

Our Loan Agreement with MidCap Business Credit LLC ("MidCap") provides procedures for determining a replacement or alternative rate in the event that LIBOR is unavailable. However, there can be no assurance as to whether such replacement or alternative rate will be more or less favorable than LIBOR. We intend to monitor the developments with respect to the potential phasing out of LIBOR after 2021 and will work with MidCap to ensure any transition away from LIBOR will have minimal impact on our financial condition. We however can provide no assurance regarding the impact of the discontinuation of LIBOR on the interest rate that we would be required to pay or on our financial condition.

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

As of December 31, 2019, we had outstanding \$352,000 of Notes. The Notes matured as of March 1, 2012 and are currently in default. The trustee, by notice to us, or the holders of 25% of the principal amount of the Notes outstanding, by notice to us and the trustee, may declare the outstanding principal plus interest due and payable immediately.

As of December 31, 2019, we had outstanding \$220,000 of Debentures. The Debentures matured as of December 1, 2012 and are currently in default. The trustee, by notice to us, or the holders of 25% of the principal amount of the Debentures outstanding, by notice to us and the trustee, may declare the outstanding principal plus interest due and payable immediately.

OUR INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL HEALTH

Our indebtedness could have important consequences to you. For example, it could: increase our vulnerability to general adverse economic and industry conditions; restrict us from making strategic acquisitions or cause us to make non-strategic divestitures; require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes; make it more difficult for us to satisfy our obligations to our creditors, resulting in possible defaults on and acceleration of such indebtedness; limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; place us at a competitive disadvantage compared to our competitors that have less debt; and limit our ability to borrow additional funds or increase our cost of borrowing.

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

Our digital products 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 us less marketable or would otherwise adversely affect our operating margins.

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OUR SUCCESS IS PARTIALLY 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 products, 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 one to five years. A portion of the maintenance agreements is cancelable upon 30 days notice. There can be no assurance that we will be successful

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THE CORONAVIRUS OUTBREAK COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS

The recent outbreak of the coronavirus in the United States and globally has resulted in the United States and other countries halting or sharply curtailing the movement of people, goods and services. All of this has caused extended shutdowns of businesses and the prolonged economic impact remains uncertain. At this point, we believe the conditions will have a material adverse effect on our business but given the rapidly changing developments we cannot accurately predict what effects these conditions will have on our business, which will depend on, among other factors, the ultimate geographic spread of the virus, the duration of the outbreak and travel restrictions and business closures imposed by the United States and various other governments.

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 products 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.

CYBER-ATTACKS AND BREACHES COULD CAUSE OPERATIONAL DISRUPTIONS, FRAUD OR THEFT OF SENSITIVE INFORMATION

Aspects of our operations are reliant upon internet-based activities, such as ordering supplies and back-office functions such as accounting and transaction processing, making and accepting payments, processing payroll and other administrative functions, etc. Although we have taken measures to protect our technology systems and infrastructure, including employee education programs regarding cybersecurity, a breach of the security surrounding these functions could result in operational disruptions, theft or fraud, or exposure of sensitive information to unauthorized parties. A significant disruption or failure of our information technology systems may have a significant impact on our operations, potentially resulting in service interruptions, security violations, regulatory compliance failures and other operational difficulties. In addition, any attack perpetrated against our information systems, including through a system failure, security breach or disruption by malware or other damage, could similarly impact our operations and result in loss or misuse of information, litigation and potential liability. Although we have taken steps intended to mitigate the risks presented by potential cyber incidents, it is not possible to protect against every potential power loss, telecommunications failure, cybersecurity attack or similar event that may arise. Moreover, the safeguards we use are subject to human implementation and maintenance and to other uncertainties. Any of these cyber incidents may result in a violation of applicable laws or regulations (including privacy and other laws), damage our reputation, cause a loss of customers and give rise to monetary fines and other penalties, which could be significant. Such events could have an adverse effect on our results of operations, financial condition and liquidity.

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

Our Amended and Restated Certificate of Incorporation, as amended (our "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. Our Certificate of Incorporation also contains a provision that requires a four-fifths vote on any merger, consolidation or sale of assets with or to an "Interested Person" or "Acquiring Person," as well as any amendment to the provision which divides the Board into three classes.

Additionally, we are authorized to issue 2,500,000 shares of preferred stock, of which (i) 416,500 are designated as Series A Convertible Preferred Stock, none of which are outstanding, and (ii) 51,000 are designated as Series B Convertible Preferred Stock ("SBCPS"), none of which are outstanding. The remaining unissued preferred stock, if issued, will contain 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.

These provisions and others that could be adopted in the future could deter unsolicited takeovers or delay or prevent changes in our control or management, including transactions in which stockholders might otherwise receive a premium for their shares over then current market prices. These provisions may also limit the ability of stockholders to approve transactions that they may deem to be in their best interests.

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CONCENTRATION OF OWNERSHIP AMONG OUR PRINCIPAL STOCK HOLDERS MAY LIMIT OUR OTHER STOCKHOLDERS FROM INFLUENCING SIGNIFICANT COMPANY DECISIONS

As of March 19, 2020, one stockholder,

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The aggregate property rent expense was \$608,000 and \$662,000 for the years ended December 31, 2019 and 2018, 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. There are no open matters that the Company deems material.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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 OTC Pink under the symbol "TNLX." Sales price information is set forth in Item 5(d) below. The Company had approximately 86 holders of record of its Common Stock as of March 19, 2020. The number of record holders does not include DTC participants or beneficial owners holding shares through nominee names. The Board of Directors did not declare any cash dividends on Common Stock during 2019 and the Company does not anticipate paying any cash dividends on its Common Stock for the foreseeable future. As discussed in Note 14 to the Consolidated Financial Statements – Stockholders' Deficit, the Company paid dividends on its then outstanding SBCPS in accordance with their terms.

(b) Not applicable.

(c) The Company did not purchase any of its equity securities during any month of the fourth fiscal quarter of 2019.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Trans-Lux is a leading supplier of LED technology for display applications. The essential elements of these systems are the real-time, programmable digital products that we design, manufacture, distribute and service. Designed to meet the digital signage solutions for any size venue's indoor and outdoor needs, these displays are used primarily in applications for the financial, banking, gaming, corporate, advertising, transportation, entertainment and sports markets. The Company operates in two reportable segments: Digital product sales and Digital product lease and maintenance.

The Digital product sales segment includes worldwide revenues and related expenses from the sales of both indoor and outdoor digital product signage. This segment includes the financial, government/private, gaming, scoreboards and outdoor advertising markets. The Digital product lease and maintenance segment includes worldwide revenues and related expenses from the lease and maintenance of both indoor and outdoor digital product signage. This segment includes the lease and maintenance of digital product signage across all markets.

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to uncollectible accounts receivable, slow-moving and obsolete inventories, rental equipment, goodwill, income taxes, warranty reserve, warrants, pension plan obligations, contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management has discussed the development and selection of these accounting estimates and the related disclosures with the Audit Committee of the Board of Directors.

Management believes the following critical accounting policies, among others, involve its more significant judgments and estimates used in the preparation of its Consolidated Financial Statements:

*Uncollectible Accounts Receivable:* The Company maintains allowances for uncollectible accounts receivable for estimated losses resulting from the inability of its customers to make required payments. Should non-payment by customers differ from the Company's estimates, a revision to increase or decrease the allowance for uncollectible accounts receivable may be required.

*Slow-Moving and Obsolete Inventories:* The Company writes down its inventory for estimated obsolescence equal to the difference between the carrying value of the inventory and the estimated net realizable value based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

*Rental Equipment:* The Company evaluates rental equipment assets for possible impairment annually to determine if the \$927,000 carrying amount of such assets may not be recoverable. The Company uses a cash flow model to determine the fair value under the income approach, based on the remaining lengths of existing leases. Changes in the assumptions used could materially impact our fair value estimates. Assumptions critical to our fair value estimates are projected renewal rates and CPI rate changes. These and other assumptions are impacted by national and global economic conditions including changes in national and international interest rates, taxes, inflation, etc. and will change in the future based on period-specific facts and circumstances, thereby possibly requiring an impairment charge in the future. The December 31, 2019 impairment analysis included a renewal rate estimate of 90.2% and a CPI rate change of approximately 2.2%, which were the actual average rates for the two-year period ended December 31, 2019. Based on these assumptions, the cash flow model determined a fair value of \$6.7 million, exceeding its carrying value by 617%. Therefore there is no impairment of the Rental Equipment. For every 1-percentage-point change in the renewal rate, the valuation would change by approximately \$155,000. For every 0.1-percentage-point change in the CPI rate, the valuation would change by approximately \$14,000.

Rental equipment is comprised of installed digital products on lease primarily used for indoor trading applications, time and temperature displays and other digital message displays and have estimated useful lives of 10-15 years. For example, the Company is party to contracts for equipment originally installed over 30 or 40 years ago in the 1970's and 1980's, as well as dozens of installations from the 1990's still in operation. Current contracts have an average age of 20.4 years from their installation dates through the expiration of their current terms.

*Goodwill:* The Company evaluates goodwill for possible impairment annually and when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company uses the income and the market approach to test for impairment of its goodwill, and considers other factors including economic trends and our market capitalization relative to net book value. The Company weighs these approaches by using a 67% factor for the income approach and a 33% factor for the market approach. Together these two factors estimate the fair value of the reporting unit. The Company's \$744,000 goodwill relates to its digital product sales reporting unit. The Company uses a discounted cash flow model to determine the fair value under the income approach which contemplates a conservative overall weighted average revenue growth rate. If the Company were to reduce its revenue projections on the reporting unit by 5.5 percentage points within the income approach, the fair value of the reporting unit would be below carrying value. The gross profit margins used were consistent with historical margins achieved by the Company during previous years. If there is a margin decline of 6.7 percentage points or more, the model would yield results of a fair value less than the carrying amount. The Company uses a market multiple approach based on revenue to determine the fair value under the market approach which includes a selection of and market price of a group of comparable companies and the performance of the guidelines of the comparable companies and of the reporting unit.

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The October 1, 2019 annual review indicated that the fair value of the reporting unit exceeded its carrying value by 96.1%. Therefore, there was no impairment of goodwill related to our digital product sales reporting unit. Changes in the assumptions used could materially impact our fair value estimates. Assumptions critical to our fair value estimates are: (i) discount rate used to derive the present value factors used in determining the fair value of the reporting unit, (ii) projected average revenue growth rates used in the reporting unit models and (iii) projected long-term growth rates used in the derivation of terminal year values. These and ot

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*Contingencies and Litigation:* 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. There are no open matters that the Company deems material.

The Company has a \$650,000 forgivable loan from the City of Hazelwood, Missouri, which is included in Long-term debt in the Consolidated Balance Sheets. The loan will be forgiven on a pro-rata basis if predetermined employment levels are attained and would expire on April 1, 2025. If the Company attains the employment levels required by the agreement, there is no interest due, otherwise interest accrues at a rate of prime plus 2.00% (6.75% at December 31, 2019). As of December 31, 2019, the Company had accrued interest of \$118,000.

The following table presents our Statements of Operations data, expressed as a percentage of revenue for the years ended December 31, 2019 and 2018:

In thousands, except percentages	2018	
Revenues:		
Digital product sales	\$ 11,958	83.0%
Digital product lease and maintenance	2,441	17.0%
Total revenues	14,399	100.0%
Cost of revenues:		
Cost of digital product sales	10,094	70.1%
Cost of digital product lease and maintenance	1,234	8.6%
Total cost of revenues	11,328	78.7%
Gross profit from operations	3,071	21.3%
General and administrative expenses	(7,117)	(49.4)%
Operating loss	(4,046)	(28.1)%
Interest expense, net	(940)	(6.5)%
(Loss) gain on foreign currency remeasurement	225	1.5%
Loss on extinguishment of debt	-	-%
Gain on sale/leaseback transaction	11	0.1%
Pension (expense) benefit	103	0.7%
Loss before income taxes	(4,647)	(32.3)%
Income tax expense	(47)	(0.3)%
Net loss	\$ (4,694)	(32.6)%

Total revenues for the year ended December 31, 2019 increased \$2.6 million or 18.3% to \$17.0 million from \$14.4 million for the year ended December 31, 2018, primarily due to an increase in Digital product sales, partially offset by decreases in consulting services and Digital product lease and maintenance.

Digital product sales revenues increased \$2.7 million or 23.0% to \$14.7 million for the year ended December 31, 2019 compared to \$12.0 million for the year ended December 31, 2018, primarily due to increases in the sports market, partially offset by a decrease in consulting services.

Digital product lease and maintenance revenues decreased \$116,000 or 4.8% to \$2.3 million for the year ended December 31, 2019 compared to \$2.4 million for the year ended December 31, 2018, primarily due to the continued expected revenue decline in the older outdoor display equipment rental and maintenance bases acquired in the early 1990s. The financial services market continues to be negatively impacted by the current investment climate resulting in consolidation within that industry and the wider use of flat-panel screens for smaller applications.

Total operating loss for the year ended December 31, 2019 decreased \$3.6 million to \$451,000 from \$4.0 million for the year ended December 31, 2018, principally due to the increase in revenues and a reduction in general and administrative expenses, partially offset by an increase in restructuring costs.

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Digital product sales operating income (loss) increased \$1.9 million to income of \$183,000 for the year ended December 31, 2019 compared to a loss of \$1.7 million for the year ended December 31, 2018, primarily due to the increase in revenues and a decrease in general and administrative expenses. The cost of Digital product sales increased \$2.2 million or 21.6%, primarily due to the increase in revenues. The cost of Digital product sales represented 83.4% of related revenues in 2019 compared to 84.4% in 2018. General and administrative expenses for Digital product sales decreased \$1.4 million or 37.5%, primarily due to a decrease in bad debt expenses, specifically related to two customers in 2018.

Digital product lease and maintenance operating income increased \$690,000 or 65.0% to \$1.8 million for the year ended December 31, 2019 compared to \$1.1 million for the year ended December 31, 2018, primarily as a result of decreases in general and administrative expenses and in the cost of Digital product lease and maintenance, partially offset by the decrease in revenues. The cost of Digital product lease and maintenance decreased \$459,000 or 37.2%, primarily due to a decrease in depreciation expense. The cost of Digital product lease and maintenance revenues represented 33.3% of related revenues in 2019 compared to 50.6% in 2018. The cost of Digital product lease and maintenance includes field service expenses, plant repair costs, maintenance and depreciation. General and administrative expenses for Digital product lease and maintenance decreased \$347,000 or 239.3%, primarily due to a decrease in bad debt expenses.

Corporate general and administrative expenses decreased \$978,000 or 29.1% to \$2.4 million for the year ended December 31, 2019 compared to \$3.4 million for the year ended December 31, 2018, primarily due to decreases in payroll and expenses related to employees and directors of \$670,000, consulting expenses of \$355,000 and professional fees of \$216,000, partially offset by an increase in restructuring costs of \$306,000.

Net interest expense decreased \$436,000 or 46.4% to \$504,000 for the year ended December 31, 2019 compared to \$940,000 for the year ended December 31, 2018, primarily due to a decrease in the average outstanding long-term debt, due to the termination of the CNH Finance Fund I, L.P. ("CNH") loans and the SMI and SMII notes (hereinafter defined).

The loss on extinguishment of debt for the year ended December 31, 2019 represented the write-off of the remaining debt discount costs and the termination fees related to the CNH and SM Investors loans, partially offset by the gain on the extinguishment of \$35,000 of Notes.

The effective tax rate for the years ended December 31, 2019 and 2018 was an expense of 3.0% and 1.0%, respectively. In 2019 and 2018, the Company recognized income tax expense of \$41,000 and \$47,000, respectively. The income tax expense in 2019 and 2018 is affected by income tax expense related to the Company's Canadian subsidiary and the valuation allowance on the Company's deferred tax assets as a result of reporting pre-tax losses.

The Company has incurred recurring losses and continues to have a working capital deficiency. The Company incurred a net loss of \$1.4 million in the year ended December 31, 2019 and had a working capital deficiency of \$3.1 million as of December 31, 2019. As of December 31, 2018, the Company had a working capital deficiency of \$8.5 million. The decrease in the working capital deficiency as compared to December 31, 2018 is primarily due to the \$5.3 million of net proceeds received from the exercises of the Unilumin Warrant and the \$2.4 million of net proceeds raised from the Rights Offering (hereinafter defined), which allowed us to decrease the current portion of long-term debt and accounts payable.

The Company is dependent on future operating performance in order 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. In order to more effectively manage its cash resources, the Company had, from time to time, increased the timetable of its payment of some of its payables, which had, from time to time, delayed certain product deliveries from our vendors, which in turn had, from time to time, delayed certain deliveries to our customers. The recent cash infusions have resolved these previous issues.

A stockholder of the Company has committed to providing additional capital of up to \$2.0 million, to the extent necessary to fund operations. Management believes that its current cash resources and cash provided by operations will be sufficient to fund its anticipated current and near-term cash requirements and to execute our operating plan. The Company continually evaluates the need and availability of long-term capital to meet its cash requirements and fund potential new opportunities.

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The Company used cash for operating activities of \$4.3 million and \$1.1 million in the years ended December 31, 2019 and 2018, respectively. The Company has implemented several initiatives to improve operational results and cash flows over future periods, including reducing headcount, reorganizing its sales department and outsourcing certain administrative functions. The Company continues to explore ways to reduce operational and overhead costs. The Company periodically takes steps to reduce the cost to maintain the digital products on lease and maintenance agreements.

Cash, cash equivalents and restricted cash decreased \$238,000 in 2019. The decrease is primarily attributable to cash used in operating activities of \$4.3 million, primarily to reduce accounts payable by \$2.8 million, payments of \$1.6 million to terminate term loans and payments of \$1.4 million to terminate the Credit Agreement (hereinafter defined), partially offset by the net proceeds from the exercises of the Unilumin Warrant (hereinafter defined) of \$5.3 million and the net proceeds from the Rights Offering (hereinafter defined) of \$2.4 million. The current economic environment has increased the Company's trade receivables collection cycle, and its allowances for uncollectible accounts receivable, but collections continue to be favorable.

Under various agreements, the Company is obligated to make future cash payments in fixed amounts. These include payments under the Company's long-term debt agreements, payments to the Company's pension plan, employment agreement payments, warranty liabilities and rental payments required under operating lease agreements. The Company has both variable and fixed interest rate debt. Interest payments are projected based on actual interest payments incurred in 2019 until the underlying debts mature.

The following table summarizes the Company's fixed cash obligations as of December 31, 2019 over the next five fiscal years:

In thousands	2020	2021	2022	2023	2024
Long-term debt, including interest	\$ 2,445	\$ -	\$ -	\$ -	\$ -
Pension plan payments	641	417	490	324	212
Employment obligations	338	-	-	-	-
Estimated warranty liability	149	117	88	49	27
Operating lease payments	513	370	348	309	-
Total	\$ 4,086	\$ 904	\$ 926	\$ 682	\$ 239

As of December 31, 2019, the Company still had outstanding \$352,000 of Notes which matured as of March 1, 2012. The Company also still had outstanding \$220,000 of Debentures which matured on December 1, 2012. The Company continues to consider future exchanges of the \$352,000 of remaining Notes and \$220,000 of remaining Debentures, but has no agreements, commitments or understandings with respect to any further exchanges. See Note 12 to the Consolidated Financial Statements – Long-Term Debt for further details.

On September 16, 2019, the Company entered into the Loan Agreement (hereinafter defined) with MidCap (hereinafter defined). The Loan Agreement has a term of three years, unless earlier terminated by the parties in accordance with the termination provisions of the Loan Agreement. The Loan Agreement allows the Company to borrow up to an aggregate of \$4.0 million at an interest rate of the 3-month LIBOR interest rate plus 4.75% (6.66% at December 31, 2019) on a revolving credit loan based on accounts receivable, inventory and equipment for general working capital purposes. LIBOR is expected to be discontinued after 2021. The Loan Agreement with MidCap provides procedures for determining a replacement or alternative rate in the event that LIBOR is unavailable. We however can provide no assurance regarding the impact of the discontinuation of LIBOR on the interest rate that we would be required to pay or on our financial condition. As of December 31, 2019, there is no balance outstanding under the Loan Agreement.

For a further description of the Company's long-term debt, see Note 12 to the Consolidated Financial Statements – Long-Term Debt. The Company may still seek additional financing in order to provide enough cash to cover our remaining current fixed cash obligations as well as providing working capital. However, there can be no assurance as to the amounts, if any, the Company will receive in any such financing or the terms thereof. The Company has no agreements, commitments or understandings with respect to any such financings. To the extent the Company issues additional equity securities, it could be dilutive to existing shareholders.

### **Pension Plan Contributions**

In 2019, we made the \$629,000 of minimum required contributions to the pension benefit plan. Subsequent to December 31, 2019,

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Off-Balance Sheet Arrangements: The Company has no majority-owned subsidiaries that are not included in the Consolidated Financial Statements nor does it have any interests in or relationships with any special purpose off-balance sheet financing entities.

Safe Harbor Statement under the Private Securities Reform Act of 1995

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Any statement that is not a statement of historical fact should be considered a forward-looking statement. We often use words or phrases of expectation or uncertainty like “believe,” “anticipate,” “plan,” “expect,” “intent,” “project,” “future,” “may,” “will,” “could,” “would” and similar words to help identify forward-looking statements. Examples of forward-looking statements include statements regarding our future financial results, operating results, business strategies, projected costs, product development or future sales, competitive positions and plans and objectives of management for future operations.

We have based these forward-looking statements on our current expectations and projections about future events. However, they are subject to various risks and uncertainties, many of which are outside our control, including the circumstances described in the section entitled “Risk Factors” in this report. Accordingly, our actual results or financial condition could differ materially and adversely from those discussed in, or implied by, these forward-looking statements. We caution you not to place undue reliance on our forward-looking statements. Each forward-looking statement speaks only as of the date on which it is made, and, except to the extent required by federal securities laws, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to interest rate risk on its long-term debt. The Company manages its exposure to changes in interest rates by the use of variable and fixed interest rate debt. The fair value of the Company’s fixed rate long-term debt is disclosed in Note 12 to the Consolidated Financial Statements – Long-Term Debt. Every 1-percentage-point change in interest rates would result in an annual interest expense fluctuation of approximately \$7,000. In addition, the Company is exposed to foreign currency exchange rate risk mainly as a result of investment in its Canadian subsidiary. A 10% change in the Canadian dollar relative to the U.S. dollar would result in a currency exchange expense fluctuation of approximately \$263,000, based on dealer quotes, considering current exchange rates. The Company does not enter into derivatives for trading or speculative purposes and did not hold any derivative financial instruments at December 31, 2019.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements of Trans-Lux Corporation and its subsidiaries are included on the following pages:

<u>Report of Independent Registered Public Accounting Firm</u>	15
<u>Consolidated Balance Sheets as of December 31, 2019 and 2018</u>	16
<u>Consolidated Statements of Operations for the Years Ended December 31, 2019 and 2018</u>	17
<u>Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2019 and 2018</u>	17
<u>Consolidated Statements of Changes in Stockholders’ Deficit for the Years Ended December 31, 2019 and 2018</u>	18
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2019 and 2018</u>	19
<u>Notes to Consolidated Financial Statements</u>	20

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Trans-Lux Corporation

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Trans-Lux Corporation and Subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, changes in stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

**Adoption of New Accounting Standards**

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases in 2019 due to the adoption of ASU No. 2016-12, Leases (Topic 842), as amended, effective January 1, 2019, using the modified retrospective approach.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2015.

Hartford, CT  
March 20, 2020

TRANS-LUX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

In thousands, except share data	December 31 2019	December 31 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 535	\$ 723
Receivables, net	2,381	2,271
Inventories	2,182	2,201
Prepays and other assets	807	417
Total current assets	<u>5,905</u>	<u>5,612</u>
Long-term assets:		
Rental equipment, net	927	1,310
Property, plant and equipment, net	2,284	2,180
Right of use assets	1,141	-
Goodwill	744	744
Restricted cash	850	900
Other assets	403	720
Total long-term assets	<u>6,349</u>	<u>5,854</u>
<b>TOTAL ASSETS</b>	<b>\$ 12,254</b>	<b>\$ 11,466</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 945	\$ 3,728
Accrued liabilities	6,046	6,332
Current portion of long-term debt	1,572	2,584
Current portion of long-term debt - related party	-	1,000
Current lease liabilities	284	-
Customer deposits	123	432
Total current liabilities	<u>8,970</u>	<u>14,076</u>
Long-term liabilities:		
Long-term debt, less current portion	650	1,446
Long-term lease liabilities	893	-
Deferred pension liability and other	3,485	3,708
Total long-term liabilities	<u>5,028</u>	<u>5,154</u>
Total liabilities	<u>13,998</u>	<u>19,230</u>
Stockholders' deficit:		
Preferred Stock Series A - \$20 stated value - 416,500 shares authorized; shares issued and outstanding: 0 in 2019 and 2018	-	-
Preferred Stock Series B - \$200 stated value - 51,000 shares authorized; shares issued and outstanding: 0 in 2019 and 16,512 in 2018	-	3,302
Common Stock - \$0.001 par value - 30,000,000 shares authorized; shares issued: 13,474,116 in 2019 and 3,652,813 in 2018; shares outstanding: 13,446,276 in 2019 and 3,624,973 in 2018	13	4
Additional paid-in-capital	41,088	30,069
Accumulated deficit	(33,164)	(31,682)
Accumulated other comprehensive loss	(6,618)	(6,394)
Treasury stock - at cost - 27,840 common shares in 2019 and 2018	(3,063)	(3,063)
Total stockholders' deficit	<u>(1,744)</u>	<u>(7,764)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 12,254</b>	<b>\$ 11,466</b>

The accompanying notes are an integral part of these consolidated financial statements.

TRANS-LUX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands, except per share data	Year Ended December 31	
	2019	2018
<b>Revenues:</b>		
Digital product sales	\$ 14,710	\$ 11,958
Digital product lease and maintenance	2,325	2,441
Total revenues	<u>17,035</u>	<u>14,399</u>
<b>Cost of revenues:</b>		
Cost of digital product sales	12,273	10,094
Cost of digital product lease and maintenance	775	1,234
Total cost of revenues	<u>13,048</u>	<u>11,328</u>
<b>Gross profit</b>	3,987	3,071
General and administrative expenses	(4,132)	(7,117)
Restructuring costs	(306)	-
<b>Operating loss</b>	(451)	(4,046)
Interest expense, net	(504)	(940)
(Loss) gain on foreign currency remeasurement	(130)	225
Loss on extinguishment of debt	(193)	-
Gain on sale/leaseback transaction	-	11
Pension (expense) benefit	(83)	103
<b>Loss before income taxes</b>	(1,361)	(4,647)
Income tax expense	(41)	(47)
<b>Net loss</b>	<u>\$ (1,402)</u>	<u>\$ (4,694)</u>
<b>Loss per share - basic and diluted</b>	\$ (0.13)	\$ (1.88)

The accompanying notes are an integral part of these consolidated financial statements.

TRANS-LUX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

In thousands	Year Ended December 31	
	2019	2018
Net loss	\$ (1,402)	\$ (4,694)
Other comprehensive income (loss):		
Unrealized foreign currency translation income (loss)	118	(205)
Change in unrecognized pension costs	(342)	(653)
Total other comprehensive loss, net of tax	<u>(224)</u>	<u>(858)</u>
Comprehensive loss	<u>\$ (1,626)</u>	<u>\$ (5,552)</u>

The accompanying notes are an integral part of these consolidated financial statements.

TRANS-LUX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

In thousands, except share data	Preferred Stock				Common Stock		Add'l Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stock- holders' Deficit
	Series A Shares	Amt	Series B Shares	Amt	Shares	Amt					
<b>For the year ended December 31, 2019</b>											
Balance January 1, 2019	-	\$ -	16,512	\$ 3,302	3,652,813	\$ 4	\$ 30,069	\$ (31,682)	\$ (6,394)	\$ (3,063)	\$ (7,764)
Net loss	-	-	-	-	-	-	-	(1,402)	-	-	(1,402)
Preferred stock converted to Common Stock	-	-	(16,512)	(3,302)	1,651,200	1	3,301	-	-	-	-
Exercise of warrants, net of costs	-	-	-	-	5,670,103	6	5,292	-	-	-	5,298
Rights Offering, net of costs	-	-	-	-	2,500,000	2	2,426	-	-	-	2,428
Dividends paid on preferred stock	-	-	-	-	-	-	-	(80)	-	-	(80)
Other comprehensive income, net of tax:											
Unrealized foreign currency translation gain	-	-	-	-	-	-	-	-	118	-	118
Change in unrecognized pension costs	-	-	-	-	-	-	-	-	(342)	-	(342)
Balance December 31, 2019	-	\$ -	-	\$ -	13,474,116	\$ 13	\$ 41,088	\$ (33,164)	\$ (6,618)	\$ (3,063)	\$ (1,744)
<b>For the year ended December 31, 2018</b>											
Balance January 1, 2018	-	\$ -	16,512	\$ 3,302	2,190,011	\$ 2	\$ 28,273	\$ (26,889)	\$ (5,536)	\$ (3,063)	\$ (3,911)
Net loss	-	-	-	-	-	-	-	(4,694)	-	-	(4,694)
Dividends paid on preferred stock	-	-	-	-	127,013	-	-	(99)	-	-	(99)
Unilumin Securities Purchase Agreement	-	-	-	-	1,315,789	2	1,498	-	-	-	1,500
Stock issued to officer in 2018	-	-	-	-	20,000	-	10	-	-	-	10
Warrants issued for financing	-	-	-	-	-	-	288	-	-	-	288
Other comprehensive loss, net of tax:											
Unrealized foreign currency translation loss	-	-	-	-	-	-	-	-	(205)	-	(205)
Change in unrecognized pension costs	-	-	-	-	-	-	-	-	(653)	-	(653)
Balance December 31, 2018	-	\$ -	16,512	\$ 3,302	3,652,813	\$ 4	\$ 30,069	\$ (31,682)	\$ (6,394)	\$ (3,063)	\$ (7,764)

The accompanying notes are an integral part of these consolidated financial statements.

TRANS-LUX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands	Year Ended December 31	
	2019	2018
<b>Cash flows from operating activities</b>		
Net loss	\$ (1,402)	\$ (4,694)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	668	952
Amortization of right of use assets	373	-
Amortization of gain on sale/leaseback transaction	-	(11)
Amortization of deferred financing fees and debt discount	96	238
Loss on disposal of assets	32	-
Loss on extinguishment of debt	193	-
Loss (gain) on foreign currency remeasurement	130	(225)
Issuance of common stock for compensation	-	10
Bad debt expense	(93)	1,550
Changes in operating assets and liabilities:		
Accounts receivable, net	(18)	(300)
Inventories	19	(37)
Prepays and other assets	(73)	1,206
Accounts payable	(2,783)	950
Accrued liabilities	(254)	615
Operating lease liabilities	(369)	-
Customer deposits	(309)	(703)
Deferred pension liability and other	(547)	(619)
Net cash used in operating activities	<u>(4,337)</u>	<u>(1,068)</u>
<b>Cash flows from investing activities</b>		
Equipment manufactured for rental	(44)	-
Purchases of property, plant and equipment	(377)	(140)
Net cash used in investing activities	<u>(421)</u>	<u>(140)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	-	1,000
Issuance of common stock	-	1,500
Proceeds from warrant exercise, net of costs	5,298	-
Proceeds from rights offering, net of costs	2,428	-
Payments of long-term debt	(3,037)	(1,483)
Payments of dividends on preferred stock	(80)	(99)
Payments for deferred financing fees	(25)	-
Payments for fees on extinguishment of debt	(62)	-
Net cash provided by financing activities	<u>4,522</u>	<u>918</u>
Effect of exchange rate changes	(2)	4
Net decrease in cash, cash equivalents and restricted cash	(238)	(286)
Cash, cash equivalents and restricted cash at beginning of year	1,623	1,909
<b>Cash, cash equivalents and restricted cash at end of period</b>	<u>\$ 1,385</u>	<u>\$ 1,623</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 239	\$ 555
Income taxes paid	22	26
Supplemental non-cash financing activities:		
Preferred Stock Series B converted to Common Stock	\$ 3,302	\$ -
Warrants issued to SMI and SMII	-	288
Warrants issued to Unilumin	-	964
Reconciliation of cash, cash equivalents and restricted cash to amounts reported in the Condensed Consolidated Balance Sheets at end of period:		
Current assets		
Cash and cash equivalents	\$ 535	\$ 723
Long-term assets		
Restricted cash	850	900
<b>Cash, cash equivalents and restricted cash at end of period</b>	<u>\$ 1,385</u>	<u>\$ 1,623</u>

The accompanying notes are an integral part of these consolidated financial statements.

## Notes To Consolidated Financial Statements

### 1. Summary of Significant Accounting Policies

Trans-Lux Corporation is a leading designer and manufacturer of digital signage display solutions. The Company sells and leases its digital signage display solutions.

*Principles of consolidation:* The Consolidated Financial Statements include the accounts of Trans-Lux Corporation, a Delaware corporation, and all wholly-owned subsidiaries (collectively, the "Company"). Intercompany balances and transactions have been eliminated in consolidation.

*Use of estimates:* The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period in which the change is determined. Estimates are used when accounting for such items as costs of long-term sales contracts, allowance for uncollectible accounts, inventory valuation allowances, depreciation and amortization, valuation of pension obligations, valuation of warrants, income taxes, warranty reserve, management's assessment of going concern, contingencies and litigation.

*Cash and cash equivalents:* The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company has deposits in United States financial institutions that maintain Federal Deposit Insurance Corporation ("FDIC") deposit insurance on all interest and non-interest-bearing accounts, collectively, with an aggregate coverage up to \$250,000 per depositor per financial institution. At times, the amount of the deposits exceeds the FDIC limits. The portion of the deposits in excess of FDIC limits represents a credit risk of the Company.

*Accounts receivable, net:* Accounts receivable are carried at net realizable value. Credit is extended based on an evaluation of each customer's finan

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The Company annually evaluates the value of its goodwill on October 1 and determines if it is impaired by comparing the carrying value of goodwill to its estimated fair value. Changes in the assumptions used could materially impact the fair value estimates. Assumptions critical to our fair value estimates are: (i) discount rate used to derive the present value factors used in determining the fair value of the reporting unit, (ii) projected average revenue growth rates used in the reporting unit models and (iii) projected long-term growth rates used in the derivation of terminal year values. These and other assumptions are impacted by economic conditions and expectations of management and will change in the future based on period-specific facts and circumstances. The Company uses the income and the market approach when testing for goodwill impairment. The Company weighs these approaches by using a 67% factor for the income approach and a 33% factor for the market approach. Together these two factors estimate the fair value of the reporting unit. The Company uses a discounted cash flow model to determine the fair value under the income approach which contemplates a conservative overall weighted average revenue growth rate. If the Company were to reduce its revenue projections on the reporting unit by 5.5% within the income approach, the fair value of the reporting unit would be below carrying value. The gross profit margins used are consistent with historical margins achieved by the Company during previous years. If there is a margin decline of 6.7% or more, the model would yield results of a fair value less than carrying amount. The Company uses a market multiple approach based on revenue to determine the fair value under the market approach which includes a selection of and market price of a group of comparable companies and the performance of the guidelines of the comparable companies and of the reporting unit. The impairment test for goodwill is a two-step process. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, a second step is performed to calculate the implied fair value of the goodwill of the reporting unit by deducting the fair value of all of the individual assets and liabilities of the reporting unit from the respective fair values of the reporting unit as a whole. To the extent the calculated implied fair value of the goodwill is less than the recorded goodwill, an impairment charge is recorded for the difference. Fair value is determined using cash flow and other valuation models (generally Level 3 inputs in the fair value hierarchy described in Note 4 – Fair Value). There was no impairment of goodwill in 2019 or 2018.

*Impairment or disposal of long-lived assets:* The Company evaluates whether there has been an impairment in value of its long-lived assets if certain circumstances indicate that a possible impairment may exist. An impairment in value may exist when the carrying value of a long-lived asset exceeds its undiscounted cash flows. If it is determined that an impairment in value has occurred, the carrying value is written down to its fair value as determined by a discounted cash flow model. There were no impairments of long-lived assets in 2019 or 2018.

*Restricted cash:* The Company classifies cash as restricted when the cash is unavailable for withdrawal or usage for general operations. Restrictions may include legally restricted deposits, contracts entered into with others, or the Company's statements of intention with regard to particular deposits. The Company had Restricted cash in 2019 and 2018 for letters of credit in connection with the forgivable loan (\$650,000 in 2019 and 2018) and security deposits (\$200,000 in 2019 and \$250,000 in 2018). During 2019, a security deposit was reduced by \$50,000. The Company has presented these funds in Restricted cash in the Consolidated Balance Sheets since the use of the funds under the letters of credit is restricted.

*Shipping Costs:* The costs of shipping product to our customers of \$436,000 and \$487,000 in 2019 and 2018, respectively, are included in Cost of digital product sales.

*Advertising/Marketing Costs:* The Company expenses the costs of advertising and marketing at the time that the related advertising takes place. Advertising and marketing costs of \$43,000 and \$174,000 in 2019 and 2018, respectively, are included in General and administrative expenses.

*Revenue recognition:* See Note 3 – Revenue Recognition.

*Warranty reserve:* The Company provides for the estimated cost of product warranties at the time revenue is recognized. While the Company engages in product quality programs and processes, including evaluating the quality of the component suppliers, the warranty obligation is affected by product failure rates. Should actual product failure rates differ from the Company's estimates, revisions to increase or decrease the estimated warranty liability may be required.

*Taxes on income:* Deferred income tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at tax rates expected to be in effect when such temporary differences are expected to reverse and for operating loss carryforwards. The temporary differences are primarily attributable to operating loss carryforwards, depreciation and the pension plan. The Company records a valuation allowance against net deferred income tax assets if, based upon the available evidence, it is more-likely-than-not that the deferred income tax assets will not be realized.

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The Company considers whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the more-likely-than-not recognition threshold, the position is measured to determine the amount of benefit to recognize in the financial statements. The Company's policy is to classify interest and penalties related to uncertain tax positions in income tax expense. To date, there have been no interest or penalties charged to the Company in relation to the underpayment of income taxes. The Company's determinations regarding uncertain income tax positions may be subject to review and adjustment at a later date based upon factors including, but not limited to, an ongoing analysis of tax laws, regulations and interpretations thereof.

*Foreign currency:* The functional currency of the Company's Canadian business operation is the Canadian dollar. The assets and liabilities of such operation are translated into U.S. dollars at the year-end rate of exchange, and the operating and cash flow statements are converted at the average annual rate of exchange. The resulting translation adjustment is recorded in Accumulated other comprehensive loss in the Consolidated Balance Sheets and as a separate item in the Consolidated Statements of Comprehensive Loss. In relation to intercompany balances, these have been classified as short-term in nature and therefore the changes in the foreign currency remeasurement adjustment for intercompany balances are recorded as (Loss) gain on foreign currency remeasurement in the Consolidated Statements of Operations.

*Share-based compensation:* The Company measures share-based payments to employees, directors and non-employees at the grant date fair value of the instrument. The fair value is estimated on the date of grant using the Black-Scholes valuation model, which requires various assumptions including estimating stock price volatility, expected life of the instrument, estimated forfeiture rate and risk free interest rate. For details on the accounting effect of share-based compensation, see Note 16 – Share-Based Compensation.

*Consideration of Subsequent Events:* The Company evaluated events and transactions occurring after December 31, 2019 through the date these Consolidated Financial Statements were included in this Form 10-K and filed with the SEC, to identify subsequent events which may need to be recognized or non-recognizable events which would need to be disclosed.

*The following new accounting pronouncements were adopted in 2019:*

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, a company must recognize for all leases (with the exception of leases with terms of 12 months or less) a lease liability representing a lessee's obligation to make lease payments arising from a lease and a right of use ("ROU") asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and an ROU asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities, which the Company has so elected. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provided an additional (and optional) transition method to adopt the new leases standard whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company adopted this standard effective January 1, 2019 using the modified retrospective method in the period of adoption. The adoption of the standard had a material impact to our Consolidated Balance Sheets for the recognition of certain operating leases as ROU assets of \$1,463,000, long-term lease liabilities of \$1,127,000 and current lease liabilities of \$368,000, but did not have a material impact on our Consolidated Statements of Operations, Comprehensive Loss, Changes in Stockholders' Deficit or Cash Flows. We have analyzed our leases, implemented systems, developed processes and internal controls and updated our accounting policies to comply with the standard's adoption requirements. The Company's rental revenue agreements were accounted for under previous lease accounting standards through December 31, 2018 and are accounted for within the scope of Topic 842 following our adoption on January 1, 2019. Topic 842 does not significantly affect the timing of recognition or presentation of revenue for our rental contracts. See Note 13 – Leases for further details.

In June 2018, the FASB issued ASU 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*. ASU 2018-07 eliminates the separate accounting model for nonemployee share-based payment awards and generally requires companies to account for share-based payment transactions with nonemployees in the same way as share-based payment transactions with employees. The accounting remains different for attribution, which represents how the equity-based payment cost is recognized over the vesting period, and a contractual term election for valuing nonemployee equity share options. As required by this standard, the Company adopted ASU 2018-07 on January 1, 2019. The adoption of this standard did not have a material effect on the Company's consolidated financial position and results of operations.

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*The following new accounting pronouncements, and related impacts on adoption, are being evaluated by the Company:*

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350)*. ASU 2017-04 simplifies the test for goodwill impairment. Public business entities should apply the amendments in ASU 2017-04 for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years (i.e., January 1, 2020), early application is permitted. The Company does not expect the adoption of this standard to have a material effect on the Company's consolidated financial position and results of operations.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20)*. ASU 2018-14 modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Public business entities should apply the amendments in ASU 2018-14 for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years (i.e., January 1, 2021). Early application is permitted. The Company does not expect the adoption of this standard to have a material effect on the Company's consolidated financial position and results of operations.

## **2. Liquidity**

The Company has incurred recurring losses and has a working capital deficiency. The Company incurred a net loss of \$1.4 million in 2019 and had a working capital deficiency of \$3.1 million as of December 31, 2019.

The Company is dependent on future operating performance in order 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. In order to more effectively manage its cash resources, the Company had, from time to time, increased the timetable of its payment of some of its payables, which delayed certain product deliveries from our vendors, which in turn delayed certain deliveries to our customers.

In March and April 2019, the Company received aggregate proceeds of \$8.0 million from (i) a rights offering to current shareholders under which the shareholders could purchase shares of our Common Stock at an exercise price of \$1.00 per share, resulting in gross proceeds of \$2.5 million (the "Rights Offering") and (ii) the exercise of the \$5.5 million warrant (the "Unilumin Warrant") issued to Unilumin North America Inc. ("Unilumin"). Of these proceeds, a portion was used to satisfy outstanding obligations including certain long-term debt, certain payables, certain accrued liabilities and pension obligations. On September 16, 2019, the Company entered into a Loan and Security Agreement (the "Loan Agreement") with MidCap Business Credit LLC ("MidCap") as lender. The Loan Agreement allows the Company to borrow up to an aggregate of \$4.0 million on a revolving credit loan based on accounts receivable, inventory and equipment for general working capital purposes. A stockholder of the Company has committed to providing additional capital up to \$2.0 million through December 31, 2020, to the extent necessary to fund operations.

Management believes that its current cash resources and cash provided by operations will be sufficient to fund its anticipated current and nearuo aaiso.6(mee(loa)-.3(o)-.00184Tc.0805 Tw7(ovided it)9.11(-)10(-)7.9(3(n).

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Contracts with customers may contain multiple performance obligations. For such arrangements, the transaction price is allocated to each performance obligation based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation. The Company determines standalone selling prices based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

When determining the transaction price of a contract, an adjustment is made if payment from a customer occurs either significantly before or significantly after performance, resulting in a significant financing component. Applying the practical expedient in paragraph 606-10-32-18, the Company does not assess whether a significant financing component exists if the period between when the Company performs its obligations under the contract and when the customer pays is one year or less. None of the Company's contracts contained a significant financing component as of December 31, 2019.

In March 2016, the FASB issued updated lease accounting guidance ("Topic 842"), as explained further in Note 9 – Leases. We adopted Topic 842 on January 1, 2019. Topic 842 is an update to Topic 840, which was the lease accounting standard in place through December 31, 2018. There were no significant changes to our revenue accounting upon adoption of Topic 842.

We recognize revenue in accordance with two different accounting standards: 1) Topic 606 and 2) Topic 842. Under Topic 606, revenue from contracts with customers is measured based on the consideration specified in the contract with the customer, and excludes any sales incentives and amounts collected on behalf of third parties. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer, and is the unit of account under Topic 606. Our contracts with customers generally do not include multiple performance obligations. We recognize revenue when we satisfy a performance obligation by transferring control over a product or service to a customer. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for such products or services.

### **Disaggregated Revenues**

The following table represents a disaggregation of revenue from contracts with customers for the years ended December 31, 2019 and 2018, along with the reportable segment for each category:

<u>In thousands</u>	<u>2019</u>	<u>2018</u>
Digital product sales:		
Catalog and small customized products	\$ 13,322	\$ 10,958
Large customized products	1,388	1,000
Subtotal	<u>14,710</u>	<u>11,958</u>
Digital product lease and maintenance:		
Operating leases	1,215	1,413
Maintenance agreements	1,110	1,028
Subtotal	<u>2,325</u>	<u>2,441</u>
Total	<u>\$ 17,035</u>	<u>\$ 14,399</u>

### **Performance Obligations**

The Company has two primary revenue streams which are Digital product sales and Digital product lease and maintenance.

#### *Digital Product Sales*

The Company recognizes net revenue on digital product sales to its distribution partners and to end users related to digital display solutions and fixed digit scoreboards. For the Company's catalog products, revenue is generally recognized when the customer obtains control of the Company's product, which occurs at a point in time, and may be upon shipment or upon delivery based on the contractual shipping terms of a contract. For the Company's customized products, revenue is either recognized at a point in time or over time depending on the size of the contract. For those customized product contracts that are smaller in size, revenue is generally recognized when the customer obtains control of the Company's product, which occurs at a point in time, and may be upon shipment or upon delivery based on the contractual shipping terms of a contract. For those customized product contracts that are larger in size, revenue is recognized over time based on incurred costs as compared to projected costs using the input method, as this best reflects the Company's progress in transferring control of the customized product to the customer. The Company may also contract with a customer to perform installation services of digital display products. Similar to the larger customized products, the Company recognizes the revenue associated with installation services using the input method, whereby the basis is the total contract costs incurred to date compared to the total expected costs to be incurred.

Revenue on sales to distribution partners are recorded net of prompt-pay discounts, if offered, and other deductions. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price utilizing the most likely amount method to which the Company expects to be entitled. In the case of prompt-pay discounts, there are only two possible outcomes: either the customer pays on-time or does not. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Company's anticipated performance and all information (historical, current and forecasted) that is reasonably available. The Company believes that the estimates it has established are reasonable based upon current facts and circumstances. Applying different judgments to the same facts and circumstances could result in the estimated amounts to vary. The Company offers an assurance-type warranty that the digital display products will conform to the published specifications. Returns may only be made subject to this warranty and not for convenience.

#### *Digital Product Lease and Maintenance*

Lease and maintenance contracts generally run for periods of one month to 10 years. A contract entered into by the Company with a customer may contain both lease and maintenance services (either or both services may be agreed upon based on the individual customer contract). Maintenance services may consist of providing labor, parts and software maintenance as may be required to maintain the customer's equipment in proper operating condition at the customer's service location. The Company concluded the lease and maintenance services represent a series of distinct services and the most representative method for measuring progress towards satisfying the performance obligation of these services is the input method. Additionally, maintenance services require the Company to "stand ready" to provide support to the customer when and if needed. As there is no discernable pattern of efforts other than evenly over the lease and maintenance terms, the Company will recognize revenue straight-line over the lease and maintenance terms of service.

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The Company has an enforceable right to payment for performance

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The Company accounts for shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated products. When shipping and handling costs are incurred after a customer obtains control of the products, the Company also has elected to account for these as costs to fulfill the promise and not as a separate performance obligation. Shipping and handling costs associated with the distribution of finished products to customers are recorded in costs of goods sold and are recognized when the related finished product is shipped to the customer.

### 4. Fair Value

The Company carries the cash surrender value of life insurance related to its deferred compensation arrangements at fair value. Under ASC 820, the fair value of all assets and liabilities is determined using a three-tier fair value hierarchy.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Inputs to the valuation methodology based on unadjusted quoted market prices in active markets that are accessible at the measurement date.
- Level 2 – Inputs to the valuation methodology that include quoted market prices that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

Based on this hierarchy, the Company determined the fair value of the cash surrender value of life insurance, a Level 2 based on observable inputs primarily from the counter party. The Company's cash surrender value of life insurance had a carrying amount of \$55,000 at December 31, 2019 and 2018, and is included in Other assets in the Consolidated Balance Sheets. The carrying amounts of cash equivalents, receivables and accounts payable approximate fair value due to the short maturities of these items. The fair value of the Company's 8¼% Limited convertible senior subordinated notes due 2012 (the "Notes"), using observable inputs, was \$70,000 at December 31, 2019 and \$77,000 at December 31, 2018. The fair value of the Company's 9½% Subordinated debentures due 2012 (the "Debentures"), using observable inputs, was \$44,000 at December 31, 2019 and 2018. The fair value of the Company's remaining long-term debt including current portion approximates its carrying value of \$1.7 million at December 31, 2019 and \$4.7 million at December 31, 2018.

### 5. Inventories

Inventories consist of the following:

In thousands	2019	2018
Raw materials	\$ 1,393	\$ 1,178
Work-in-progress	512	626
Finished goods	277	397
Total inventory	\$ 2,182	\$ 2,201

### 6. Rental Equipment, net

Rental equipment consists of the following:

In thousands	2019	2018
Rental equipment	\$ 4,291	\$ 7,109
Less accumulated depreciation	3,364	5,799
Net rental equipment	\$ 927	\$ 1,310

During 2019, \$2.9 million of fully depreciated rental equipment was written off. Depreciation expense for rental equipment for the years ended December 31, 2019 and 2018 was \$427,000 and \$706,000, respectively.

### 7. Property, Plant and Equipment, net

Property, plant and equipment consists of the following:

In thousands	2019	2018
Machinery, fixtures and equipment	\$ 2,884	\$ 2,691
Leaseholds and improvements	23	12
	2,907	2,703
Less accumulated depreciation	623	523
Net property, plant and equipment	\$ 2,284	\$ 2,180

Equipment having net book values of \$2.3 million and \$2.2 million at December 31, 2019 and 2018, respectively, are pledged as collateral under various financing agreements.

During 2019 and 2018, \$76,000 and \$421,000, respectively, of fully depreciated property, plant and equipment was written off. Depreciation expense for property, plant and equipment for the years ended December 31, 2019 and 2018 was \$241,000 and \$246,000, respectively.

### 8. Other Assets

Other assets consist of the following:

In thousands	2019	2018
Refundable AMT credits	\$ 275	\$ 592
Prepays	55	55
Deposits	73	73
Total other assets	\$ 403	\$ 720

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**9. Taxes on Income**

The components of income tax expense are as follows:

In thousands	2019	2018
Current:		
Federal	\$ -	\$ -
State and local	25	25
Foreign	16	22
	<u>\$ 41</u>	<u>\$ 47</u>
Deferred:		
Federal	\$ -	\$ -
State and local	-	-
	<u>-</u>	<u>-</u>
Income tax expense	<u>\$ 41</u>	<u>\$ 47</u>

Loss before income taxes from the United States operations was \$1.2 million and \$4.5 million for the years ended December 31, 2019 and 2018, respectively. Loss before income taxes from Canada was \$0.2 million and \$0.1 million for the years ended December 31, 2019 and 2018, respectively.

The effective income tax rate differed from the expected federal statutory income tax benefit rate of 21.0% as follows:

	2019	2018
Statutory federal income tax benefit rate	21.0 %	21.0 %
State income taxes, net of federal benefit	2.5	4.2
Deemed dividend tax of deferred foreign income	-	0.5
Foreign income taxed at different rates	(3.6)	(1.1)
Deferred tax asset valuation allowance	285.5	(22.6)
Section 382 adjustment to deferred net operating loss	(309.3)	-
Other	0.9	(3.0)
Effective income tax benefit (expense) rate	<u>(3.0) %</u>	<u>(1.0) %</u>

Deferred income taxes reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income tax assets and liabilities are as follows:

In thousands	2019	2018
Deferred income tax asset:		
Tax credit carryforwards	\$ -	\$ 30
Operating loss carryforwards	1,487	5,347
Net pension costs	2,210	2,357
Accruals	-	(3)
Allowance for bad debts	182	467
Other	148	302
Valuation allowance	<u>(3,563)</u>	<u>(7,447)</u>
	<u>464</u>	<u>1,053</u>
Deferred income tax liability:		
Depreciation	345	425
Other	119	628
	<u>464</u>	<u>1,053</u>
Net deferred income taxes	<u>\$ -</u>	<u>\$ -</u>

Operating tax loss carryforwards primarily relate to U.S. federal net operating loss carryforwards of approximately \$4.9 million, which began to expire in 2019. The operating loss carryforwards have been limited by changes in ownership of the Company in 2012 and 2019 as defined under Section 382 of the Internal Revenue Code. The change in ownership as of June 26, 2012 limited our operating loss carryforwards at that time to \$295,000 per year aggregating \$5.9 million. The change in ownership as of April 10, 2019 limited our operating loss carryforwards at that time to \$148,000 per year aggregating \$3.0 million. Subsequent to the change in ownership, the operating loss carryforwards are limited to \$148,000 per year aggregating \$3.0 million.

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10. Accrued Liabilities

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2019	
\$	1,202
	1,114
	875
	787
	641
	430
	336
	122
	539
\$	6,046

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2019	
\$	405
	176
	(151)
\$	430

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11. Warrant Issuances

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13. Leases

	2019
	\$ 1,141
	284
	893
	1,177
	2.5
	9.0%
	\$ 377
	370
	348
	295
	-
	-
	1,390
	213
	1,177
	284
	\$ 893

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	2019
	\$ 488
	212

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Actuarial loss	(342)	-	(342)
Translation gain	-	118	118
Balances at December 31, 2019	\$ (6,812)	\$ 194	\$ (6,618)

15. Pension Plan

	2019
	69.3%
	30.7
	100.0%

	2019
	7,028
	3,120
	10,148
	-
	-
	10,148

2019	
\$	12,965
	501
	1,565
	(773)
	<u>14,258</u>
	8,647
	1,645
	629
	(773)
	<u>10,148</u>
\$	<u>(4,110)</u>
\$	<u>8,296</u>
	4.30%
	3.20%
	8.00%
	N/A

2019	
\$	501
	(682)
	264
\$	<u>83</u>
2019	
\$	7,954
	606
	(264)
\$	<u>8,296</u>

16. Share-Based Compensation

---

Authorized		-
Expired	-	-
Granted	-	-
Balance December 31, 2019	800	800

17. Loss Per Share

		2019
	\$	(1,402)
		(80)
		41
	\$	(1,441)
		11,417
	\$	(0.13)

18. Restructuring

19. Commitments and Contingencies

*Commitments:*

*Contingencies:*

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20. Related Party Transactions

21. Business Segment Data

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2019	
\$	14,710
	2,325
\$	17,035
\$	183
	1,752
	(2,386)
	(451)
	(504)
	(130)
	(193)
	-
	(83)
	(1 361)
	(41)
\$	(1 402)
\$	8,204
	3,515
	11,719
	535
\$	12,254
\$	234
	427
	7
\$	668
\$	376
	44
	1
\$	421

22. Subsequent Events

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PART III

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Nicholas Fazio

Yang Liu

George W. Schiele

Yantao Yu

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has served as an independent director since December 2009 and was elected Chairman of the Board (a non-executive position) of the Company on September 28, 2018. He had served as Vice Chairman of the Board (a non-executive position) of the Company since September 29, 2010. He currently serves as the Chairman of Zizza & Associates, LLC. and of Bethlehem Advanced Materials. Additionally, Mr. Zizza serves as a Director of GAMCO Westwood Funds. He has been an Independent Trustee of GAMCO Global Gold, Natural Resources & Income Trust by Gabelli since November 2005 and serves as a Director/trustee of 26 funds in the fund complex of Gabelli Funds, LLC. He has been Director of General Employment Enterprises Inc. since January 8, 2010 and has been an Independent Trustee of Gabelli Dividend & Income Trust since 2003. Mr. Zizza has been Independent Director of Gabelli Convertible & Income Securities Fund Inc. since April 24, 1991 and has been a Director of Gabelli Equity Trust, Inc. since 1986 and a Trustee of Gabelli Utility Trust since 1999. Mr. Zizza has previously served as Chief Executive Officer and Chairman of the Board of General Employment Enterprises Inc. from December 23, 2009 until December 26, 2012. Mr. Zizza had served as President and Chief Operating Officer of Bion Environmental Technologies Inc. from January 13, 2003 until December 31, 2005 and has served as Non-Executive Chairman of Harbor BioSciences, Inc. since March 27, 2009. He served as Lead Independent Director of Hollis-Eden Pharmaceuticals from March 2006 to March 2009 and as a Director of Earl Scheib Inc. from March 1, 2004 to April 2009. Mr. Zizza received his Bachelor of Arts in Political Science and his Master of Business Administration in Finance from St. John's University, which also has awarded him an Honorary Doctorate in Commercial Sciences. Mr. Zizza's extensive experience and service to numerous other boards of directors allow him to provide valuable contributions to the Board. In addition, Mr. Zizza also serves as Chairman of the Audit Committee and is the "audit committee financial expert" as required under the rules of the United States Securities and Exchange Commission.

The Board of Directors held two meetings during 2019. All directors attended 75% or more of such meetings and of the committee meetings for which they were members. All directors attended the Annual Meeting of Stockholders. The Corporation does not have a formal policy regarding directors' attendance at the Board meetings or the Annual Meeting of Stockholders, but strongly encourages and prefers that directors attend regular and special Board meetings as well as the Annual Meeting of Stockholders in person, although attendance by teleconference is considered adequate. The Corporation recognizes that attendance of the board members at all meetings may not be possible and excuses absences for good cause.

Mr. Salvatore J. Zizza, the Chairman, receives a monthly fee of \$3,000. There are currently no other fees paid to board members. Fees for members of the Board and Committees are determined annually by the entire Board of Directors based on review of compensation paid by other similar size companies, the amounts currently paid by the Company, the overall policy for determining compensation paid to officers and employees of the Company and the general financial condition of the Company. During 2019 and 2018, certain board members deferred payment of their fees. In lieu of a cash payment, certain board members and former board members have agreed to receive restricted shares of Common Stock of the Company or a combination of cash and restricted shares of Common Stock of the Company, which such restricted shares shall contain a legend under the Securities Act of 1933 and shall not be transferable unless and until registered or otherwise in accordance with applicable securities laws.

The Board of Directors has adopted a Code of Business Conduct and Ethics Guidelines (the "Ethics Code") that applies specifically to board members and executive officers. The Ethics Code is designed to promote compliance with applicable laws and regulations, to promote honest and ethical conduct, including full, fair, accurate and timely disclosure in reports and communications with the public. The Ethics Code is available for viewing on the Corporation's website at [www.trans-lux.com](http://www.trans-lux.com). Any amendments to, or waivers from, the Ethics Code will be posted on the website. In addition, the Board of Directors adopted a Whistle Blowing policy, which provides procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls and auditing matters, as well as the confidential, anonymous submission of concerns regarding questionable accounting or auditing practices.

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The roles of Chairman and Chief Executive Officer are separate positions. Mr. Zizza serves as our Chairman and Mr. Shaio serves as our Chief Executive Officer. We separate the roles of Chairman and Chief Executive Officer in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting our strategic direction and our day-to-day leadership and performance, while the Chairman of the Board provides guidance to the Chief Executive Officer and presides over meetings of the Board. We do not have a lead independent director.

Our Board of Directors and its Audit Committee are actively involved in risk management. Both the Board and Audit Committee regularly review the financial position of the Corporation and its operations, and other relevant information, including cash management and the risks associated with the Corporation's financial position and operations. The Board regularly receives reports from senior management on areas of material risk to our Company, including our liquidity, operational and legal and regulatory risks. Pursuant to its charter, the Audit Committee reviews our major financial risk exposures and the steps management has taken to monitor and control such exposures, and it also meets periodically with management to discuss policies with respect to risk assessment and risk management.

Security holders are permitted to communicate with the members of the Board by forwarding written communications to the Corporation's Chief Accounting Officer at the Corporation's headquarters in New York, New York. The Chief Accounting Officer will present all communications, as received and without screening, to the Board at its next regularly scheduled meeting.

The Board of Directors has appointed a Compensation Committee, an Audit Committee, an Executive Committee and a Nominating Committee. Each committee operates under a charter approved by our Board. Copies of each committee's charter are posted on the Investor Relations section of our website at [www.trans-lux.com](http://www.trans-lux.com).

The members of the Compensation Committee of the Board of Directors are Messrs. Fazio, Yu and Zizza, with Mr. Zizza serving as Chairman. The Compensation Committee operates under a formal written charter approved by the Compensation Committee and adopted by the Board of Directors. The Compensation Committee reviews compensation and other benefits. The Compensation Committee held no meetings in 2019. None of the members of the Compensation Committee is or has been an officer or employee of the Corporation. There are no Compensation Committee interlock relationships with respect to the Corporation. Members of the Compensation Committee do not receive any fees for their participation.

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Our Audit Committee consists of Messrs. Yu and Zizza, with Mr. Zizza serving as Chairman. Our Board has determined that Mr. Zizza is an "audit committee financial expert" as defined in applicable SEC rules. The Audit Committee held four meetings in 2019. Members of the Audit Committee do not receive any fees for their participation. Our Audit Committee's responsibilities include:

- appointing, compensating, retaining and overseeing the work of any public accounting firm engaged by us for the purpose of preparing or issuing an audit report or performing other audit, review or attest services;
- reviewing and discussing with management and the external auditors our audited financial statements;
- considering the effectiveness of our internal control system;
- reviewing and discussing with management the Company's major financial risk exposures and steps management has taken to monitor and control such exposures and liabilities;
- establishing our policy regarding our hiring of employees or former employees of the external auditors and procedures for the receipt, retention and treatment of accounting related complaints and concerns;
- meeting independently with our external auditors and management;
- reviewing and updating the Audit Committee Charter; and
- preparing the Audit Committee report required by the proxy rules of the SEC.

The members of the Executive Committee of the Board of Directors are Messrs. Fazio, Yu and Zizza. The Executive Committee operates under a formal written charter approved by the Committee and adopted by the Board of Directors. Messrs. Fazio, Yu and Zizza are independent, meeting the requirements of Section 952 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Each of the members of the Executive Committee qualify as "non-employee directors" for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and Messrs. Fazio, Yu and Zizza qualify as "outside directors" for the purposes of Section 162(m) of the Internal Revenue Code, as amended. The primary purpose of the Executive Committee is to provide the President and Chief Executive Officer of the Company with a confidential sounding board for insights and advice, and to provide the Board with a more active formal interface with management and its day to day policy and actions. Additionally, the secondary objective of the Executive Committee is to exercise the powers and authority of the Board, subject to certain limitations set forth in the charter, during the intervals between meetings of the Board, when, based on the business needs of the Company, it is desirable for the Board to meet but the convening of a special board meeting is not warranted as determined by the Chairman of the Board. It is the general intention that all substantive matters in the ordinary course of business be brought before the full Board for action, but the Board recognizes the need for flexibility to act on substantive matters where action may be necessary between Board meetings, which, in the opinion of the Chairman of the Board, should not be postponed until the next previously scheduled meeting of the Board. The Executive Committee did not hold any meetings in 2019. Members of the Executive Committee do not receive any fees for their participation.

The members of the Nominating Committee of the Board of Directors are Messrs. Fazio, Yu and Zizza, with Mr. Fazio serving as Chairman. The Nominating Committee operates under a formal written charter approved by the Committee and adopted by the Board of Directors. The Nominating Committee recommends for consideration by the Board of Directors, nominees for election of directors at the Corporation's Annual Meeting of Stockholders. Director nominees are considered on the basis of, among other things, experience, expertise, skills, knowledge, integrity, understanding the Corporation's business and willingness to devote time and effort to Board responsibilities. The Nominating Committee did not hold any meetings in 2019. Members of the Nominating Committee do not receive any fees for their participation. The Nominating Committee does not have a separate policy regarding diversity of the Board.

The Board of Directors has not established a corporate governance committee. The Board of Directors acts as the corporate governance committee.

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While the Corporation's Common Stock is traded on the OTCQB, the Corporation follows the NYSE MKT Company Guide regarding the independence of directors. A director is considered independent if the Board of Directors determines that the director does not have any direct or indirect material relationship with the Corporation. Messrs. Fazio, Liu, Schiele, Yu and Zizza are non-employee directors of the Corporation. The Board of Directors has determined that Messrs. Schiele and Zizza are "independent directors" since they had no relationship with the Corporation other than their status and payment as non-employee directors and as stockholders. The Board of Directors has determined that its two Audit Committee members, Messrs. Yu and Zizza, are "independent directors".

The Board maintains a process for stockholders to communicate with the Board or with individual directors. Stockholders who wish to communicate with the Board or with individual directors should direct written correspondence to our Corporate Secretary at our Company's headquarters located at 135 East 57<sup>th</sup> Street, 14<sup>th</sup> Floor, New York, New York 10022. Any such communication must contain:

- a representation that the stockholder is a holder of record of our capital stock;
- the name and address, as they appear on our books, of the stockholder sending such communication; and
- the class and number of shares of our capital stock that are beneficially owned by such stockholder.

The Corporate Secretary will forward such communications to our Board or the specified individual director to whom the communication is directed unless such communication is unduly hostile, threatening, illegal or similarly inappropriate, in which case the Corporate Secretary has the authority to discard the communication or to take the appropriate legal action regarding such communication.

The Corporation's executive officers, directors and 10% stockholders are required under Section 16(a) of the Securities Exchange Act of 1934 to file reports of ownership and changes in ownership with the SEC. Copies of those reports must also be furnished to the Corporation. Based solely on a review of the copies of reports furnished to the Corporation for the year ended December 31, 2019, Alexandro Gomez, John Hammock and Yang Liu still needed to make their Form 3 filings. All of the Corporation's other executive officers, directors and 10% stockholders have complied with the Section 16(a) filing requirements except that the Form 4 filings for Todd Dupee, Thomas Durkin, Nicholas Fazio, George Schiele, Alberto Shaio, Yanlao Yu and Salvatore Zizza were not timely filed.

The Corporation's executive officers are as follows:

Name	Office	Age
Alberto Shaio	President and Chief Executive Officer	71
Thomas E. Durkin	Executive Vice President, General Counsel & Corporate Secretary	66
Alexandro Gomez	Senior Vice President and Chief Relationship Officer	50
John Hammock	Senior Vice President and Chief Sales & Marketing Officer	57
Todd Dupee	Senior Vice President and Chief Accounting Officer	47

Mr. Shaio was appointed President and Chief Executive Officer of the Corporation on August 9, 2018. Previously, Mr. Shaio had served as a director of the Corporation from October 2, 2013 to July 30, 2019. Mr. Shaio was Interim Chief Executive Officer of the Corporation from April 24, 2018 until August 8, 2018 and he served as Chief Operating Officer of the Corporation from October 6, 2014 until his appointment as President and Chief Executive Officer of the Corporation on August 8, 2018. Prior thereto, Mr. Shaio served as President and CEO of Craftsmen Industries from January 1, 2011 through September 1, 2013 and held various posts with Farrel Corporation (Ansonia CT and Rochdale England) from 1986 until December 31, 2010, including the role of President and CEO since 2003. Mr. Shaio was a Director of the HF Mixing Group (Germany) from 2002 until 2010. From 1970 through 1986, Mr. Shaio was General Manager, Vice President or President of various companies such as Pavco, Filmtex (Colombia SA), and the Interamerican Investment Group. He has served on the board of directors of New Energy Corporation, Farrel Corporation, Interactive Systems, Polifilm, Filmtex, PAVCO SA, and Harburg Freudenberg Maschinenbau GmbH (Germany) and on the Board of Advisors of Scorplion Capital.

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Mr. Durkin became Executive Vice President, General Counsel & Corporate Secretary of the Corporation on July 30, 2019. Mr. Durkin, as principal of Durkin Law, LLC, has been engaged in the private practice of law acting as counsel to numerous private and public domestic and foreign based companies for the last fifteen years, including Unilumin on an ongoing basis. Prior to that, from 2000 to 2004, Mr. Durkin served as Vice President of Corporate Development, General Counsel and Secretary of Capital Environmental Resource, Inc., now known as Waste Services, Inc. (NASDAQ: WSII). He also served as Area Vice President of Corporate Development of Waste Services Inc. from 1997 to 2000. Waste Services, Inc. is a multibillion dollar publicly held international solid waste management company. In both positions he was materially involved in strategic growth transactions and financings. Mr. Durkin was a partner at Durkin & Durkin, a New Jersey based general practice and commercial law firm. There he was involved with various areas of practice, ranging from commercial real estate, financial services, banking, environmental, regulatory, corporate, commercial transactions and business matters. Mr. Durkin also served as a Director of CD&L, Inc. (Nasdaq: CDV) from 1999 to 2006. During that time, he served on the company's audit committee and was engaged as consultant to assist the company with strategic directives and relationships with preferred stockholders. He successfully acted as lead director on the company's sale to Velocity Express (both publicly traded entities) for a total consideration of approximately \$90 million. He was later engaged by Velocity to restructure \$120 million of debt held by its bondholders. Mr. Durkin has served as an officer and director of several private companies and other small cap public companies and is a member of the bar of New York and New Jersey. Mr. Durkin graduated from Fordham University in 1975 and graduated Cum Laude from Seton Hall University School of Law in 1978.

Mr. Gomez became Senior Vice President and Chief Relationship Officer of the Corporation on September 28, 2018. He had been Chief Revenue Officer since he had started with the Corporation in 2014. Mr. Gomez previously worked for xclr8 Media from 2011 to 2014, Van Wagner Sports and Entertainment from 2003 to 2011, One-On-One Sports Radio Network from 2000 to 2001, Foot Locker Worldwide from 1998 to 2000 and News Corporation's Fox Sports and Fox Video from 1992 to 1998.

Mr. Hammock became Senior Vice President and Chief Sales and Marketing Officer of the Corporation on September 28, 2018. He had been Chief Sales Officer since he had started with the Corporation in 2016. Mr. Hammock has extensive experience in international business development and sales with Fortune 500 accounts. Previously he was an Executive Vice President of Sales & Marketing at Niagara Streaming Media. Mr. Hammock has held numerous high profile Senior Vice President roles in telecom, software and manufacturing companies including Newbridge Networks, Corvis and Voxpath Networks. As Vice President of Corvis, his team's sales efforts were responsible for \$238 million during the two-year period preceding a successful \$1.6 billion IPO. He has received numerous



ITEM 11. EXECUTIVE COMPENSATION

**Compensation of Executive Officers**

The following table provides certain summary information for the last two fiscal years of the Corporation concerning compensation paid or accrued by the Corporation and its subsidiaries to or on behalf of the Corporation's Chief Executive Officer and the Company's two most highly compensated executive officers other than the Chief Executive Officer:

**Summary Compensation Table**

**Annual Compensation**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value of Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) <sup>(1)</sup>	Total (\$)
Alberto Shaio President and Chief Executive Officer	2019	299,999	-	-	-	-	-	18,000	317,999
	2018	261,537	-	9,800	-	-	-	3,000	274,337
Alexandro Gomez Senior Vice President and Chief Relationship Officer	2019	199,998	36,198	-	-	-	-	-	236,196
	2018	167,767	-	-	-	-	-	-	169,767
John Hammock Senior Vice President and Chief Sales and Marketing Officer	2019	184,998	-	-	-	-	-	-	184,998
	2018	198,833	-	-	-	-	-	-	198,833

<sup>(1)</sup> See "All Other Compensation" for further details.

**All Other Compensation**

During 2019 and 2018, "All Other Compensation" consisted of director fees and other items. The following is a table of amounts per named individual:

Name	Year	Director and/or Trustee Fees (\$)	Other <sup>(1)</sup> (\$)	Total All Other Compensation (\$)
Alberto Shaio	2019	-	18,000	18,000
	2018	-	3,000	3,000
Alexandro Gomez	2019	-	-	-
	2018	-	-	-
John Hammock	2019	-	-	-
	2018	-	-	-

<sup>(1)</sup> Other consists of vehicle allowance.

## Stock Option Plans and Stock Options

### Defined Benefit Pension Plan

In 2019, the Company made the minimum requirement of \$629,000 of contributions to the Company's defined benefit pension plan for all eligible employees and the eligible individuals listed in the Summary Compensation Table.

The Company's defined benefit pension plan, prior to being frozen, covered all salaried employees over age 21 with at least one year of service who are not covered by a collective bargaining agreement to which the Company is a party. Retirement benefits are based on the final average salary for the highest five of the ten years preceding retirement. For example, estimated annual retirement benefits payable at normal retirement date, which normally is age 65, is approximately \$15,000 for an individual with ten years of credited service and with a final average salary of \$100,000; and approximately \$120,000 for an individual with 40 years of credited service and with a final average salary of \$200,000. Currently, \$285,000 is the legislated annual cap on determining the final average annual salary and \$230,000 is the maximum legislated annual benefit payable from a qualified pension plan.

### Outstanding Equity Awards at Fiscal Year-End 2019

There were no unexercised options held by any of our Named Executive Officers as of December 31, 2019.

### Employment Agreements

The Corporation executed an employment agreement with Alberto Shaio, President and Chief Executive Officer, effective on October 1, 2018. The initial two-year term expires on October 1, 2020. The agreement provides for compensation at the annual rate of \$300,000 per annum. The agreement entitles Mr. Shaio to twenty days' paid vacation per year, a vehicle allowance, "key person" insurance, business expense reimbursement and certain employee benefits generally available to employees of the Corporation. The agreement provides for certain severance benefits depending on whether Mr. Shaio leaves the employ of the Corporation for "Cause," "Good Reason" or "Without Cause and for Good Reason" prior to the termination of the agreement. The agreement contains standard non-disparagement, confidentiality and non-solicitation provisions. The foregoing is a summary of the agreement and is qualified in its entirety by reference to the text of the agreement as filed as Exhibit 10.1 of Form 8-K dated October 4, 2018.

The Corporation executed an employment agreement with Todd Dupee, Senior Vice President and Chief Accounting Officer, effective on October 1, 2018. The initial two-year term expires on October 1, 2020. The agreement provides for compensation at the annual rate of \$150,000 per annum. The agreement entitles Mr. Dupee to twenty days' paid vacation per year, a vehicle allowance, "key person" insurance, business expense reimbursement and certain employee benefits generally available to employees of the Corporation. The agreement provides for certain severance benefits depending on whether Mr. Dupee leaves the employ of the Corporation for "Cause," "Good Reason" or "Without Cause and for Good Reason" prior to the termination of the agreement. The agreement contains standard non-disparagement, confidentiality and non-solicitation provisions. The foregoing is a summary of the agreement and is qualified in its entirety by reference to the text of the agreement as filed as Exhibit 10.1 of Form 8-K dated October 26, 2018.

### Potential Payments Upon Severance or Change in Control

The following table sets forth the value of the severance benefits each Named Executive Officer would be entitled to receive under their respective employment agreements, as applicable, assuming that a Change in Control and the entitlement to receive Severance Benefits occurred on December 31, 2019 (neither Mr. Durkin, Mr. Gomez nor Mr. Hammock are entitled to any severance benefits):

<u>Severance Benefit Component</u>	<u>Alberto Shaio</u>
Base Salary	\$ 300,000
Bonus	\$ —
Value of Benefits	\$ —
Reduction to Avoid Excise Tax	\$ —
Equity Awards - Vested and Unvested Accelerated	\$ —
Total	\$ 300,000

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**Director Compensation**

**Non-Employee Director Stock Option Plan**

The Board of Directors has previously established a Non-Employee Director Stock Option Plan which, as amended, covers a maximum of 1,200 shares for grant. Such options are granted for a term of six years and are priced at fair market value on the grant date. The determination as to the amount of options to be granted to directors is based on years of service, and are calculated on a yearly basis as follows: a minimum of 20 stock options are granted for each director; an additional 20 stock options are granted if a director has served for five years or more; an additional 20 stock options are granted if a director has served for ten years or more; and an additional 40 stock options are granted if a director has served for twenty years or more. Such options are exercisable at any time upon the first anniversary of the grant date. The Corporation grants additional stock options upon the expiration or exercise of any such option if such exercise or expiration occurs no earlier than four years after date of grant, in an amount equal to the number of options that have been exercised or that have expired.

Compensation of Directors for the year ended December 31, 2002. (Table 1) 15-16

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information as of March 19, 2020 (or such other date specified) with respect to (A) the beneficial ownership of Common Stock or shares issuable within 60 days of such date by (i) each person known by the Corporation to own more than 5% of the Common Stock and who is deemed to be such beneficial owner of Common Stock under Rule 13d-3(a)(ii); (ii) each person who is a director of the Corporation; (iii) each named executive in the Summary Compensation Table and (iv) all persons as a group who are executive officers and directors of the Corporation, and (B) the percentage of outstanding shares held by them on that date:

<u>Name, Status and Mailing Address</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percent Of Class (%)</u>
<b><u>5% Stockholders:</u></b>		
Unilumin North America Inc. 254 West 31 <sup>st</sup> Street New York, NY 10001	6,985,892 <sup>(1)</sup>	52.0
Gabelli Funds, LLC GAMCO Asset Management Inc. Teton Advisors, Inc One Corporate Center Rye, NY 10580-1434	4,288,935 <sup>(2)</sup>	31.9
<b><u>Non-Employee Directors:</u></b>		
Nicholas J. Fazio	6,985,892 <sup>(3)</sup>	52.0
Yang Liu	-	*
George W. Schiele	168,210	1.3
Yantao Yu	-	*
Salvatore J. Zizza	125,000 <sup>(4)</sup>	*
<b><u>Named Executive Officers:</u></b>		
Alberto Shaio	175,471	1.3
Thomas E. Durkin	-	*
Alexandro Gomez	25,000	*
John Hammock	10,000	*
Todd Dupee	40,000	*
All directors and executive officers as a group	7,529,573 <sup>(5)</sup>	56.0

\*Represents less than 1% of total number of outstanding shares.

<sup>(1)</sup> Based on Schedule 13D, as amended, dated April 15, 2019 by Unilumin.

<sup>(2)</sup> Based on Schedule 13D, as amended, dated April 12, 2019 by Mario J. Gabelli, Gabelli Funds, LLC, Teton Advisors, Inc., Gamco Investors, Inc., GGCP, Inc., and Gamco Asset Management Inc., which companies are parent holding companies and/or registered investment advisers. All securities are held as agent for the account of various investment company fund accounts managed by such reporting person. Except under certain conditions, Gabelli Funds, LLC has beneficial ownership of such shares. Based on such Schedule 13D amendment, Gabelli Funds, LLC beneficially owns 3,252,341 shares of Common Stock, GAMCO Asset Management Inc. beneficially owns 76,710 shares of Common Stock and Teton Advisors, Inc. beneficially owns 959,884 shares of Common Stock.

<sup>(3)</sup> Mr. Fazio is Director and Chief Executive Officer of Unilumin North America Inc., which owns the 6,985,892 shares, so he may be deemed a beneficial owner of the shares owned by Unilumin North America Inc. Mr. Fazio has no pecuniary interest in these shares and disclaims any beneficial interest. The share ownership with respect to Messrs. Liu and Yu does not include the shares held by Unilumin North America Inc.

<sup>(4)</sup> Mr. Zizza disclaims any interest in the shares set forth in footnote 2 above.

<sup>(5)</sup> See footnotes 3 and 4 above.

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Equity Compensation Plan Information

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<u>December 31, 2019</u>	<u>Securities to be issued upon exercise</u>	<u>Weighted average exercise price</u>	<u>Securities available for future issuance</u>
Equity compensation plans approved by stockholders	-	-	800

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

**Certain Transactions**

Except as described below, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or are a party in which the amount involved exceeded or exceeds the lesser of \$120,000 or 1% of our total assets and in which any of our directors, executive officers, holders of more than 5% of any class of our voting securities or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements with directors and executive officers and the transactions described or referred to below.

For a description of the Company's transactions with related parties, please see Note 19 to the Consolidated Financial Statements – Related Party Transactions.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Marcum LLP ("Marcum") have served as our independent registered public accounting firm since December 8, 2015. The Audit Committee of the Board of Directors has appointed Marcum as our independent registered public accounting firm for the year ending December 31, 2020. The proposal to appoint Marcum as the independent registered public accounting firm will be approved if, at the Annual Meeting at which a quorum is present, the votes cast in favor of the proposal exceed the votes cast opposing the proposal.

There are no disagreements between management and Marcum regarding accounting principles and their application or otherwise.

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