

TRANS LUX Corp  
Form 10-K  
March 30, 2018

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, 2017

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 57th Street, 14th Floor, New York, New York 10022

(Address of registrant's principal executive offices) (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

2017 Form 10-K Cover Page Continued

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

Yes  No

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 OTCQB on June 30, 2017, was approximately \$630,000, 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 29, 2018, was 2,162,171 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

The information required by Part III of this Form 10-K is incorporated herein by reference to certain portions of a definitive proxy statement which is expected to be filed by the Company pursuant to Regulation 14A within 120 days after the close of its fiscal year.

---

TRANS-LUX CORPORATION

2017 Form 10-K Annual Report

**Table of Contents**

**PART I**

	<u>Page</u>
<u>ITEM 1. Business</u>	1
<u>ITEM 1A. Risk Factors</u>	4
<u>ITEM 1B. Unresolved Staff Comments</u>	8
<u>ITEM 2. Properties</u>	8
<u>ITEM 3. Legal Proceedings</u>	8
<u>ITEM 4. Mine Safety Disclosures</u>	8

**PART II**

<u>ITEM 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	9
<u>ITEM 6. Selected Financial Data</u>	9
<u>ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	9
<u>ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	16
<u>ITEM 8. Financial Statements and Supplementary Data</u>	16
<u>ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	37
<u>ITEM 9A. Controls and Procedures</u>	37
<u>ITEM 9B. Other Information</u>	38

**PART III**

<u>ITEM 10. Directors, Executive Officers and Corporate Governance</u>	38
<u>ITEM 11. Executive Compensation</u>	38
<u>ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	38
<u>ITEM 13. Certain Relationships and Related Transactions, and Director Independence</u>	38
<u>ITEM 14. Principal Accountant Fees and Services</u>	38

**PART IV**

<u>ITEM 15. Exhibits and Financial Statement Schedules</u>	39
<u>ITEM 16. Form 10-K Summary</u>	41
<u>Signatures</u>	42

---

Table of Content

**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 15<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 a herein refer to Trans-Lux Corporation and its subsidiaries.

The Company is a leading designer and manufacturer of digital display solutions, fixed digit scoreboards and LED Lighting fixtures and lamps.

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.

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.

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

*Digital product Lease and Maintenance Division:* 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.

*Sales Order Backlog (excluding leases):* The amount of sales order backlog at December 31, 2017 and 2016 was approximately \$2.5 million and \$3.1 million, respectively. The December 31, 2017 backlog is expected to be recognized as sales in 2018, 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.

## LED LIGHTING

The LED lighting market provides energy-saving lighting solutions that feature a comprehensive offering of the latest LED lighting technologies that provide facilities and public infrastructure with green lighting solutions that emit less heat, save energy and enable creative designs.

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

Table of Content

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

ENGINEERING AND PRODUCT DEVELOPMENT

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

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

The Company maintains a staff 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 annually.

Headquartered in New York, New York, the Company has sales and service offices in Des Moines, 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, 2017 and 2016, respectively.

In 2017, one customer accounted for 23.2% of total revenues. We do not expect similar revenues from this customer in 2018, but we do expect similar revenues from the sale of similar products to similar customers in 2018. In 2016, there were no customers that accounted for at least 10% of the Company's total revenues.

## MANUFACTURING AND OPERATIONS

The Company's production facilities are located in Des Moines, Iowa, and Hazelwood, Missouri. The production facilities 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.

Table of Content

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

SERVICE AND SUPPORT

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

Personnel based in regional and satellite service locations throughout the United States and Canada provide high quality and timely on-site service for the installed equipment on lease and maintenance bases and other types of customer-owned equipment. Purchasers or lessees of the Company's larger products, such as financial exchanges, casinos and sports stadiums, often retain the Company to provide on-site service through the deployment of a service technician who is on-site daily for scheduled events.

The Company operates its National Technical Services and Repair Centers from its facilities in Des Moines, Iowa and Hazelwood, Missouri. Equipment repairs are performed in Des Moines, Iowa and service technicians are dispatched nationwide from various locations including Des Moines 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.

Table of Content

EMPLOYEES

The Company had approximately 68 employees as of March 1, 2018. Approximately 24% of the employees are unionized, pursuant to a collective bargaining agreement, which expires on December 31, 2019. The Company believes its employee relations are good.

ITEM 1A. RISK FACTORS

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

Our independent registered public accounting firm has issued an opinion on our Consolidated Financial Statements included in this Annual Report on Form 10-K that states that the Consolidated Financial Statements were prepared assuming we will continue as a going concern and further states that the continuing losses and uncertainty regarding our ability to make the required minimum funding contributions to the defined benefit pension plan and the past due principal and interest payments on our outstanding 8¼% Limited convertible senior subordinated notes due 2012 (the Notes ) and 9½% Subordinated debentures due 2012 (the Debentures ) raises substantial doubt about our ability to continue as a going concern. In addition, if we are unable to (i) obtain additional liquidity for working capital, (ii) make the required minimum funding contributions to the defined benefit pension plan, (iii) make the required principal and interest payments on the Notes and the Debentures and/or (iv) repay our obligations under our Credit Agreement (hereinafter defined) with CNH Finance Fund I, L.P. ( CNH ) (formerly known as SCM Specialty Finance Opportunities Fund, L.P.), there would be a significant adverse impact on our financial position and operating results.

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, 2017 and 2016, we incurred losses of \$2.8 million and \$611,000, 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 in order to continue to run our businesses. Future operating performance is dependent on general economic conditions, as well as financial, competitive and other factors beyond our control. We have experienced a decline in our lease and maintenance bases for the past several years. There can be no assurance that we will be able to increase our revenue sufficiently to generate the cash required to fund our current operations. In addition, we cannot predict whether future financing, if any, will be in the form of equity, debt, or a combination of both. We may not be able to obtain additional funds on a timely basis, on acceptable terms, or at all. Moreover, our ability to receive debt

financing could be restricted by the covenants of our Credit Agreement with CNH and any equity financing we receive could be substantially dilutive to our shareholders.

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

In March 2010, 2011 and 2013, the Company submitted to the Internal Revenue Service (the IRS) requests for waivers of the 2009, 2010 and 2012 minimum funding standards for its defined benefit pension plan. As of December 31, 2017, the Company has fully repaid the amounts deferred for each of these waivers. In 2017, we made \$298,000 of the \$444,000 of minimum required contributions to the plan. At this time, we expect to make our minimum required contributions in 2018 of \$576,000, which includes the balance of the 2017 minimum required contributions; however, there is no assurance that we will be able to make any or all such remaining payments. See Note 13 to the Consolidated Financial Statements Pension Plan for further details.

WE HAVE SIGNIFICANT DEBT, WHICH COULD IMPAIR OUR FINANCIAL CONDITION

As of December 31, 2017, we had outstanding debt of approximately \$5.6 million (including \$650,000 of a forgivable loan), \$4.0 million of which was reflected under current portion of long-term debt in our consolidated balance sheet. Such amount includes an aggregate of \$607,000 of Notes and 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.

Table of Content

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

We have outstanding \$387,000 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.

We have 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.

In addition, the terms of the Credit Agreement with CNH contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our obligations under the Credit Agreement with CNH as well as our other outstanding indebtedness. The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations, prospects.

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.

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

We derive a substantial percentage of our revenues from the leasing of our digital 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 in obtaining the renewal of existing leases or maintenance agreements, obtaining replacement leases or realizing the value of assets currently under leases that are not renewed. See Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

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

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

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

Table of Content

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

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

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

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

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



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 and lighting from three main suppliers. We do not have long-term supply contracts with these suppliers. A change in suppliers of either LED module blocks or certain other components may result in engineering design changes, as well as delays in obtaining such replacement components. We believe that there are presently other qualified vendors of these components. Our inability to obtain sufficient quantities of certain components as required, or to develop alternative sources at acceptable prices and within a reasonable time, could result in delays or reductions in product shipments that could have a materially adverse effect on our business and results of operations.

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. Such events could result in additional costs related to operational inefficiencies, or damages, claims or fines.

WE CURRENTLY HAVE OUTSTANDING SERIES B CONVERTIBLE PREFERRED STOCK

We currently have 16,512 shares of Series B Convertible Preferred Stock ( SBCPS ) issued and outstanding. The SBCPS carries a 6.0% cumulative annual dividend, payable semi-annually on April 15 and October 15 in cash or Common Stock, and is convertible into shares of Common Stock at an initial conversion price of \$10.00 per share, representing a conversion ratio of 20 common shares for each share of SBCPS held at the time of conversion. Under Delaware law, we may only pay dividends or make a distribution to our stockholders from our surplus (as determined in accordance with Delaware General Corporate Law) or our net profits for the current fiscal year before the dividend or distribution is declared under certain circumstances. Therefore, our ability to pay dividends and make any other distributions in the future will depend upon our financial results, liquidity and financial condition.

The shares of SBCPS may be subject to mandatory conversion at our discretion after November 19, 2018, or earlier if the closing sale price of our Common Stock has been greater than or equal to \$15.00 for 30 consecutive days. The conversion of all or substantially all of the SBCPS into Common Stock will be dilutive to the current holders of our Common Stock, and if the holders of the Common Stock received upon conversion of the SBCPS choose to sell all or some of all these shares of Common Stock, the resulting shares could depress the market value of our Common Stock.

Table of Content

**WE HAVE A SIGNIFICANT NUMBER OF OUTSTANDING PREFERRED STOCK AND WARRANTS, THE CONVERSION AND EXERCISE OF WHICH WOULD DILUTE THE THEN-EXISTING STOCKHOLDERS PERCENTAGE OWNERSHIP OF OUR COMMON STOCK**

As of December 31, 2017, we had outstanding SBCPS convertible into 330,240 shares of Common Stock and outstanding warrants to purchase 52,000 shares of Common Stock. If all of the outstanding warrants were exercised, the proceeds to us would average \$12.40 per share. In addition, to the extent that we elect to pay the dividends due on the SBCPS in shares of Common Stock, over the next year, up to an additional 20,000 shares of Common Stock are potentially issuable as dividends with respect to the SBCPS (based on an assumed dividend rate of 6% per annum).

The exercise of all of the outstanding warrants, the conversion of the SBCPS into Common Stock, the payment of dividends on the SBCPS through the issuance of Common Stock, the grant and exercise of additional options and/or the grant of restricted stock would dilute the then-existing stockholders' percentage ownership of Common Stock, and any sales in the public market of the Common Stock issuable upon such exercise could adversely affect prevailing market prices for the Common Stock. Moreover, the terms upon which we would be able to obtain additional equity capital could be adversely affected because the holders of such securities can be expected to exercise or convert them at a time when we would, in all likelihood, be able to obtain any needed capital on terms more favorable than those provided by such securities.

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

Our Amended and Restated Certificate of Incorporation (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 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 SBCPS, 16,512 of which are outstanding. The 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.

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

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.

As of March 29, 2018, 10 stockholders who are executive officers and/or directors of the Company beneficially own approximately 48.1% of our Common Stock and one stockholder who is neither an officer nor a director of the Company beneficially owns approximately 30.1% of our Common Stock. Accordingly, such stockholders could exert significant control over any potential stockholder actions.

OUR COMMON STOCK IS QUOTED ON OTC PINK AND MAY BE SUBJECT TO LIMITED TRADING VOLUME AND PRICE VOLATILITY

Our Common Stock is quoted on the OTC Pink, an inter-dealer electronic quotation and trading system for equity securities. Quotation of our Common Stock on OTC Pink may limit the liquidity and price of our Common Stock more than if our Common Stock were quoted or listed on the NASDAQ Stock Market or another national exchange. Some investors may perceive our Common Stock to be less attractive because it is traded in the over-the-counter market. In addition, as an OTC Pink company, we do not attract the extensive analyst coverage that accompanies companies listed on national exchanges. Further, institutional and other investors may have investment guidelines that restrict or prohibit investing in securities traded on OTC Pink. These factors may have an adverse impact on the trading and price of our Common Stock.

Table of Content

Our Common Stock is not widely held and the volume of trading has been relatively low and sporadic. Accordingly, our Common Stock is subject to increased price volatility and reduced liquidity. There can be no assurance that a more active trading market for our Common Stock will develop or be sustained if it does develop. The market price of our Common Stock has been and may continue to be subject to wide fluctuations in response to numerous factors, some of which are beyond our control. These factors include, among other things, the factors described in the sections entitled Safe Harbor Statement under the Private Securities Reform Act of 1995 and Risk Factors in this Annual Report on Form 10-K, the general state of the securities markets and the market for similar stocks, changes in capital markets that affect the perceived availability of capital to companies in our industry, and governmental legislation or regulation, as well as general economic and market conditions.

WE ARE DEPENDENT ON A SIGNIFICANT CUSTOMER

For the year ended December 31, 2017, we had one customer which accounted for 23.2% of our total revenue. We do not expect similar revenues from this customer in 2018, which could have a material adverse effect on our results of operations. In 2016, there were no customers that accounted for at least 10% of our total revenues.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The Company's headquarters and principal executive offices are located in a leased facility at 135 East 57<sup>th</sup> Street, 14<sup>th</sup> Floor, New York, New York, at an annual rental of \$143,000, which it uses as its primary executive, sales and administrative office. The Company leases a facility in Des Moines, Iowa, at an annual rental of \$158,000, which is used for manufacturing, sales and administrative operations. The Company leases a facility in Hazelwood, Missouri, at an annual rental of \$323,000, which is being used for manufacturing operations.

The aggregate property rent expense was \$848,000 and \$625,000 for the years ended December 31, 2017 and 2016, respectively.

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

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. A vendor has brought a claim against us for \$87,000 plus interest and damages. The Company has accrued for the \$87,000 plus interest in Accounts payable and in Accrued liabilities in the Consolidated Balance Sheet at December 31, 2017.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Content

**PART II**

**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

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

(b) The Company had approximately 223 holders of record of its Common Stock as of March 29, 2018. The number of record holders does not include DTC participants or beneficial owners holding shares through nominee names.

(c) The Board of Directors did not declare any cash dividends on Common Stock during 2017 and the Company does not anticipate paying any cash dividends on its Common Stock for the foreseeable future. In addition, the terms of the Company's Credit Agreement with CNH restrict the payment of dividends on our Common Stock. The Board of Directors declared cash dividends of \$6.00 per share in April and November 2017, aggregating approximately \$198,000, for each share of SBCPS. As described herein, the SBCPS carries a 6.0% cumulative annual dividend.

(d) The following table sets forth the range of Common Stock prices on the OTCQB:

	2017		2016	
	High	Low	High	Low
First Quarter	\$2.45	\$1.42	\$4.10	\$3.05
Second Quarter	\$2.00	\$1.01	\$4.15	\$2.01
Third Quarter	\$1.79	\$0.75	\$4.20	\$2.28
Fourth Quarter	\$1.55	\$0.50	\$3.20	\$2.00

(e) The Company did not purchase any of its equity securities during any month of the fourth fiscal quarter of 2017.

**ITEM 6. SELECTED FINANCIAL DATA**

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

(a) Not applicable.

(b) Not applicable.

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

**Overview**

Trans-Lux is a leading supplier of LED technology for displays and lighting applications. The essential elements of these systems are the real-time, programmable digital products and lighting fixtures 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's LED lighting fixtures offer energy-saving lighting solutions that feature a comprehensive offering of the latest LED lighting technologies that provide facilities and public infrastructure with green lighting solutions that emit less heat, save energy and enable creative designs. 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 and LED lighting solutions. 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.

Table of Content

**Going Concern**

We do not have adequate liquidity, including access to the debt and equity capital markets, to operate our business. As a result, our short-term business focus has been to preserve our liquidity position. Unless we are successful in obtaining additional liquidity, we believe that we will not have sufficient cash and liquid assets to fund normal operations for the next 12 months from the issuance of this Form 10-K. In addition, the Company's obligations under its defined benefit pension plan exceeded plan assets by \$4.2 million at December 31, 2017, including \$576,000 of minimum contributions due over the next 12 months. The Company is in default on its Notes and Debentures, which have remaining principal balances of \$387,000 and \$220,000, respectively. As a result, if the Company is unable to (i) obtain additional liquidity for working capital, (ii) make the required minimum funding contributions to the defined benefit pension plan, (iii) make the required principal and interest payments on the Notes and the Debentures and/or (iv) repay our obligations under our Credit Agreement with CNH, there would be a significant adverse impact on the financial position and operating results of the Company.

Moreover, because of the uncertainty surrounding our ability to obtain additional liquidity and the potential of the noteholders and/or trustees to give notice to the Company of a default on either the Debentures or the Notes, our independent registered public accounting firm has issued an opinion on our Consolidated Financial Statements that states that the Consolidated Financial Statements were prepared assuming we will continue as a going concern. See Note 2 to the Consolidated Financial Statements - Going Concern.

**Critical Accounting Policies and Estimates**

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, warrant liabilities, 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.

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



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.

Table of Content

*Rental Equipment:* The Company evaluates rental equipment assets for possible impairment annually to determine if the \$2.0 million 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, 2017 impairment analysis included a renewal rate estimate of 89.2% and a CPI rate change of approximately 1.8%, which were the actual average rates for the two-year period ended December 31, 2017. Based on these assumptions, the cash flow model determined a fair value of \$8.0 million, exceeding its carrying value by 298%. 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 \$151,000. For every 0.1-percentage-point change in the CPI rate, the valuation would change by approximately \$23,000.

Rental equipment is comprised of installed digital products on lease that are 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 that are still in operation. Current contracts have an average age of 19.6 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 3.3 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 3.0 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.

The October 1, 2017 annual review indicated that the fair value of the reporting unit exceeded its carrying value by 169.2%. 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 other assumptions are impacted by

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

economic conditions and expectations of management and will change in the future based on period-specific facts and circumstances, thereby possibly requiring an impairment charge in the future.

*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. In May 2017, the Company deposited \$650,000 in a savings account as collateral for a letter of credit in favor of the City of Hazelwood, Missouri as collateral for a forgivable loan. In July 2016, the Company deposited \$400,000 in a savings account as collateral for a letter of credit in favor of the landlord at its Hazelwood, Missouri manufacturing facility as a security deposit. In October 2017, the security deposit was reduced by \$100,000 to \$300,000, so the related letter of credit and savings account deposit were also reduced. In July 2014, the Company deposited \$212,000 in a savings account as collateral for a letter of credit in favor of the landlord at its former New York headquarters as a security deposit. The lease expired on November 29, 2017 and the related letter of credit was released on February 9, 2018. 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.

Table of Content

*Income Taxes:* The Company records a valuation allowance to reduce its deferred tax assets to the amount that it believes is more likely than not to be realized. While the Company has considered future taxable income and ongoing feasible tax planning strategies in assessing the need for the valuation allowance, in the event the Company were to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Likewise, should the Company determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made.

*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.

*Pension Plan Obligations:* The Company is required to make estimates and assumptions to determine the obligation of our pension benefit plan, which includes investment returns and discount rates. The Company recorded after-tax charges in unrecognized pension liability of \$95,000 and \$409,000 in 2017 and 2016, respectively, in other comprehensive loss. Estimates and assumptions are reviewed annually with the assistance of external actuarial professionals and adjusted as circumstances change. Assumed mortality rates of plan participants are a critical estimate in measuring the expected payments a participant will receive over their lifetime and the amount of liability and expense we recognize. At December 31, 2017, plan assets were invested 28.0% in fixed income contracts and 72.0% in equity and index funds. The investment return assumption takes the asset mix into consideration. The assumed discount rate reflects the rate at which the pension benefits could be settled. The Company utilizes a yield curve in lieu of a single weighted discount rate in determining liabilities and the interest cost for the following year. At December 31, 2017, the weighted average rates used for the computation of benefit plan liabilities were: investment returns, 8.00% and discount rate, 3.66%. The net periodic cost for 2018 will be based on the December 31, 2017 valuation. The defined benefit pension plan periodic cost was (\$31,000) and \$14,000 in 2017 and 2016, respectively. At December 31, 2017, assuming no change in the other assumptions, one-percentage point increase/(decrease) in the discount rate would have increased/(decreased) the net periodic cost by \$7,000/(\$16,000).

As of December 31, 2003, the benefit service under the defined benefit pension plan had been frozen and, accordingly, there is no service cost for the years ended December 31, 2017 and 2016. In March 2010, 2011 and 2013, the Company submitted to the IRS requests for waivers of the 2009, 2010 and 2012 minimum funding standards for its defined benefit pension plan. As of December 31, 2017, the Company has fully repaid the amounts deferred for each of these waivers. In 2017, we made \$298,000 of the \$444,000 of minimum required contributions to the plan. At this time, we expect to make our minimum required contributions in 2018 of \$576,000, which includes the balance of the 2017 minimum required contributions; however, there is no assurance that we will be able to make any or all of such remaining payments. See Note 13 to the Consolidated Financial Statements Pension Plan for further details.

*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. A vendor has brought a claim against us for \$87,000 plus interest and damages. The Company has accrued for the \$87,000 plus interest in Accounts payable and in Accrued liabilities in the Consolidated Balance Sheet at December 31, 2017. Potential damages, if any, are not yet determinable.

On May 23, 2017, the Company received \$650,000 structured as a forgivable loan from the City of Hazelwood, Missouri, which is included in Forgivable loan 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, 2024. 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% (6.50% at December 31, 2017). In February 2018, in accordance with the agreement, the Company requested a 1-year extension of the terms of the agreement, which was approved by the City of Hazelwood in March 2018, so the agreement now terminates on April 1, 2025. As of December 31, 2017, the Company has accrued interest of \$26,000.

Table of Content**Results of Operations**

The following table presents our Statements of Operations data, expressed as a percentage of revenue for the years ended December 31, 2017 and 2016:

In thousands	2017		2016	
Revenues:				
Digital product sales	\$ 22,093	90.4%	\$ 18,138	85.6%
Digital product lease and maintenance	2,350	9.6%	3,053	14.4%
Total revenues	24,443	100.0%	21,191	100.0%
Cost of revenues:				
Cost of digital product sales	19,221	78.6%	13,355	63.0%
Cost of digital product lease and maintenance	1,490	6.1%	2,032	9.6%
Total cost of revenues	20,711	84.7%	15,387	72.6%
Gross profit from operations	3,732	15.3%	5,804	27.4%
General and administrative expenses	(6,578)	(26.9)%	(6,624)	(31.3)%
Operating loss	(2,846)	(11.6)%	(820)	(3.9)%
Interest expense, net	(708)	(2.9)%	(374)	(1.8)%
Loss on foreign currency remeasurement	(178)	(0.7)%	(45)	(0.2)%
Gain on extinguishment of debt	-	-%	462	2.2%
Gain on sale/leaseback transaction	132	0.5%	121	0.6%
Warrant expense	-	-%	(21)	(0.1)%
Loss before income taxes	(3,600)	(14.7)%	(677)	(3.2)%
Income tax benefit	751	3.0%	66	0.3%
Net loss	\$ (2,849)	(17.7)%	\$ (611)	(2.9)%

**2017 Compared to 2016**

Total revenues for the year ended December 31, 2017 increased \$3.2 million or 15.3% to \$24.4 million from \$21.2 million for the year ended December 31, 2016, primarily due to an increase in Digital product sales, partially offset by a decrease in Digital product lease and maintenance.

Digital product sales revenues for the year ended December 31, 2017 increased \$4.0 million or 21.8%, primarily due to a single large scoreboard customer sale, offset by a reduction in other sales to the scoreboard and lighting markets.

Digital product lease and maintenance revenues for the year ended December 31, 2017 decreased \$703,000 or 23.0%, primarily due to the continued expected revenue decline in the older outdoor display equipment rental and maintenance bases acquired in the early 1990s.

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

Total gross margin for the year ended December 31, 2017 decreased to 15.3% from 27.4% for the year ended December 31, 2016, primarily due to the strategically reduced margin on the single large scoreboard customer sale, partially offset by lower depreciation expense related to Digital product lease and maintenance revenues, as well as increased efficiencies achieved in our manufacturing facility.

Total operating loss for the year ended December 31, 2017 increased \$2.0 million to \$2.8 million as compared to \$820,000 for the year ended December 31, 2016, principally due to the decrease in gross margin.

Digital product sales operating (loss) income decreased \$1.8 million to a loss of \$149,000 as compared to income of \$1.6 million, primarily due to the decrease in gross margin. The cost of Digital product sales increased \$5.9 million or 43.9%, primarily due to the decreased gross margin on the single large scoreboard customer sale and the increase in revenues. The cost of Digital product sales represented 87.0% of related revenues in 2017 compared to 73.6% in 2016. Digital product sales general and administrative expenses decreased \$131,000 or 4.2%, primarily due to a decrease in bad debt expense.

Digital product lease and maintenance operating income decreased \$172,000 or 20.8%, primarily as a result of a decrease in revenues, offset by the decrease in depreciation expense. The cost of Digital product lease and maintenance decreased \$542,000 or 26.7%, primarily due to the decrease in depreciation expense. The cost of Digital product lease and maintenance revenues represented 63.4% of related revenues in 2017 compared to 66.6% in 2016. The cost of Digital product lease and maintenance includes field service expenses, plant repair costs, maintenance and depreciation. Digital product lease and maintenance general and administrative expenses increased \$11,000 or 5.6%, primarily due to an increase in bad debt expense.

## Table of Content

Corporate general and administrative expenses increased \$74,000 or 2.3%, primarily due to an increase in payroll and benefits, partially offset by decreases in insurance, legal and pension plan expenses.

Net interest expense increased \$334,000 or 89.3%, primarily due to an increase in the average outstanding long-term debt, as well as an increase in interest rates.

The loss on foreign currency remeasurement increased \$133,000 to \$178,000 in 2017 as compared to \$45,000 in 2016, primarily due to increased fluctuations in the exchange rate between currency in Canada and the United States.

Gain on extinguishment of debt in 2016 relates to the Company's offers to exchange each \$1,000 of principal of its Notes and Debentures, forgiving any related interest, for \$200 in cash, for an aggregate payment by the Company of \$71,000.

Warrant expense in 2016 is attributable to the amortization of equity warrants granted to directors in 2013.

The effective tax rate for the years ended December 31, 2017 and 2016 was a benefit of 20.9% and 9.7%, respectively. In 2017 and 2016, the Company recognized benefits of \$777,000 and \$89,000, respectively, as a result of refundable alternative minimum tax (AMT) credits. The income tax benefit in 2017 and 2016 is also 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.

## **Liquidity and Capital Resources**

### **Current Liquidity**

The Company has incurred significant recurring losses and has a significant working capital deficiency. The Company incurred a net loss of \$2.8 million in 2017 and had a working capital deficiency of \$5.8 million as of December 31, 2017.

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



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. As a result, we have experienced a decline in our lease and maintenance bases. The cash flows of the Company are constrained, and in order to more effectively manage its cash resources in these challenging economic times, the Company has, from time to time, increased the timetable of its payment of some of its payables. There can be no assurance that we will meet our anticipated current and near-term cash requirements. Management believes that its current cash resources and cash provided by operations would not be sufficient to fund its anticipated current and near-term cash requirements and is seeking additional financing in order to execute our operating plan. We cannot predict whether future financing, if any, will be in the form of equity, debt, or a combination of both. We may not be able to obtain additional funds on a timely basis, on acceptable terms, or at all, and we have no commitments, agreements or understandings with respect to any equity or debt financing. Moreover, our ability to receive debt financing could be restricted by the covenants of our Credit Agreement with CNH and any equity financing we receive could be substantially dilutive to our shareholders. The Company continually evaluates the need and availability of long-term capital in order to meet its cash requirements and fund potential new opportunities.

The Company used cash for operating activities of \$810,000 and \$772,000 for the years ended December 31, 2017 and 2016, respectively. The Company has implemented several initiatives to improve operational results and cash flows over future periods, including reducing headcount, reorganizing its sales department, outsourcing its human resources department and expanding its sales and marketing efforts in the LED lighting market. 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 and cash equivalents increased \$141,000 in 2017. The increase is primarily attributable to borrowings of long-term debt of \$3.5 million and proceeds from a forgivable loan of \$650,000, offset by payments of long-term debt of \$2.2 million, cash used for operations of \$810,000, cash designated as restricted cash of \$550,000, investments in equipment for rental, property and equipment of \$222,000 and payments of dividends on the SBCPS of \$198,000.

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 2017 until the underlying debts mature.

Table of Content

The following table summarizes the Company's fixed cash obligations as of December 31, 2017 over the next five fiscal years:

In thousands	2018	2019	2020	2021	2022
Long-term debt, including interest	\$ 4,625	\$ 1,143	\$ -	\$ -	\$ -
Pension plan payments	576	267	312	276	333
Employment obligations	100	-	-	-	-
Estimated warranty liability	103	87	64	44	24
Operating lease payments	701	356	336	342	348
Total	\$ 6,105	\$ 1,853	\$ 712	\$ 662	\$ 705

Of the fixed cash obligations for debt for 2018, \$1.0 million, including interest, of Notes and Debentures remains outstanding. The Company is seeking 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. To the extent the Company issues additional equity securities, it could be dilutive to existing shareholders.

**Long-Term Debt**

On July 12, 2016, the Company and its wholly-owned subsidiaries Trans-Lux Display Corporation, Trans-Lux Midwest Corporation and Trans-Lux Energy Corporation (the Borrowers) entered into a credit and security agreement, as subsequently amended on September 8, 2016, February 14, 2017, March 28, 2017, July 28, 2017, October 10, 2017, November 9, 2017, November 16, 2017 and March 14, 2018 (collectively, the Credit Agreement) with CNH as lender. Under the Credit Agreement, the Company can borrow up to an aggregate of \$4.0 million, which includes (i) up to \$3.0 million of a revolving loan, at an interest rate of prime plus 4.0% (amended to be prime plus 6.0% effective March 1, 2018), and (ii) a \$1.0 million term loan, at an interest rate of prime plus 6.0%. The availability under the revolving loan is calculated based on certain percentages of eligible receivables and inventory. During 2017, the Company had drawn \$917,000 on the revolving loan and \$600,000 on the term loan. As of December 31, 2017, \$2.7 million and \$790,000, respectively, were outstanding on the revolving loan and the term loan, respectively. Interest under the Credit Agreement is payable monthly in arrears. The Credit Agreement also requires the payment of certain fees, including, but not limited to a facility fee, an unused line fee and a collateral management fee. See Note 11 to the Consolidated Financial Statements Long-Term Debt for further details.

The Credit Agreement contains financial and other covenant requirements, including, but not limited to, financial covenants that require the Borrowers to maintain a fixed charge coverage ratio of at least 1.0 to 1.0 starting with their August 31, 2017 financial statements and a loan turnover rate of no more than 35 days. As of December 31, 2017, the fixed charge ratio was 0.0 to 1.0 and the loan turnover rate was 44 days, so the Company was not in compliance with all covenants. The Company entered into an Eighth Amendment to the Credit Agreement dated as of March 14, 2018 with CNH, to waive the Company's non-compliance with these financial covenants and to amend the interest rate of prime plus

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

4.0% to be prime plus 6.0% effective March 1, 2018.

On April 27, 2016, the Company received a \$500,000 loan from Carlisle Investments Inc. ( Carlisle ) at a fixed interest rate of 12.00%, which is due to mature on April 27, 2019 with a bullet payment of all principal due at such time. Interest is payable monthly. Marco Elser, a director of the Company, exercises voting and dispositive power as investment manager of Carlisle.

On November 6, 2017, the Company received an additional \$500,000 loan from Carlisle at a fixed interest rate of 12.00%, which was due to mature on December 10, 2017 with a bullet payment of all principal due at such time (the Second Carlisle Agreement ). Interest is payable monthly. As of December 31, 2017, the outstanding balance was \$500,000. Marco Elser, a director of the Company, exercises voting and dispositive power as investment manager of Carlisle.

On July 15, 2016, holders of \$239,000 of the Notes and \$114,000 of the Debentures accepted the Company's offer to exchange each \$1,000 of principal, forgiving any related interest, for \$200 in cash, for an aggregate payment by the Company of \$71,000. The Company continues to consider future exchanges of the \$387,000 of remaining Notes and \$220,000 of remaining Debentures, but has no agreements, commitments or understandings with respect to any further such exchanges. As of December 31, 2017, the Company still had outstanding \$387,000 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. See Note 11 to the Consolidated Financial Statements Long-Term Debt for further details.

Table of Content

**Pension Plan Contributions**

In March 2010, 2011 and 2013, the Company submitted to the IRS requests for waivers of the 2009, 2010 and 2012 minimum funding standards for its defined benefit pension plan. As of December 31, 2017, the Company had fully repaid the amounts deferred for each of these waivers. In 2017, we made \$298,000 of the \$444,000 of minimum required contributions to the plan. At this time, we expect to make our minimum required contributions in 2018 of \$576,000, which includes the balance of the 2017 minimum required contributions; however, there is no assurance that we will be able to make any or all of such remaining payments. See Note 13 to the Consolidated Financial Statements Pension Plan for further details.

**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 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**

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

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 11 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 \$42,000. 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 \$284,000, 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, 2017.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

Report of Independent Registered Public Accounting Firm	17
Consolidated Balance Sheets as of December 31, 2017 and 2016	18
Consolidated Statements of Operations for the Years Ended December 31, 2017 and 2016	19
Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2017 and 2016	19
Consolidated Statements of Stockholders' Deficit for the Years Ended December 31, 2017 and 2016	20
Consolidated Statements of Cash Flows for the Years Ended December 31, 2017 and 2016	21
Notes to Consolidated Financial Statements	22

Table of Content

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, 2017 and 2016, the related consolidated statements of operations, comprehensive loss, stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2017, 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, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

**Explanatory Paragraph - Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a significant working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Further, the Company is in default of the indenture agreements governing its outstanding 9½% subordinated debentures which were due in 2012 (the "Debentures") and its 8¼% limited convertible senior subordinated notes which were due in 2012 (the "Notes") so that the trustees or holders of 25% of the outstanding Debentures and Notes have the right to demand payment immediately. Additionally, the Company has a significant amount due to their pension plan over the next 12 months. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

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. 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 30, 2018

Table of Content

## TRANS-LUX CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

	December 31		December 31	
In thousands, except share data	2017		2016	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$	747	\$	606
Accounts receivable, net		3,522		3,118
Inventories		2,164		1,893
Prepays and other assets		1,539		671
Total current assets		7,972		6,288
Long-term assets:				
Rental equipment, net		2,016		3,089
Property, plant and equipment, net		2,286		2,292
Goodwill		744		744
Restricted cash		1,162		612
Other assets		804		389
Total long-term assets		7,012		7,126
<b>TOTAL ASSETS</b>	\$	14,984	\$	13,414
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>				
Current liabilities:				
Accounts payable	\$	2,778	\$	1,493
Accrued liabilities		5,781		5,566
Current portion of long-term debt		4,029		2,984
Customer deposits		1,135		234
Total current liabilities		13,723		10,277
Long-term liabilities:				
Long-term debt, less current portion		384		57
Long-term debt - related party		500		500
Forgivable loan		650		-
Deferred pension liability and other		3,638		3,856
Total long-term liabilities		5,172		4,413
Total liabilities		18,895		14,690
Stockholders' deficit:				
Preferred Stock Series A - \$20 stated value - 416,500 shares authorized; shares issued and outstanding: 0 in 2017 and 2016		-		-
Preferred Stock Series B - \$200 stated value - 51,000 shares authorized; shares issued and outstanding: 16,512 in 2017 and 2016 (liquidation preference \$3,346,000)		3,302		3,302
Common Stock - \$0.001 par value - 10,000,000 shares authorized; shares issued: 2,190,011 in 2017 and 1,738,511 in 2016; shares outstanding: 2,162,171 in 2017 and 1,710,671 in 2016		2		2
Additional paid-in-capital		28,273		27,935
Accumulated deficit		(26,889)		(23,842)
Accumulated other comprehensive loss		(5,536)		(5,610)

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



Edgar Filing: TRANS LUX Corp - Form 10-K

Treasury stock - at cost - 27,840 common shares in 2017 and 2016	(3,063)	(3,063)
Total stockholders' deficit	(3,911)	(1,276)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 14,984</b>	<b>\$ 13,414</b>

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

Table of Content

## TRANS-LUX CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands, except per share data	Years Ended			
	December 31			
	2017		2016	
<b>Revenues:</b>				
Digital product sales	\$	22,093	\$	18,138
Digital product lease and maintenance		2,350		3,053
Total revenues		24,443		21,191
<b>Cost of revenues:</b>				
Cost of digital product sales		19,221		13,355
Cost of digital product lease and maintenance		1,490		2,032
Total cost of revenues		20,711		15,387
<b>Gross profit</b>		3,732		5,804
General and administrative expenses		(6,578)		(6,624)
<b>Operating loss</b>		(2,846)		(820)
Interest expense, net		(708)		(374)
Loss on foreign currency remeasurement		(178)		(45)
Gain on extinguishment of debt		-		462
Gain on sale/leaseback transaction		132		121
Warrant expense		-		(21)
<b>Loss before income taxes</b>		(3,600)		(677)
Income tax benefit		751		66
<b>Net loss</b>	\$	(2,849)	\$	(611)
Loss per share - basic and diluted	\$	(1.78)	\$	(0.47)

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

## TRANS-LUX CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

In thousands	Years Ended			
	December 31			
	2017		2016	
Net loss	\$	(2,849)	\$	(611)
Other comprehensive income (loss):				
Unrealized foreign currency translation gain		169		56
Change in unrecognized pension costs		(95)		(409)
Total other comprehensive income (loss), net of tax		74		(353)
Comprehensive loss	\$	(2,775)	\$	(964)

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

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



Table of Content

TRANS-LUX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

	Accumulated	
	Stock	
thousands, except share data	Accumulated	Shares
	Stock	
the years ended December 31, 2017 and 2016	Accumulated	Shares
	Loss	Amt
		Shares
		Amt
		Shares
		Amt

Balance January 1, 2016

\$

16,512

\$

3,3

1,738,511

\$

\$

27,9

\$

(23,0

\$

(5,2

\$

(3,0

\$

(1

Net loss

(6)

(6)

Dividends paid on preferred stock

(1

(1

Warrants issued to directors in 2013

Other comprehensive income (loss), net of tax:



Unrealized foreign currency translation gain

Change in unrecognized pension costs

(4

(4

Balance December 31, 2016

16,512

3,3

1,738,511

27,9

(23,8

(5,6

(3,0

(1,2

Net loss

(2,8

(2,8

Dividends paid on preferred stock

(1

Stock issued to directors/officers in 2017

451,5

2

Other comprehensive income, net of tax:

Unrealized foreign currency translation gain

Change in unrecognized pension costs

Balance December 31, 2017

\$

16,512

\$

3.3



2,190,011

\$

\$

28,2

\$

(26,8

\$

(5,5

\$

(3,0

\$

(3,9

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

Table of Content

## TRANS-LUX CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended	
	December 31	
In thousands	2017	2016
<b>Cash flows from operating activities</b>		
Net loss	\$ (2,849)	\$ (611)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,301	1,774
Amortization of gain on sale/leaseback transaction	(132)	(121)
Amortization of deferred financing fees	93	72
Gain on extinguishment of debt	-	(462)
Loss on foreign currency remeasurement	178	45
Amortization of warrants - stock compensation expense	-	21
Bad debt expense	196	305
Issuance of common stock for compensation	338	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(600)	(528)
Inventories	(271)	(17)
Prepays and other assets	(1,271)	(125)
Accounts payable	1,285	284
Accrued liabilities	127	(318)
Customer deposits	901	(19)
Deferred pension liability and other	(106)	(1,072)
Net cash used in operating activities	(810)	(772)
<b>Cash flows from investing activities</b>		
Proceeds from sale/leaseback transaction	-	1,100
Equipment manufactured for rental	(32)	(44)
Purchases of property, plant and equipment	(190)	(2,037)
Restricted cash	(550)	(397)
Net cash used in investing activities	(772)	(1,378)
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	3,017	2,955
Proceeds from long-term debt - related parties	500	500
Proceeds from forgivable loan	650	-
Payments of long-term debt	(2,182)	(682)
Payments of dividends on preferred stock	(198)	(177)
Payments for deferred financing fees	(69)	(368)
Payments for fees on extinguishment of debt	-	(27)
Net cash provided by financing activities	1,718	2,201
Effect of exchange rate changes	5	8
Net increase in cash and cash equivalents	141	59
Cash and cash equivalents at beginning of year	606	547
<b>Cash and cash equivalents at end of period</b>	<b>\$ 747</b>	<b>\$ 606</b>

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

Edgar Filing: TRANS LUX Corp - Form 10-K

Supplemental disclosure of cash flow information:

Interest paid	\$	536	\$	232
Income taxes paid		23		23

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

Table of Content

Notes To Consolidated Financial Statements

**1. Summary of Significant Accounting Policies**

Trans-Lux Corporation is a leading designer and manufacturer of digital signage displays and LED lighting solutions. The Company sells and leases its digital signage displays and LED lighting 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, 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:* Receivables are carried at net realizable value. Credit is extended based on an evaluation of each customer's financial condition; collateral is generally not required. Reserves for uncollectible accounts receivable are provided based on historical experience and current trends. The Company evaluates the adequacy of these reserves regularly.

The following is a summary of the allowance for uncollectible accounts at December 31:

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

In thousands	2017		2016	
Balance at beginning of year	\$	39	\$	559
Provisions		196		305
Write-offs		-		(825)
Balance at end of year	\$	235	\$	39

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers, the relatively small account balances within the majority of the Company's customer base and their dispersion across different businesses. At December 31, 2017, three customers accounted for 52.4% of the balance in Accounts receivable, net. In 2017, one customer accounted for 23.2% of total revenues. We do not expect similar revenues from this customer in 2018, but we do expect similar revenues from the sale of similar products to similar customers in 2018. At December 31, 2016, one customer accounted for 17.2% of the balance in Accounts receivable, net. In 2016, there were no customers that accounted for at least 10% of our total revenues.

*Inventories:* Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. Valuation allowances for slow-moving and obsolete inventories are provided based on historical experience and demand for servicing of the displays. The Company evaluates the adequacy of these valuation allowances regularly.

*Rental equipment and property, plant and equipment, net:* Rental equipment and property, plant and equipment are stated at cost and depreciated over their respective useful lives using the straight-line method. Leaseholds and improvements are amortized over the lesser of the useful lives or term of the lease. Repairs and maintenance costs related to rental equipment and property, plant and equipment are expensed in the period incurred.

The estimated useful lives are as follows:

	Years
Indoor rental equipment	10
Outdoor rental equipment	15
Machinery, fixtures and equipment	5 - 15
Leaseholds and improvements	7

When rental equipment and property, plant and equipment are fully depreciated, retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the accounts. Any gains or losses on disposals are recorded in the period incurred.

*Goodwill:* Goodwill represents the excess of purchase price over the estimated fair value of net assets acquired. The goodwill of \$744,000 relates to the Digital product sales segment.

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



Table of Content

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 9.4% 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 7.3% 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 3 Fair Value). There was no impairment of goodwill in 2017 or 2016.

*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 2017 or 2016.

*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. In May 2017, the Company deposited \$650,000 in a savings account as collateral for a letter of credit in favor of the City of Hazelwood, Missouri as collateral for a forgivable loan. In July 2016, the Company deposited \$400,000 in a savings account as collateral for a letter of credit in favor of the landlord at its Hazelwood, Missouri manufacturing facility as a security deposit. In October 2017, the security deposit was reduced by \$100,000 to \$300,000, and the related letter of credit was also reduced. In July 2014, the Company deposited \$212,000 in a savings account as collateral for a letter of credit in favor of the landlord at its former New York headquarters as a security deposit. The lease expired on November 29, 2017 and the related letter of credit was released on February 9, 2018. 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.

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

*Shipping Costs:* The costs of shipping product to our customers of \$614,000 and \$610,000 in 2017 and 2016, 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 \$401,000 and \$147,000 in 2017 and 2016, respectively, are included in General and administrative expenses.

*Revenue recognition:* Revenues from equipment lease and maintenance contracts are recognized during the term of the respective agreements, which generally run for periods of one month to 10 years. At December 31, 2017, the future minimum lease payments due to the Company under operating leases that expire at varying dates through 2028 for its rental equipment and maintenance contracts, assuming no renewals of existing leases or any new leases, aggregating \$4,947,000 are as follows: \$1,744,000 2018, \$1,146,000 2019, \$947,000 2020, \$342,000 2021, \$188,000 2022 and \$580,000 thereafter.

Revenues on equipment sales with long-term receivables are recorded on the installment basis. At December 31, 2017, the future accounts receivables due to the Company under installment sales agreements aggregated \$25,000 through 2018. Revenues on equipment sales, other than long-term equipment sales contracts, are recognized upon shipment when title and risk of loss passes to the customer.



Table of Content

*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.

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.

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJ Act") was enacted. Effective January 1, 2018, the legislation significantly changed U.S. tax law by lowering the federal corporate tax rate from 35.0% to 21.0%, modifying the foreign earnings deferral provisions, and imposing a one-time toll charge on deemed repatriated earnings of foreign subsidiaries as of December 31, 2017. Effective for 2018 and forward, there are additional changes including changes to refundable AMT credits, bonus depreciation, the deduction for executive compensation and interest expense. As of December 31, 2017, two provisions affecting the financial statements are the refundable AMT credits and the one-time toll charge. The change in tax rate which would affect the value of deferred tax assets in the amount of \$1.7 million does not affect the financial statements since those assets have had a valuation reserve established for several years. Since the toll charge on deemed repatriated earnings of foreign subsidiaries is effective for the tax year ending in 2017, the company has included a deemed dividend in taxable income of \$3.3 million for the tax year ending December 31, 2017. The tax cost has been offset by net operating loss carryforwards. The deferred refundable AMT credits amounting to \$0.7 million, which are now fully refundable, have been included for the tax year ending December 31, 2017. See Note 8 - Taxes on Income for further details.

*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

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

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 on foreign currency remeasurement in the Consolidated Statements of Operations.

*Share-based compensation plans:* The Company measures share-based payments to employees and directors 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 stock option, estimated forfeiture rate and risk free interest rate. For details on the accounting effect of share-based compensation, see Note 14 Share-Based Compensation.

*Consideration of Subsequent Events:* The Company evaluated events and transactions occurring after December 31, 2017 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.

*Recent accounting pronouncements:* In February 2018, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2018-02, Income Statement Reporting Comprehensive Income (Topic 220). ASU 2018-02 provides companies with an option to reclassify stranded tax effects within accumulated other comprehensive income ( AOCI ) to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the TCJ Act (or portion thereof) is recorded. ASU 2018-02 also requires disclosure of a description of the accounting policy for releasing income tax effects from AOCI and whether an election was made to reclassify the stranded income tax effects from the TCJ Act. Public business entities should apply the amendments in ASU 2018-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019), early application is permitted. The Company is in the process of evaluating this pronouncement but has not yet determined the effect of the adoption of this standard on the Company's consolidated financial position and results of operations.

Table of Content

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715)*. ASU 2017-07 improves the presentation of net periodic pension cost and net periodic postretirement benefit cost. Public business entities should apply the amendments in ASU 2017-07 for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years (i.e., January 1, 2018), 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 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 November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. ASU 2016-18 modifies the presentation of Restricted Cash on the Statement of Cash Flows. Public business entities should apply the amendments in ASU 2016-18 for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years (i.e., January 1, 2018), 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 February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use 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. 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. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019), early application is permitted. The Company is in the process of evaluating this pronouncement but has not yet determined the effect of the adoption of this standard on the Company's consolidated financial position and results of operations.

In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* by one year. As a result, the ASU is now effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, which for the Company is the first quarter of 2018. Earlier application is permitted for fiscal years beginning after December 15, 2016, including interim reporting periods within those years, which for the Company is the first quarter of 2017.

This new accounting standard will replace most current GAAP guidance on this topic and eliminate most

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

industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. Entities may adopt the new standard either retrospectively to all periods presented in the financial statements (the full retrospective method) or as a cumulative-effect adjustment as of the date of adoption (modified retrospective method) in the year of adoption without applying to comparative periods financial statements.

The Company will adopt the guidance for the annual reporting period beginning on January 1, 2018 using the modified retrospective method. The Company has evaluated and continues to evaluate the impact of the adoption of the new revenue recognition standard. The adoption of this standard is not expected to have a monetarily material impact on the Company's financial position and results of operations other than the need for increased disclosure.

*Reclassifications:* Certain reclassifications of prior years' amounts have been made to conform to the current year's presentation. In 2016, Customer deposits were included in Accrued liabilities in the Consolidated Balance Sheets.

Table of Content

**2. Going Concern**

A fundamental principle of the preparation of financial statements in accordance with GAAP is the assumption that an entity will continue in existence as a going concern, which contemplates continuity of operations and the realization of assets and settlement of liabilities occurring in the ordinary course of business. This principle is applicable to all entities except for entities in liquidation or entities for which liquidation appears imminent. In accordance with this requirement, the Company has prepared its accompanying Consolidated Financial Statements assuming the Company will continue as a going concern.

We do not have adequate liquidity, including access to the debt and equity capital markets, to operate our business over the next 12 months from the date of issuance of this Form 10-K. The Company incurred a net loss of \$2.8 million in 2017 and had a working capital deficiency of \$5.8 million as of December 31, 2017. As such, there is substantial doubt about the Company's ability to continue as a going concern for the next 12 months from the date of issuance of this Form 10-K. In addition, the Company is obligated to repay the balance of the revolving credit line (\$2.7 million as of December 31, 2017) and the balloon payment on the term loan of \$490,000 owed under the Credit Agreement, as hereinafter defined, in July 2019. As a result, our short-term business focus has been to preserve our liquidity position. Unless we are successful in obtaining additional liquidity, we believe that we will not have sufficient cash and liquid assets to fund normal operations for the next 12 months from the date of issuance of this Form 10-K. In addition, the Company's obligations under its pension plan exceeded plan assets by \$4.2 million at December 31, 2017 and the Company has a significant amount due to its pension plan over the next 12 months. The Company is in default on its 8¼% Limited convertible senior subordinated notes due 2012 (the "Notes") and 9½% Subordinated debentures due 2012 (the "Debentures"), which have remaining principal balances of \$387,000 and \$220,000, respectively. As a result, if the Company is unable to (i) obtain additional liquidity for working capital, (ii) make the required minimum funding contributions to the defined benefit pension plan, (iii) make the required principal and interest payments on the Notes and the Debentures and/or (iv) repay our obligations under our Credit Agreement with CNH Finance Fund I, L.P. ( CNH ) (formerly known as SCM Specialty Finance Opportunities Fund, L.P.), there would be a significant adverse impact on the financial position and operating results of the Company. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that may result from the outcome of this uncertainty. See Note 11 - Long-Term Debt for further details.

The Company is seeking 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 additional financings or the terms thereof and the Company has no commitments, agreements or understandings with respect to any equity or debt financing. To the extent the Company issues additional equity securities, it could be dilutive to existing shareholders.

**3. Fair Value**

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

The Company carries its money market funds and 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 its money market funds using quoted market prices, a Level 1 or an observable input, and the cash surrender value of life insurance, a Level 2 based on observable inputs primarily from the counter party. The Company's money market funds and the cash surrender value of life insurance had carrying amounts of \$1,000 and \$55,000, respectively, at December 31, 2017 and 2016, and are included in Cash and cash equivalents and Other assets, respectively, 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 Notes, using observable inputs, was \$77,000 at December 31, 2017 and 2016. The fair value of the Company's Debentures, using observable inputs, was \$44,000 at December 31, 2017 and 2016. The fair value of the Company's remaining long-term debt including current portion approximates its carrying value of \$4.5 million at December 31, 2017 and \$3.2 million at December 31, 2016.

Table of Content**4. Inventories**

Inventories consist of the following:

In thousands	2017		2016	
Raw materials	\$	1,204	\$	1,245
Work-in-progress		704		410
Finished goods		256		238
Total inventory	\$	2,164	\$	1,893

**5. Rental Equipment, net**

Rental equipment consists of the following:

In thousands	2017		2016	
Rental equipment	\$	10,425	\$	15,354
Less accumulated depreciation		8,409		12,265
Net rental equipment	\$	2,016	\$	3,089

The Company entered into a Master Agreement for Sale and Assignment of Leases with AXIS Capital, Inc. (the Assignment Agreement ) and financed the future receivables relating to certain lease contracts. A security interest was granted on the rental equipment underlying the lease contract receivables sold to AXIS Capital, Inc. by the Company pursuant to the Assignment Agreement.

During 2017, \$5.0 million of fully depreciated rental equipment was written off. Depreciation expense for rental equipment for the years ended December 31, 2017 and 2016 was \$1.1 million and \$1.6 million, respectively.

**6. Property, Plant and Equipment, net**

Property, plant and equipment consists of the following:

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

In thousands		<b>2017</b>		2016
Machinery, fixtures and equipment	\$	<b>2,972</b>	\$	2,839
Leaseholds and improvements		<b>12</b>		25
		<b>2,984</b>		2,864
Less accumulated depreciation		<b>698</b>		572
Net property, plant and equipment	\$	<b>2,286</b>	\$	2,292

Equipment having a net book value of \$2.3 million at December 31, 2017 and 2016 are pledged as collateral under various financing agreements.

On February 1, 2016, the Company sold its Des Moines, Iowa facility for \$1.1 million in a sale/leaseback transaction. The lease is for a two year period at an annual rental of \$158,000. As a result of the sale, the remaining \$329,000 mortgage was paid in full. Net proceeds of \$661,000 were received after paying off the related mortgage. The Company calculated a gain of \$267,000, which is being recognized over the 24 month term of the lease. The Company recognized \$132,000 and \$121,000 of the gain in the years ended December 31, 2017 and 2016, respectively.

During 2017 and 2016, \$70,000 and \$36,000, respectively, of fully depreciated property, plant and equipment was written off. Depreciation expense for property, plant and equipment for the years ended December 31, 2017 and 2016 was \$196,000 and \$137,000, respectively.

## 7. Other Assets

Other assets consist of the following:

In thousands		<b>2017</b>		2016
Refundable alternative minimum tax				
( AMT ) credits	\$	<b>611</b>	\$	-
Prepays		<b>121</b>		109
Deposits		<b>72</b>		255
Long-term receivables		<b>-</b>		25
Total other assets	\$	<b>804</b>	\$	389

## 8. Taxes on Income



On December 22, 2017, the Tax Cuts and Jobs Act (the TCJ Act ) was enacted. Effective January 1, 2018, the legislation significantly changed U.S. tax law by lowering the federal corporate tax rate from 35.0% to 21.0%, modifying the foreign earnings deferral provisions, and imposing a one-time toll charge on deemed repatriated earnings of foreign subsidiaries as of December 31, 2017. Effective for 2018 and forward, there are additional changes including changes to refundable AMT credits, bonus depreciation, the deduction for executive compensation and interest expense. As of December 31, 2017, two provisions affecting the financial statements are the refundable AMT credits and the one-time toll charge. The change in tax rate which would affect the value of deferred tax assets in the amount of \$1.7 million would be offset by a change in the valuation reserve. Since the toll charge on deemed repatriated earnings of foreign subsidiaries is effective for the tax year ending in 2017, the Company has included a deemed dividend in taxable income of \$3.3 million for the tax year ending December 31, 2017. The tax cost has been offset by net operating loss carryforwards. The deferred refundable AMT credits amounting to \$777,000, which are now fully refundable, have been included for the tax year ending December 31, 2017.

The SEC issued Staff Accounting Bulletin No. 118, which provides the Company with up to one year to finalize accounting for the impacts of the TCJ Act. When the initial accounting for U.S Tax Reform impacts is incomplete, the Company may include provisional amounts when reasonable estimates can be made or continue to apply the prior tax law if a reasonable estimate cannot be made. The Company has estimated the provisional tax impacts related to the toll charge and as result, the Company recognized a net tax expense of approximately \$712,000 (\$513,000 for Federal and \$199,000 for State) offset by NOL's. It has also recognized a tax benefit of \$777,000 for fully refundable AMT credits. The final impact may differ from this and other provisional amounts due to gathering additional information to more precisely compute the amount of tax, additional regulatory guidance that may be issued, and changes in interpretations and assumptions. The Company expects to finalize accounting for the impacts of the TCJ Act during 2018.

Table of Content

The components of income tax benefit are as follows:

In thousands	2017	2016
Current:		
Federal	\$ (777)	\$ (89)
State and local	-	-
Foreign	26	23
	\$ (751)	\$ (66)
Deferred:		
Federal	\$ -	\$ -
State and local	-	-
	-	-
Income tax benefit	\$ (751)	\$ (66)

Loss before income taxes from the United States operations was \$3.5 million and \$0.6 million for the years ended December 31, 2017 and 2016, respectively. (Loss) income before income taxes from Canada was \$(0.1) million and \$0.1 million for the years ended December 31, 2017 and 2016, respectively.

The effective income tax rate differed from the expected federal statutory income tax benefit rate of 34.0% as follows:

	2017	2016
Statutory federal income tax benefit rate	34.0%	34.0%
State income taxes, net of federal benefit	0.1	3.1
Deemed dividend tax of deferred foreign income under the TCJ Act	(14.3)	-AMT credit fully refundable under the TCJ Act
		21.6
		-
		Foreign income taxed at different rates
		(1.9)

0.7

Deferred  
tax asset  
remeasured  
under the  
TCJ Act

**(48.6)**

-

Deferred  
tax asset  
valuation  
allowance

**30.6**

(29.4)

Other

**(0.6)**

1.3

Effective  
income tax  
benefit rate

20.9

%

9.7

%

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	2017	2016
Deferred income tax asset:		
Tax credit carryforwards	\$ 30	\$ 808
Operating loss carryforwards	4,663	6,533
Net pension costs	2,499	2,225
Accruals	(3)	240
Allowance for bad debts	45	(10)
Other	302	438
Valuation allowance	(6,405)	(8,318)
	1,131	1,916
Deferred income tax liability:		
Depreciation	559	1,071
Other	572	845
	1,131	1,916
Net deferred income taxes	\$ -	\$ -

Operating tax loss carryforwards primarily relate to U.S. federal net operating loss carryforwards of approximately \$16.5 million, which begin to expire in 2019. The operating loss carryforwards have been limited by a change in ownership of the Company in 2012 as defined under Section 382 of the Internal Revenue Code. This change in ownership as of June 26, 2012 had limited our operating loss carryforwards at that point to \$295,000 per year aggregating \$5.9 million. Losses in subsequent years have increased the operating loss carryforwards.

A valuation allowance has been established for the amount of deferred income tax assets as management has concluded that it is more-likely-than-not that the benefits from such assets will not be realized.

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. The Company does not have any material uncertain tax positions in 2017 and 2016.

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

The Company is subject to U.S. federal income tax as well as income tax in multiple state and local jurisdictions and Canadian federal and provincial income tax. Currently, no federal, state or provincial income tax returns are under examination.

Table of Content**9. Accrued Liabilities**

Accrued liabilities consist of the following:

In thousands	<b>2017</b>	2016
Directors fees	\$ <b>1,007</b>	\$ 844
Deferred revenues	<b>1,003</b>	681
Taxes payable	<b>972</b>	583
Compensation and employee benefits	<b>596</b>	590
Current portion of pension liability		
(see Note 13)	<b>576</b>	660
Interest payable	<b>498</b>	408
Warranty reserve	<b>322</b>	303
Audit fees	<b>165</b>	135
Accrued manufacturing equipment cost	<b>-</b>	590
Other	<b>642</b>	772
	\$ <b>5,781</b>	\$ 5,566

A summary of the warranty reserve for the years ended December 31, 2017 and 2016 is as follows:

In thousands	<b>2017</b>	2016
Balance at beginning of year	\$ <b>303</b>	\$ 389
Provisions	<b>123</b>	354
Deductions	<b>(104)</b>	(440)
Balance at end of year	\$ <b>322</b>	\$ 303

**10. Warrant Issuances**

On April 23, 2015, the Company entered into a credit agreement with BFI Capital Fund II, LLC ( "BFI" ) for a \$1.5 million credit line (the "BFI Agreement" ), which was repaid in full prior to 2016. In connection with the agreement, the Company also issued BFI a warrant to purchase 10,000 shares of Common Stock at an exercise price of \$12.00 per share, which expires on April 23, 2020. The fair value of this warrant at the date of issuance was \$21,000. This warrant does not include a potential adjustment of the strike price if the Company sells or grants any options or warrants at a price per share less than the strike price of the warrants, so they are considered indexed to the Company's Common Stock and were accounted for as equity in Additional paid-in-capital in the Consolidated Balance Sheets.

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

The Company entered into a Securities Purchase Agreement (the "SPA") with Transtech LED Company Limited ("Transtech") (formerly known as Retop Industrial (Hong Kong) Limited), pursuant to which Transtech purchased 333,333 shares of the Company's Common Stock. Yaozhong Shi, a director of the Company, is the Chairman of Transtech. In connection with the SPA, the Company issued warrants to purchase 33,333 shares of the Company's Common Stock to Transtech at an exercise price of \$8.00 per share, which expired on June 27, 2016. These warrants were part of a direct investment in our equity, so they were considered indexed to the Company's Common Stock and were accounted for as equity.

In November 2012, the Board of Directors approved the issuance to two board members, George W. Schiele and Salvatore J. Zizza, of warrants to purchase 20,000 shares of Common Stock at an exercise price of \$12.50 per share. In April 2013, the Board of Directors approved the issuance to one board member, Jean Firstenberg, of warrants to purchase 2,000 shares of Common Stock at an exercise price of \$12.50 per share. These warrants became fully vested on October 2, 2016 and expire on October 2, 2018. The Company recorded a non-cash expense of \$21,000 in the year ended December 31, 2016 related to the value of the warrants issued, which is included in Warrant expense in the Consolidated Statements of Operations. No expense was recorded in 2017 related to these warrants. These warrants do not include a potential adjustment of the strike price if the Company sells or grants any options or warrants at a price per share less than the strike price of the warrants, so they are considered indexed to the Company's Common Stock and were accounted for as equity.

## 11. Long-Term Debt

Long-term debt consists of the following:

In thousands	2017	2016
8¼% Limited convertible senior subordinated notes due 2012	\$ 387	\$ 387
9½% Subordinated debentures due 2012	220	220
Revolving credit line	2,722	1,805
Term loans	790	872
Term loans related party	1,000	500
Forgivable loan	650	-
Total debt	5,769	3,784
Less deferred financing costs	206	243
Net debt	5,563	3,541
Less portion due within one year	4,029	2,984
Net long-term debt	\$ 1,534	\$ 557

Payments of long-term debt due for the next five years are:

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

Edgar Filing: TRANS LUX Corp - Form 10-K

In thousands	2018	2019	2020	2021	2022	Thereafter
\$	4,029	\$ 1,090	\$ -	\$ -	\$ -	650



Table of Content

On July 12, 2016, the Company and its wholly-owned subsidiaries Trans-Lux Display Corporation, Trans-Lux Midwest Corporation and Trans-Lux Energy Corporation (the Borrowers ) entered into a credit and security agreement, as subsequently amended on September 8, 2016, February 14, 2017, March 28, 2017, July 28, 2017, October 10, 2017, November 9, 2017, November 16, 2017 and March 14, 2018 (collectively, the Credit Agreement ) with CNH as lender. Under the Credit Agreement, the Company is able to borrow up to an aggregate of \$4.0 million, which includes (i) up to \$3.0 million of a revolving loan, at an interest rate of prime plus 4.0% (8.50% and 7.75% at December 31, 2017 and 2016, respectively), which was subsequently amended to be prime plus 6.0% (10.50% effective March 1, 2018, for an equipment purchase, repayment of certain outstanding obligations, including payments to the Company's pension plan, the purchase of inventory/product and general working capital purposes, and (ii) a \$1.0 million term loan, at an interest rate of prime plus 6.0% (10.50% and 9.75% at December 31, 2017 and 2016, respectively), for the purchase of equipment. The availability under the revolving loan is calculated based on certain percentages of eligible receivables and inventory.

During 2017, the Company had drawn \$917,000 on the revolving loan and \$600,000 on the term loan, of which \$2.7 million and \$790,000, respectively, was outstanding as of December 31, 2017. During 2016, the Company had drawn \$1.8 million on the revolving loan and \$400,000 on the term loan, of which \$1.8 million and \$380,000, respectively, was outstanding as of December 31, 2016.

Interest under the Credit Agreement is payable monthly in arrears. The Credit Agreement also requires the payment of certain fees, including, but not limited to a facility fee, an unused line fee and a collateral management fee.

The Credit Agreement contains financial and other covenant requirements, including, but not limited to, financial covenants that require the Borrowers to maintain a fixed charge coverage ratio of at least 1.0 to 1.0 starting with their August 31, 2017 financial statements and a loan turnover rate of no more than 35 days. As of December 31, 2017, the fixed charge ratio was 0.0 to 1.0 and the loan turnover rate was 44 days, so the Company was not in compliance with all covenants. The Company entered into an Eighth Amendment to the Credit Agreement dated as of March 14, 2018 with CNH, to waive the Company's non-compliance with these financial covenants and to amend the interest rate of prime plus 4.0% to be prime plus 6.0% effective March 1, 2018.

The Credit Agreement allows the Company to continue to pay dividends on all its SBCPS or any other new preferred stock, if any, which dividends will be excluded as fixed charges for the covenant calculations.

The Credit Agreement is secured by substantially all of the Borrowers' assets and expires July 12, 2019, unless earlier terminated by the parties in accordance with the termination provisions of the Credit Agreement. The foregoing description of the Credit Agreement is included to provide information regarding its terms. It does not purport to be a complete description and is qualified in its entirety by reference to the full text of the Credit Agreement.

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

On September 8, 2016, the Company entered into an agreement with BFI (the "BFI Agreement"), pursuant to which the Company can borrow up to \$750,000 at a fixed rate of interest of 10.00%, with a maturity date of March 1, 2017. As of December 31, 2016, the Company had borrowed \$750,000 under the BFI Agreement and had repaid \$258,000, leaving an outstanding balance of \$492,000. On March 1, 2017, the Company repaid the loan in full and terminated the BFI Agreement.

The Company has outstanding \$387,000 of Notes. The Notes matured as of March 1, 2012 and are currently in default. As of December 31, 2017 and 2016, the Company had accrued \$266,000 and \$234,000, respectively, of interest related to the Notes, which is included in Accrued liabilities in the Consolidated Balance Sheets. The trustee, by notice to the Company, or the holders of 25% of the principal amount of the Notes outstanding, by notice to the Company and the trustee, may declare the outstanding principal plus interest due and payable immediately. On July 15, 2016, holders of \$239,000 of the Notes accepted the Company's offer to exchange each \$1,000 of principal, forgiving any related interest, for \$200 in cash, for an aggregate payment by the Company of \$48,000. As a result of the transaction, the Company recorded a gain on the extinguishment of debt, net of expenses, of \$308,000 in 2016.

The Company has outstanding \$220,000 of Debentures. The Debentures matured as of December 1, 2012 and are currently in default. As of December 31, 2017 and 2016, the Company had accrued \$169,000 and \$148,000, respectively, of interest related to the Debentures, which is included in Accrued liabilities in the Consolidated Balance Sheets. The trustee, by notice to the Company, or the holders of 25% of the principal amount of the Debentures outstanding, by notice to the Company and the trustee, may declare the outstanding principal plus interest due and payable immediately. On July 15, 2016, holders of \$114,000 of the Debentures accepted the Company's offer to exchange each \$1,000 of principal, forgiving any related interest, for \$200 in cash, for an aggregate payment by the Company of \$23,000. As a result of the transaction, the Company recorded a gain on the extinguishment of debt, net of expenses, of \$154,000 in 2016.

On April 27, 2016, the Company received a \$500,000 loan from Carlisle Investments Inc. ("Carlisle") at a fixed interest rate of 12.00%, which is due to mature on April 27, 2019 with a bullet payment of all principal due at such time. Interest is payable monthly. Marco Elser, a director of the Company, exercises voting and dispositive power as investment manager of Carlisle.

On July 28, 2017, the Company entered into a credit agreement with Mr. Arnold Penner, pursuant to which the Company could borrow up to \$1.5 million at a loan fee of \$35,000, with a maturity date of August 19, 2017 (the "Penner Agreement"). On October 17, 2017, the Company repaid the balance of the loan and satisfied the agreement in full.

Table of Content

In connection with the Penner Agreement, the Company entered into a Fourth Amendment to the Credit Agreement dated as of July 28, 2017 with CNH, to provide for certain adjustments to the Credit Agreement to allow for the Company's entry into the Penner Agreement and the security interest granted to Mr. Penner thereunder. The Company, Mr. Penner and CNH also entered into a Mutual Lien Intercreditor Agreement, dated as of July 28, 2017, setting forth CNH's senior lien position to all collateral of the Company, except for the purchase order securing the Penner Agreement, and the rights of each of CNH and Mr. Penner with respect to the collateral of the Company, which was released in full when the loan was satisfied in full.

On November 6, 2017, the Company received an additional \$500,000 loan from Carlisle at a fixed interest rate of 12.00%, which was due to mature on December 10, 2017 with a bullet payment of all principal due at such time (the Second Carlisle Agreement). As of December 31, 2017, the entire amount was outstanding. Under the Second Carlisle Agreement, the Company granted a security interest to Carlisle in accounts receivable, materials and intangibles relating to a certain purchase order for equipment issued in April 2017.

In connection with the Second Carlisle Agreement, the Company entered into a Fifth Amendment to the Credit Agreement dated as of October 10, 2017 with CNH to provide for certain adjustments to the Credit Agreement to allow for the Company's entry into the Second Carlisle Agreement and the security interest granted to Carlisle thereunder. The Company, Carlisle and CNH also entered into a Mutual Lien Intercreditor Agreement, dated as of October 10, 2017, setting forth CNH's senior lien position to all collateral of the Company, except for the purchase order securing the Second Carlisle Agreement, and the rights of each of CNH and Carlisle with respect to the collateral of the Company.

The Company entered into a Sixth Amendment to the Credit Agreement dated as of November 9, 2017 with CNH, to provide for certain adjustments to the Credit Agreement to set the Fixed Charge Coverage Ratio financial covenant to be 1.0 to 1.0 beginning with a first test period of the one month ending August 31, 2017.

The Company entered into a Seventh Amendment to the Credit Agreement dated as of November 16, 2017 with CNH, to provide for certain adjustments to the Credit Agreement to remove the \$2.0 million cap on the revolving credit line and to allow for the Company's entry into the Second Carlisle Agreement and the security interest granted to Carlisle thereunder. The Company, Carlisle and CNH also entered into a Mutual Lien Intercreditor Agreement, dated as of October 10, 2017, setting forth CNH's senior lien position to all collateral of the Company, except for the purchase order securing the Second Carlisle Agreement, and the rights of each of CNH and Carlisle with respect to the collateral of the Company.

On May 23, 2017, the Company received \$650,000 structured as a forgivable loan from the City of Hazelwood, Missouri, which is included in Forgivable loan 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, 2024. If the Company

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

attains the employment levels required by the agreement, there is no interest due, otherwise interest accrues at a rate of prime plus 2.00% (6.50% at December 31, 2017). In February 2018, in accordance with the agreement, the Company requested a 1-year extension of the terms of the agreement, which was approved by the City of Hazelwood in March 2018, so the agreement now terminates on April 1, 2025.

## 12. Stockholders Deficit

During 2017 and 2016, the Board of Directors did not declare any quarterly cash dividends on the Company's Common Stock. The Board of Directors declared cash dividends of \$6.00 per share in April and November 2017 for each share of Series B Convertible Preferred Stock (SBCPS). As described herein, the SBCPS carries a 6.0% cumulative annual dividend.

The Company is authorized to issue 500,000 shares of preferred stock, of which (i) 416,500 shares are designated as Series A Convertible Preferred Stock, none of which are outstanding, (ii) 51,000 shares are designated as SBCPS, 16,512 of which are outstanding, and (iii) 32,500 shares are not yet designated. The SBCPS has a stated price of \$200.00 per share and is convertible into 20 shares of Common Stock. The undesignated preferred stock would contain such rights, preferences, privileges and restrictions as may be fixed by our Board of Directors.

Shares of the Company's Common Stock reserved for future issuance in connection with convertible securities and stock option plans were 402,000 and 622,000 at December 31, 2017 and 2016, respectively.

Table of Content

The SBCPS carries a 6.0% cumulative annual dividend, which amounts to \$198,000 on an annual basis. The SBCPS is convertible into shares of Common Stock at an initial conversion price of \$10.00 per share, representing a conversion ratio of 20 shares of Common Stock for each share of SBCPS held at the time of conversion, subject to adjustment. As of December 31, 2017 and 2016, the Company had recorded accumulated unpaid dividends related to SBCPS of \$44,000. In the years ended December 31, 2017 and 2016, the Company paid dividends related to the SBCPS of \$198,000 and \$177,000, respectively. The shares of SBCPS may be subject to mandatory conversion after three years, or as early as one year if the closing sale price of the Common Stock has been greater than or equal to \$15.00 for 30 consecutive trading days.

During 2017 and 2016, certain board members deferred payment of their director 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. No restricted stock was issued in lieu of cash payments for directors' fees in 2017 or 2016.

Accumulated other comprehensive loss is comprised of approximately \$5.8 million and \$5.7 million of unrecognized pension costs at December 31, 2017 and 2016, respectively, and \$281,000 and \$112,000 of unrealized foreign currency translation gains at December 31, 2017 and 2016, respectively.

The components of accumulated other comprehensive loss are as follows:

In thousands	Pension plan actuarial loss	Foreign currency translation gain	Total
Balances at January 1, 2016	\$ (5,313)	\$ 56	\$ (5,257)
Actuarial loss	(409)	-	(409)
Translation gain	-	56	56
Balances at December 31, 2016	(5,722)	112	(5,610)
Actuarial loss	(95)	-	(95)
Translation gain	-	169	169
Balances at December 31, 2017	\$ (5,817)	\$ 281	\$ (5,536)

**13. Pension Plan**

Edgar Filing: TRANS LUX Corp - Form 10-K

All eligible salaried employees of Trans-Lux Corporation and certain of its subsidiaries are covered by a non-contributory defined benefit pension plan. Pension benefits vest after five years of service and are based on years of service and final average salary. The Company's general funding policy is to contribute at least the required minimum amounts sufficient to satisfy regulatory funding standards, but not more than the maximum tax-deductible amount. The benefit service under the pension plan had been frozen since 2003 and, accordingly, there is no service cost for the years ended December 31, 2017 and 2016. In 2009, the compensation increments were frozen, and accordingly, no additional benefits are being accrued under the plan. For 2017 and 2016, the accrued benefit obligation of the plan exceeded the fair value of plan assets, due primarily to the plan's investment performance and updates to actuarial longevity tables. The Company's obligations under its pension plan exceeded plan assets by \$4.2 million at December 31, 2017.

The Company employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The portfolio contains a diversified blend of equity and fixed income investments. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews.

At December 31, 2017 and 2016, the Company's pension plan weighted-average asset allocations by asset category are as follows:

	2017	2016
Equity and index funds	72.0%	68.9%
Fixed income funds	28.0	31.1
	100.0%	100.0%

The pension plan asset information included below is presented at fair value as established by ASC 820.

The following table presents the pension plan assets by level within the fair value hierarchy as of December 31, 2017 and 2016:

In thousands	2017	2016
Level 1:		
Equity and index funds	\$ 7,289	\$ 6,186
Fixed income funds	2,841	2,798
Total Level 1	10,130	8,984
Level 2	-	-
Level 3	-	-
Total pension plan assets	\$ 10,130	\$ 8,984

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



Table of Content

The funded status of the plan as of December 31, 2017 and 2016 is as follows:

In thousands	2017	2016
Change in benefit obligation:		
Projected benefit obligation at		
beginning of year	\$ 13,408	\$ 13,517
Interest cost	466	487
Actuarial loss	1 067	369
Benefits paid	(621)	(965)
Projected benefit obligation at		
end of year	14,320	13,408
Change in plan assets:		
		Fair value of plan assets at
		beginning of year
		8,984
		8,193
		Actual return on plan assets
		1,469
		432
		Company contributions
		298
		1,324
		Benefits paid
		(621)
		(965)



Fair value of plan assets at end of year

**10,130**

8,984

Funded status (underfunded)

\$

**(4,190)**

\$

(4,424)

Amounts recognized in other

accumulated comprehensive loss:

Net actuarial loss

\$

**7,301**

\$

7,206

Weighted average assumptions as of

December 31:

Discount rate:

Components of cost

**4.17%**

4.31%

Benefit obligations

**3.66%**

4.16%

Expected return on plan assets

**8.00%**

8.00%

Rate of compensation increase

**N/A**

**N/A**

The Company determines the long-term rate of return for plan assets by studying historical markets and the long-term relationships between equity securities and fixed income securities, with the widely-accepted capital market principal that assets with higher volatility generate higher returns over the long run. The 8.0% expected long-term rate of return on plan assets is determined based on long-term historical performance of plan assets, current asset allocation and projected long-term rates of return.

In 2018, the Company expects to amortize \$224,000 of actuarial losses to pension expense. The accumulated benefit obligation at December 31, 2017 and 2016 was \$14.3 million and \$13.4 million, respectively. The minimum required contribution in 2018 is expected to be \$576,000, which is included in Accrued liabilities in the Consolidated Balance Sheets. The long-term pension liability is \$3.5 million and is included in Deferred pension liability and other in the Consolidated Balance Sheets. In March 2010, 2011 and 2013, the Company submitted to the Internal Revenue Service (the IRS) requests for waivers of the minimum funding standard for its defined benefit pension plan for the 2009, 2010 and 2012 plan years. The waiver requests were submitted as a result of the economic climate and the business hardship that the Company was experiencing. The waivers for the 2009, 2010 and 2012 plan years were approved and granted subject to certain conditions and have deferred payment of \$285,000, \$559,000 and \$669,000 of the minimum funding standard for the 2009, 2010 and 2012 plan years, respectively. As of December 31, 2017, the Company has fully repaid the amounts deferred for each of these waivers. If the Company had not fulfilled the conditions of the waivers, the Pension Benefit Guaranty Corporation (the PBGC) and the IRS would have had various enforcement remedies that could have been implemented to protect the participant's benefits, such as termination of the plan or a requirement that the Company make the unpaid contributions. In support of such enforcement remedies, the PBGC previously placed a lien on the Company's assets with respect to amounts owed under the plan. When the Company made additional contributions to the plan in July 2016 above the minimum required contribution, the PBGC released its lien on our assets. In 2017, we made \$298,000 of the \$444,000 of minimum required contributions to the plan. At this time, the Company is expecting to make its minimum required \$576,000 of contributions remaining for

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

Edgar Filing: TRANS LUX Corp - Form 10-K

2018, which includes the balance of the 2017 minimum required contributions; however, there is no assurance that the Company will be able to make any or all such remaining payments. If we are unable to fulfill our related obligations, the implementation of any such enforcement remedies would have a material adverse impact on our financial condition, results of operations, and liquidity.

The following estimated benefit payments are expected to be paid by the Company's pension plan in the next 5 years:

In thousands	2018	2019	2020	2021	2022
	761 \$	941 \$	710 \$	1,195 \$	711

The following table presents the components of the net periodic pension cost for the years ended December 31, 2017 and 2016:

In thousands	2017	2016
Interest cost	\$ 466	\$ 487
Expected return on plan assets	(716)	(672)
Amortization of net actuarial loss	219	199
Net periodic pension cost	\$ (31)	\$ 14

The following table presents the change in unrecognized pension costs recorded in other comprehensive loss as of December 31, 2017 and 2016:

In thousands	2017	2016
Balance at beginning of year	\$ 7,206	\$ 6,797
Net actuarial loss	314	608
Recognized loss	(219)	(199)
Balance at end of year	\$ 7,301	\$ 7,206

Table of Content

In addition, the Company provided unfunded supplemental retirement benefits for the retired, former Chief Executive Officer. During 2009 the Company accrued \$0.5 million for such benefits, which has not yet been paid, which is included in Accrued liabilities in the Consolidated Balance Sheets. The Company does not offer any post-retirement benefits other than the pension and supplemental retirement benefits described herein.

**14. Share-Based Compensation**

The Company accounts for all share-based payments to employees and directors, including grants of employee stock options, at fair value and expenses the benefit in the Consolidated Statements of Operations over the service period (generally the vesting period). The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes pricing valuation model, which requires various assumptions including estimating stock price volatility, expected life of the stock option, risk free interest rate and estimated forfeiture rate.

On December 29, 2017, the Company granted 451,500 shares of Common Stock to certain directors and executive management team members. The closing share price on the date of the grant was \$0.75 and there was no vesting period. The Company recorded compensation expense of \$338,000.

The Company has two stock option plans. As of December 31, 2017, no shares of Common Stock were available for grant under the 2012 Long-Term Incentive Plan and 800 shares of Common Stock were available for grant under the Non-Employee Director Stock Option Plan.

Changes in the stock option plans are as follows:

	Authorized	Number of Shares Granted	Available	Weighted Average Exercise Price
Balance January 1, 2016	200,800	-	200,800	N/A
Authorized	-	-	-	
Expired	-	-	-	Granted
				-

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

-
-
Balance December 31, 2016
200,800
-
200,800
<b>Authorized</b>
-
-
-
<b>Expired</b>
(200,000)
-
(200,000)
<b>Granted</b>
-
-
-
<b>Balance December 31, 2017</b>
<b>800</b>

Under the 2012 Long-Term Incentive Plan, option prices must be at least 100% of the market value of the Common Stock at the time of grant. Exercise periods are for ten years from the date of grant and terminate at a stipulated period of time after an employee's termination of employment. During 2017, stock grants were awarded, causing the potential for stock options to be terminated. At December 31, 2017, no options were outstanding or exercisable. During 2017 and 2016, no options were granted or exercised.

Under the Non-Employee Director Stock Option Plan, option prices must be at least 100% of the market value of the Common Stock at the time of grant. No option may be exercised prior to one year after the date of grant and the optionee must be a director of the Company at the time of exercise, except in certain cases as permitted by the Compensation Committee. Exercise periods are for six years from the date of grant and terminate at a stipulated period of time after an optionee ceases to be a director. At December 31, 2017, there were no outstanding options to purchase shares.

As of December 31, 2017, there was no unrecognized compensation cost related to non-vested options granted under the Plans.

## 15. Loss Per Share

The following table presents the calculation of loss per share for the years ended December 31, 2017 and 2016:

In thousands, except per share data	2017	2016
Numerator:		
Net loss, as reported	\$ (2,849)	\$ (611)
Dividends paid on preferred shares	(198)	(177)
Change in dividends accumulated on		
preferred shares	-	(21)
Net loss attributable to common	\$ (3,047)	\$ (809)

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

shares

Denominator:

Weighted average shares outstanding		<b>1,714</b>	1,711
Basic and diluted loss per share	\$	<b>(1.78)</b>	\$ (0.47)

At December 31, 2017 and 2016, dividends accumulated on preferred shares totaled \$44,000.

Basic loss per common share is computed by dividing net loss attributable to common shares by the weighted average number of common shares outstanding for the period. Diluted loss per common share is computed by dividing net loss attributable to common shares, by the weighted average number of common shares outstanding, adjusted for shares that would be assumed outstanding after warrants and stock options vested under the treasury stock method.

At December 31, 2017 and 2016, outstanding warrants convertible into 52,000 shares of Common Stock were excluded from the calculation of diluted loss per share because their impact would have been anti-dilutive.

Table of Content

**16. Commitments and Contingencies**

*Commitments:* The Company has employment agreements with its Chief Executive Officer and its Chief Operating Officer, which expired in February 2018 and March 2018, respectively, and currently renew on a month-to-month basis. At December 31, 2017, the aggregate commitment for future salaries, excluding bonuses, was approximately \$100,000. Contractual salaries expense was \$550,000 for the years ended December 31, 2017 and 2016.

*Contingencies:* 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 believes that it has accrued adequate 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. A vendor has brought a claim against us for \$87,000 plus interest and damages. The Company has accrued for the \$87,000 plus interest in Accounts payable and in Accrued liabilities in the Consolidated Balance Sheet at December 31, 2017. Potential damages, if any, are not yet determinable.

*Operating leases:* Certain premises are occupied under operating leases that expire at varying dates through 2023. Certain of these leases provide for the payment of real estate taxes and other occupancy costs. On February 1, 2016, the Company sold its Des Moines, Iowa facility in a sale/leaseback transaction. The lease is for a two-year lease period at an annual rental of \$158,000. In 2017, the Company extended the lease for another year at the same rate. On June 21, 2016, the Company entered into a new lease for a manufacturing facility in Hazelwood, Missouri for a seven-year lease period at an initial annual rental of \$317,000. Future minimum lease payments due under operating leases at December 31, 2017 aggregating \$2.4 million are as follows: \$701,000 - 2018, \$356,000 - 2019, \$336,000 - 2020, \$342,000 - 2021, \$348,000 - 2022 and \$309,000 thereafter. Rent expense was \$848,000 and \$651,000 for the years ended December 31, 2017 and 2016, respectively.

**17. Related Party Transactions**

In addition to the warrant issuances described in Note 10 and the Company's loans from Carlisle described in Note 11, the Company has the following related party transactions:

Yaozhong Shi, a director of the Company, is the Chairman of Transtech, which is our primary LED supplier. The Company purchased \$1.9 million and \$3.6 million of product from Transtech in 2017 and 2016, respectively.

Amounts payable by the Company to Transtech were \$149,000 and \$0 as of December 31, 2017 and 2016, respectively.

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



On June 30, 2016, the Company entered into a 1-year Trademark Licensing Agreement with Transtech, pursuant to which Transtech paid the Company \$72,500 upon signing the agreement and would pay the Company a 3% royalty on any equipment sold using the Company's trademark. There were no such sales during the agreement period and the agreement expired as of June 30, 2017.

## 18. Business Segment Data

Operating segments are based on the Company's business components about which separate financial information is available and are evaluated regularly by the Company's chief operating decision-maker in deciding how to allocate resources and in assessing performance of the business.

The Company evaluates segment performance and allocates resources based upon operating income. The Company's operations are managed in two reportable business segments: Digital product sales and Digital product lease and maintenance. Both design and produce large-scale, multi-color, real-time digital products and LED lighting, which has a line of energy-saving lighting solutions that provide facilities and public infrastructure with green lighting solutions that emit less heat, save energy and enable creative designs. Both operating segments are conducted on a global basis, primarily through operations in the United States. The Company also has operations in Canada. The Digital product sales segment sells equipment and the Digital product lease and maintenance segment leases and maintains equipment. Corporate general and administrative items relate to costs that are not directly identifiable with a segment. There are no intersegment sales.

Foreign revenues represent less than 10% of the Company's revenues for 2017 and 2016. The foreign operation does not manufacture its own equipment; the domestic operation provides the equipment that the foreign operation leases or sells. The foreign operation operates similarly to the domestic operation and has similar profit margins. Foreign assets are immaterial.

Table of Content

Information about the Company's operations in its two business segments for the years ended December 31, 2017 and 2016 and as of December 31, 2017 and 2016 were as follows:

In thousands	2017	2016
Revenues:		
Digital product sales	\$ 22,093	\$ 18,138
Digital product lease & maintenance	2,350	3,053
Total revenues	\$ 24,443	\$ 21,191
Operating (loss) income:		
Digital product sales	\$ (149)	\$ 1,631
Digital product lease & maintenance	653	825
Corporate general and administrative expenses	(3,350)	(3,276)
Total operating loss	(2,846)	(820)
Interest expense, net	(708)	(374)
Loss on foreign currency		
remeasurement	(178)	(45)
Gain on extinguishment of debt	-	462
Gain on sale/leaseback transaction	132	121
Warrant expense	-	(21)
Loss before income taxes	(3,600)	(677)
Income tax benefit	751	66
Net loss	\$ (2,849)	\$ (611)
Assets:		
Digital product sales	\$ 9,722	\$ 8,753
Digital product lease &		
maintenance	4,515	4,055
Total identifiable assets	14,237	12,808
General corporate	747	606
Total assets	\$ 14,984	\$ 13,414
Depreciation and amortization:		
Digital product sales	\$ 176	\$ 115
Digital product lease & maintenance	1,105	1,638
General corporate	20	21
Total depreciation and amortization	\$ 1,301	\$ 1,774
Capital expenditures:		
Digital product sales	\$ 190	\$ 2,033
Digital product lease & maintenance	32	44
General corporate	-	4
Total capital expenditures	\$ 222	\$ 2,081

**19. Subsequent Events**

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

The Company has evaluated events and transactions subsequent to December 31, 2017 and through the date these Consolidated Financial Statements were included in this Form 10-K and filed with the SEC.

As further discussed in Note 6 Long-Term Debt, subsequent to December 31, 2017, the Company entered into the Eighth Amendment to the Credit Agreement.

Table of Content

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. As of the end of the period covered by this Annual Report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Accounting Officer (our principal executive officer and principal accounting officer) and our Controller, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)). As a result of this evaluation, our Chief Executive Officer and Chief Accounting Officer has concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to our management (including our Chief Executive Officer and Chief Accounting Officer) to allow timely decisions regarding required disclosures. Based on such evaluation, our Chief Executive Officer and Chief Accounting Officer has concluded these disclosure controls are effective as of December 31, 2017.

(b) Changes in internal control over financial reporting. There has been no change in the Company's internal control over financial reporting that occurred in the fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(c) Management's Report on Internal Control Over Financial Reporting. The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. A company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that

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

controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

The Company's management assessed its internal control over financial reporting as of December 31, 2017 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013). Management, including the Company's Chief Executive Officer and Chief Accounting Officer and its Controller, based on their evaluation of the Company's internal control over financial reporting (as defined in Securities Exchange Act Rule 13a-15(f)), have concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

Table of Content

ITEM 9B. OTHER INFORMATION

On December 29, 2017, the Company granted 451,500 shares of Common Stock to certain directors and executive management team members. The closing share price on the date of the grant was \$0.75 and there was no vesting period. The Company recorded compensation expense of \$338,000.

**PART III**

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference to the Sections entitled Election of Directors, Executive Officers, Compliance with Section 16(a) of the Securities Exchange Act of 1934, Code of Ethics and Corporate Governance Policies and Procedures in the Company's Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the Section entitled Executive Compensation and Transactions with Management in the Company's Proxy Statement.

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

The information required by this Item is incorporated herein by reference to the Section entitled Security Ownership of Certain Beneficial Owners, Directors and Executive Officers in the Company's Proxy Statement.

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

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

The information required by this Item is incorporated herein by reference to the Section entitled Executive Compensation and Transactions with Management in the Company's Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the Section entitled Ratification of Appointment of Independent Registered Public Accounting Firm in the Company's Proxy Statement.

Table of Content

**PART IV**

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1 Consolidated Financial Statements of Trans-Lux Corporation:

Report of Independent Registered Public Accounting Firm as of  
December 31, 2017

Consolidated Balance Sheets as of December 31, 2017 and 2016

Consolidated Statements of Operations for the Years Ended December 31, 2017 and 2016

Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2017 and 2016

Consolidated Statements of Stockholders' Deficit for the Years Ended December 31, 2017 and 2016

Consolidated Statements of Cash Flows for the Years Ended December 31, 2017 and 2016

Notes to Consolidated Financial Statements

2 Financial Statement Schedules: Not applicable.

3 Exhibits:

3(a) Amended and Restated Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 of Form 8-K dated July 2, 2012).

(b) Amended and Restated Bylaws of the registrant (incorporated by reference to Exhibit 3.2 of Form 8-K dated March 9, 2012).

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



(c) Certificate of Designations of Series B Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 of Form 8-K dated October 14, 2015).

4(a) Indenture dated as of December 1, 1994 (form of said indenture is incorporated by reference to Exhibit 6 of Schedule 13E-4 Amendment No. 2 dated December 23, 1994).

(b) Indenture dated as of March 1, 2004 (form of said indenture is incorporated by reference to Exhibit 12(d) of Schedule TO dated March 2, 2004).

10.1 \*\* Form of Indemnity Agreement - Directors (form of said agreement is incorporated by reference to Exhibit 10.1 of Registration No. 333-15481).

10.2 \*\* Form of Indemnity Agreement - Officers (form of said agreement is incorporated by reference to Exhibit 10.2 of Registration No. 333-15481).

10.3 Amended and Restated Pension Plan dated January 1, 2016 (incorporated by reference to Exhibit 10.3 of Form 10-K dated March 29, 2016).

10.4 \*\* Supplemental Executive Retirement Plan with Michael R. Mulcahy dated January 1, 2009 (incorporated by reference to Exhibit 10.1 of Form 8-K dated January 6, 2009).

10.5 \*\* Employment Agreement with Jean-Marc Allain dated February 15, 2015 (incorporated by reference to Exhibit 10.5 of Form 10-K dated April 1, 2015).

10.6 \*\* Employment agreement with Alberto Shaio dated March 30, 2016 (incorporated by reference to Exhibit 10.7 of Form 10-K/A dated April 29, 2016).

Table of Content

10.7 \*\* Trans-Lux Corporation 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 of Form 8-K dated July 2, 2012).

10.8 Master Agreement for Sale and Assignment of Leases with AXIS Capital, Inc. (incorporated by reference to Exhibit 4.01 of Form 8-K dated June 11, 2013).

10.9 Promissory note in favor of Carlisle Investments Inc. ( Carlisle ) (incorporated by reference to Exhibit 10.15 of Form 10-K/A filed April 29, 2016).

10.10 Trademark licensing agreement effective as of June 30, 2016 by and between the Company as Licensor and Transtech as Licensee (incorporated by reference to Exhibit 10.2 of Form 10-Q filed August 12, 2016).

10.11 Credit and Security Agreement with CNH Finance Fund I, L.P. ( CNH ) (formerly known as SCM Specialty Finance Opportunities Fund, L.P.) dated as of July 12, 2016 (incorporated by reference to Exhibit 10.1 of Form 8-K filed July 13, 2016).

10.12 First Amendment to Credit and Security Agreement with CNH dated as of September 8, 2016 (incorporated by reference to Exhibit 10.2 of Form 8-K filed September 12, 2016).

10.13 Second Amendment to Credit and Security Agreement with CNH dated as of February 14, 2017 (incorporated by reference to Exhibit 10.1 of Form 8-K filed February 17, 2017).

10.14 Third Amendment to Credit and Security Agreement with CNH dated as of March 28, 2017 (incorporated by reference to Exhibit 10.1 of Form 8-K filed March 29, 2017).

10.15 Fourth Amendment to Credit and Security Agreement with CNH dated as of July 28, 2017 (incorporated by reference to Exhibit 10.2 of Form 8-K filed August 2, 2017).

Edgar Filing: TRANS LUX Corp - Form 10-K

10.16 Fifth Amendment to Credit and Security Agreement with CNH dated as of October 10, 2017 (incorporated by reference to Exhibit 10.4 of Form 10-Q filed November 9, 2017).

10.17 Sixth Amendment to Credit and Security Agreement with CNH dated as of November 9, 2017 (incorporated by reference to Exhibit 10.7 of Form 10-Q filed November 9, 2017).

10.18 Seventh Amendment to Credit and Security Agreement with CNH dated as of November 16, 2017 (incorporated by reference to Exhibit 10.1 of Form 8-K filed November 20, 2017).

10.19 Eighth Amendment to Credit and Security Agreement with CNH dated as of March 14, 2018 (incorporated by reference to Exhibit 10.1 of Form 8-K filed March 16, 2018).

10.20 Credit Agreement with Carlisle dated as of November 6, 2017 (incorporated by reference to Exhibit 10.5 of Form 10-Q filed November 9, 2017).

10.21 Mutual Lien Intercreditor Agreement by and between CNH and Carlisle dated as of November 6, 2017 (incorporated by reference to Exhibit 10.6 of Form 10-Q filed November 9, 2017).

21 List of Subsidiaries, filed herewith.

Table of Content

31 Certification of Jean-Marc Allain, President, Chief Executive Officer and Chief Accounting Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

32 Certification of Jean-Marc Allain, President, Chief Executive Officer and Chief Accounting Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

101 The following interactive data files pursuant to Rule 405 of Regulation S-T from Trans-Lux Corporation's Annual Report on Form 10-K for the annual period ended December 31, 2017 are formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2017 and 2016, (ii) Consolidated Statements of Operations for the Years Ended December 31, 2017 and 2016, (iii) Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2017 and 2016, (iv) Consolidated Statements of Stockholders Deficit for the Years Ended December 31, 2017 and 2016, (v) Consolidated Statements of Cash Flows for the Years Ended December 31, 2017 and 2016 and (vi) Notes to Consolidated Financial Statements. \*

\* Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the interactive data files in Exhibit 101 to this Annual Report on Form 10-K is deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended and is deemed not filed for purpose of Section 18 of the Securities Exchange Act of 1934, as amended and otherwise is not subject to liability under these sections.

\*\* Denotes management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

Not applicable.



Table of Content

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized:

TRANS-LUX CORPORATION

By: /s/ Jean-Marc Allain  
Jean-Marc Allain  
President, Chief Executive Officer &  
Chief Accounting Officer

By: /s/ Todd Dupee  
Todd Dupee  
Vice President and Controller

Dated: March 30, 2018

Trans-Lux Corporation, and each of the undersigned, do hereby appoint Jean-Marc Allain and Todd Dupee, and each of them severally, its or his/her true and lawful attorney to execute on behalf of Trans-Lux Corporation and the undersigned any and all amendments to this Annual Report on Form 10-K and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission; each of such attorneys shall have the power to act hereunder with or without the other.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

/s/ George W. Schiele  
George W. Schiele, Chairman of the Board

March 30, 2018

/s/ Salvatore J. Zizza

March 30, 2018

Salvatore J. Zizza, Vice Chairman of the Board

/s/ Jean-Marc Allain

March 30, 2018

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

Edgar Filing: TRANS LUX Corp - Form 10-K

Jean-Marc Allain, Director, President, Chief Executive Officer  
and Chief Accounting Officer

(Principal Executive Officer and Principal Accounting Officer)

/s/ Marco Elser

March 30, 2018

Marco Elser, Director

/s/ Alan K. Greene

March 30, 2018

Alan K. Greene, Director

March 30, 2018

Ryan Morris, Director

/s/ Alberto Shaio

March 30, 2018

Alberto Shaio, Director, Senior Vice President and Chief Operating Officer

March 30, 2018

Yaozhong Shi, Director