TRANS LUX CORP
Form 424B3
February 13, 2013

Filed pursuant to Rule 424(b)(3)

Under the Securities Act of 1933, as amended

Registration No. 333-182870

PROSPECTUS

27,190,000 Shares

TRANS-LUX CORPORATION

This prospectus relates to the sale by the selling stockholders identified in this prospectus of up to 27,190,000 shares of our common stock. All of these shares of our common stock are being offered for resale by the selling stockholders.

The selling stockholders will offer their shares at a fixed price of $0.39 per share until our common shares are quoted on the Over-the-Counter Bulletin Board, and thereafter, at prevailing market prices or privately negotiated prices .We will not receive any proceeds from the sale of these shares by the selling stockholders.

We will bear all costs relating to the registration of these shares of our common stock, other than any selling stockholders' legal or accounting costs or commissions.

Our common stock is quoted on the OTCQB under the symbol "TNLX". The last reported sale price of our common stock as reported by the OTCQB on February 6, 2013, was $0.30 per share.

Investing in our common stock is highly speculative and involves a high degree of risk. You should carefully consider the risks and uncertainties described under the heading "Risk Factors" beginning on page 6 of this prospectus before making a decision to purchase our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 13, 2013

TABLE OF CONTENTS

PROSPECTUS SUMMARY	3
SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS	6
RISK FACTORS	6
USE OF PROCEEDS	11
MARKET FOR OUR COMMON STOCK AND RELATED STOCKHOLDER MATTERS	11
DIVIDEND POLICY	12
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	12
BUSINESS	21
PROPERTIES	24
EXECUTIVE COMPENSATION	29
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	32
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	33
SELLING STOCKHOLDERS	34
DESCRIPTION OF SECURITIES	39
PLAN OF DISTRIBUTION	40
LEGAL MATTERS	42
EXPERTS	42
WHERE YOU CAN FIND ADDITIONAL INFORMATION	42
AUDITED FINANCIAL STATEMENTS	44
UNAUDITED FINANCIAL STATEMENTS	64

You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and related notes included elsewhere in this prospectus. In this prospectus, unless the context provides otherwise, the terms "the Company," "we," "us," and "our" refer to Trans-Lux Corporation and its subsidiaries.

Overview

We are a leading designer and manufacturer of digital signage display solutions. The essential elements of these systems are the real-time, programmable digital displays the Company designs, manufactures, distributes and services. These display systems utilize LED (light emitting diode) technologies. Designed to meet the digital signage solutions for any size venue's indoor and outdoor needs, these display products include full color text, graphic and video displays for stock and commodity exchanges, financial institutions, college and high school sports stadiums, schools, casinos, convention centers, corporate applications, government applications, theatres, retail sites, airports, billboard sites and numerous other applications. In 2010, the Company started a new business opportunity in the LED lighting market with energy-saving lighting solutions that feature a comprehensive offering of the latest LED lighting technologies that provide facilities and public infrastructure with "green" lighting solutions that emit less heat, save energy and enable creative designs. The Company also owns an income-producing real estate property which has been placed on the market for sale.

About This Offering

On June 17, 2011, the Company entered into a Subscription Agreement with Hackel Family Associates LLC ("HFA") pursuant to which the Company sold to HFA a secured promissory note in the principal amount of $650,000. In connection with the sale of the Note, the Company issued to HFA five-year warrants (the "HFA Warrants") to purchase 1,000,000 shares of common stock of the Company at an initial exercise price of $1.00. The exercise price of the HFA Warrants was reduced to $0.10 upon the Company's filing of its Amended and Restated Certificate of Incorporation on July 2, 2012. The HFA Warrants are exercisable on a cashless basis if at any time there is no effective registration statement for the underlying shares of common stock.

On November 14, 2011, we completed the sale of an aggregate of $8.3 million of securities (the "Offering") consisting of (i) 416,500 shares of the Company's Series A Convertible Preferred Stock (the "Series A Preferred Stock") having a stated value of $20.00 per share and convertible into fifty (50) shares of the Company's common stock (or an

aggregate of 20,825,000 shares of common stock), and (ii) 4,165,000 one-year warrants (the “A Warrants”). These securities were issued at a purchase price of $20,000 per unit (the “Unit”). Each Unit consisted of 1,000 shares of Series A Preferred Stock (convertible into 50,000 shares of common stock) and 10,000 A Warrants. Each A Warrant entitles the holder to purchase (a) one share of the Company’s common stock and (b) a three-year warrant (the “B Warrants”), at an exercise price of $0.20 per share Each B Warrant shall entitle the holder to purchase one share of the Company’s common stock at an exercise price of $0.50 per share (see “Recent Developments” below).

The net proceeds of the Offering were used to fund the restructuring of the Company’s outstanding debt, which included: (1) a cash settlement to holders of the 8 ¼ % Limited convertible senior subordinated notes due 2012 (the “Notes”) in the amount of $2,019,600; (2) a cash settlement to holders of the 9 ½ % Subordinated debentures due 2012 (the “Debentures”) in the amount of $71,800; (3) payment of the Company’s outstanding term loan with the senior lender in the amount of $320,833 and (4) payment of $1.0 million on the Company’s outstanding revolving loan with the senior lender under the Company’s amended and restated commercial loan and security agreement with People’s United Bank (as amended, the “Credit Agreement”). Any net proceeds of the Offering remaining after payment to holders of the Notes, the Debentures and the senior lender were used for working capital and other general corporate purposes.

R.F. Lafferty & Co., Inc. (the “Placement Agent”), a FINRA registered broker-dealer, was engaged as placement agent in connection with the private placement. The placement agent was paid fees based upon a maximum of an $8,000,000 raise (and no fees were paid upon the additional $330,000 of gross proceeds raised which brought the total offering to $8,330,000). Such fees consisted of a cash fee in the amount of $400,000 and warrants (the “Placement Agent Warrants”) to purchase 24 units (the “Placement Agent Units”), each unit consisting of 50,000 shares of common stock and 10,000 A Warrants. The A Warrants issuable upon exercise of the Placement Agent Warrants (and the B Warrants issuable upon exercise of the A Warrants underlying the Placement Agent’s Warrants) are substantially the same as the A Warrants (and B Warrants) sold to the investors in the Offering, except that they have the following exercise periods: (i) the A Warrants issuable upon exercise of the Placement Agent Warrants are exercisable for a period of two (2) years from the date of exercise of the Placement Agent Warrants; and (ii) the B Warrants issuable upon exercise of the A Warrants underlying the Placement Agent Warrants are exercisable for a period equal to the longer of (i) three (3) years from the Closing Date or (ii) one (1) year from the date or exercise of the A Warrants underlying the Placement Agent Warrants. The Placement Agent Warrants are exercisable at a price of $25,000 per Placement Agent Unit (exercisable in partial Placement Agent Units), and the A Warrants and B Warrants issuable upon exercise of the Placement Agent Warrants have an exercise price of $0.20 per share in the case of the A Warrants and $0.50 per share in the case of the B Warrants.

The securities sold in the private placement were not registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state, and were offered and sold in reliance on the exemption from registration afforded by Section 4(2) and Regulation D (Rule 506) under the Securities Act and corresponding provisions of state securities laws, which exempt transactions by an issuer not involving any public offering. The investors all had prior investment experience, including experience investing in non-listed and non-registered common stock and that he or she understood the highly speculative nature of any investment in the stock offered as a prerequisite to the offerees’ participation in the Offering. The securities shall not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements and certificates evidencing such shares contain a legend stating the same.

Recent Developments

On July 2, 2012, the Company filed an Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware, containing provisions which, among other things (a) increased the authorized shares of common stock to 60,000,000, (b) reduced the par value of common stock to $0.001, (c) reduced the par value of preferred stock to $0.001, (d) removed Class A Stock from authorized capital stock and (e) removed Class B Stock from authorized capital stock. Pursuant to the filing of the Amended and Restated Certificate of Incorporation, (i) the Company’s 416,500 issued and outstanding shares of Series A Preferred Stock automatically converted into an aggregate of 20,825,000 shares of common stock, in accordance with the terms of the Series A Preferred Stock, (ii) the exercise price of the A Warrants was reduced from $1.00 to $0.20, in accordance with the terms of the A Warrants, and (iii) the exercise price of the B Warrants was reduced from $1.00 to $0.50, in accordance with the terms of the B Warrants.

On October 5, 2012, the Board of Directors of the Company unconditionally extended the exercise period of the Company's outstanding A Warrants by ninety (90) days, from November 14, 2012 to February 12, 2013. On February 5, 2013, the Board of Directors of the Company unconditionally further extended the exercise period of the Company's outstanding A Warrants. Holders of the A Warrants may now exercise their rights thereunder through April 19, 2013.

THE OFFERING

Common stock offered by selling stockholders	This prospectus relates to the sale by certain selling stockholders of 27,190,000 shares of our common stock consisting of: 20,825,000 shares of our common stock issued upon the conversion of our Series A Preferred Stock; 4,165,000 shares of our common stock underlying A Warrants issued to investors; 1,200,000 shares of our common stock underlying the Placement Agent Warrants; and 1,000,000 shares of our common stock underlying the HFA Warrants.
Offering price	Fixed price of $0.39 per share until our common shares are quoted on the Over-the-Counter Bulletin Board, and thereafter, at prevailing market prices or privately negotiated prices.
Common stock outstanding before the offering	26,211,217 (1)
Common stock outstanding after the offering	32,576,217 (assuming the exercise of all of warrants the underlying shares of which are included in this prospectus)
Use of proceeds	We will not receive any proceeds from the sale of the common stock by the selling stockholders.
OTCQB Symbol	TNLX
Risk Factors	You should carefully consider the information set forth in this prospectus and, in particular, the specific factors set forth in the “Risk Factors” section beginning on page 6 of this prospectus before deciding whether or not to invest in our common stock.

(1) Represents the number of shares of our common stock issued and outstanding as of January 31, 2013.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control, which may include statements about our:

- business strategy;
- reserves;
- financial strategy;
- production;
- uncertainty regarding our future operating results; and
- plans, objectives, expectations and intentions contained in this prospectus that are not historical.

All statements, other than statements of historical fact included in this prospectus regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this prospectus, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this prospectus. You should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this prospectus re reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under “Risk Factors” and elsewhere in this prospectus.

RISK FACTORS

An investment in the Company’s common stock involves a high degree of risk. You should carefully consider the risks described below as well as other information provided to you in this prospectus. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our common stock could decline, and you may lose all or part of your investment.

Risks Related to our Business and Operations

We have experienced operating losses for the past several years, and there can be no assurance that we will be able to increase our revenue sufficiently to generate the cash required to fund our current operations.

The Company has incurred operating losses for the past several years. During the years 2011 and 2010, the Company incurred losses from continuing operations of $1.2 million and $7.1 million, respectively. 2011 includes an $8.8 million gain on debt extinguishment, a $3.7 million charge for a warrant valuation adjustment and a $0.2 million additional restructuring charge. 2010 includes a $1.1 million restructuring charge and a $0.5 million charge to write-off engineering software. For the nine months ended September 30, 2012, we had a net loss of $0.7 million. The Company is dependent upon future operating performance to generate sufficient cash flows in order to continue to run its businesses. Future operating performance is dependent on general economic conditions, as well as financial, competitive and other factors beyond our control. As a result, we have experienced a decline in our sales and lease and maintenance bases. There can be no assurance that we will be able to increase our revenue sufficiently to generate the cash required to fund our current operations.

The current global economic crisis has negatively impacted our business and has impaired our ability to access credit markets and finance our operations, which may continue to adversely affect our business.

The continuing global economic crisis has adversely affected our customers, suppliers and other businesses such as ours. As a result, it has had a variety of negative effects on the Company such as reduction in revenues, increased costs, lower gross margin percentages, increased allowances for uncollectible accounts receivable and/or write-offs of accounts receivable. This economic crisis has also impaired our ability to access credit markets and finance our operations and could otherwise have material adverse effects on our business, results of operations, financial condition and cash flows.

Non-payment of interest on outstanding Notes and Debentures has resulted in events of default and may continue to negatively affect our balance sheet.

As of September 30, 2012, the Company has $1.1 million of 8¼% Limited convertible senior subordinated notes due 2012 (the "Notes") which are no longer convertible into common shares; interest is payable semi-annually and the Notes may be redeemed, in whole or in part, at par. The Company had not remitted the March 1, 2010 and 2011 and September 1, 2010 and 2011 semi-annual interest payments of $417,800 each and the March 1, 2012 semi-annual interest and principal payment of $1.4 million to the trustee. The non-payments constitute an event of default under the Indenture governing the Notes and 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. Upon any such declaration, such amount shall be due and payable immediately, and the trustee may commence legal action against us to recover the amounts due which ultimately could require the disposition of some or all of our assets. Any such action would require us to curtail or cease operations As part of the Company's restructuring plan, the Company offered the holders of the Notes to receive $225, without accrued interest, plus 250 shares of the Company's common stock for each $1,000 Note exchanged. The offer expired on October 31, 2011. $9.0 million principal amount of the Notes were exchanged, leaving $1.2 million outstanding.

As of September 30, 2012, the Company has $0.3 million of 9½% Subordinated debentures due 2012 (the "Debentures") which are due in annual sinking fund payments of $105,700 beginning in 2009, which payments have not been remitted by the Company, with the remainder due in 2012; interest is payable semi-annually and the Debentures may be redeemed, in whole or in part, at par. The Company has not remitted the June 1, 2010 and 2011 and December 1, 2010 and 2011 semi-annual interest payments of $50,200 each to the trustee. The non-payments constitute an event of default under the Indenture governing the Debentures and 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. During the continuation of any event which, with notice or lapse of time or both, would constitute a default under any agreement under which Senior Indebtedness is issued, if the effect of such default is to cause or permit the holder of Senior Indebtedness to become due prior to its stated maturity, no payment (including any required sinking fund payments) of principal, premium or interest shall be made on the Debentures unless and until such default shall have been remedied, if written notice of such default has been given to the trustee by the Company or the holder of Senior Indebtedness. As part of the Company's restructuring plan, the Company offered the holders of the Debentures to receive $100, without accrued interest, for each $1,000 Debenture exchanged. The offer expired on October 31, 2011. $0.7 million principal amount of the Debentures were exchanged, leaving $0.3 million outstanding. The Debentures are subordinate to the claims of the holders of the Notes and the Company's senior lender under the Credit Agreement, among other senior claims.

In the event that the holders of the Notes or the Debentures or either of the trustees thereunder declare a default and begin to exercise any of their rights or remedies in connection with the non-payment defaults, this shall constitute a separate and distinct event of default under the Credit Agreement and the senior lender may exercise any and all rights or remedies it may have. The amounts outstanding under the Credit Agreement are collateralized by all of the Digital display division assets. This could have a material adverse effect on our profits, results of operations, financial condition and future prospects.

The Company has significant long-term debt, which could impair our financial condition.

As of September 30, 2012, the Company's total long-term debt (including current portion) was $4.7 million. We expect we may incur indebtedness in connection with new rental leases and working capital requirements. Our ability to satisfy our obligations will be dependent upon our future performance, which is subject to prevailing economic conditions and financial, business and other factors, including factors beyond our control. There can be no assurance that our operating cash flows will be sufficient to meet our long-term debt service requirements or that we will be able to refinance indebtedness at maturity.

Our substantial indebtedness could have adverse consequences, including:

- making it more difficult for us to satisfy our obligations;
- increasing our vulnerability to adverse economic, regulatory and industry conditions;
- limiting our ability to obtain additional financing for future working capital, capital expenditures, mergers and other purposes;
- requiring us to dedicate a substantial portion of our cash flow from operations to fund payments on our debt, thereby reducing funds available for operations and other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- placing us at a competitive disadvantage compared to our competitors that have less debt.

We have received waivers, subject to certain conditions, of 2009 and 2010 minimum funding standards, and will request a waiver for the 2012 minimum funding standard, for our defined benefit plan, which if not granted (or if we fail to fulfill required conditions for) may result in the termination of the plan or require us to make the unpaid contributions.

On March 12, 2010 and March 11, 2011, the Company submitted to the Internal Revenue Service requests for waivers of the 2009 and 2010 minimum funding standard for its defined benefit plan. The waiver requests were submitted as a result of the economic climate and the business hardship that the Company was experiencing. The waivers, which have been granted subject to certain conditions, defer payment of $285,000 and $559,000 of the minimum funding standard for the 2009 and 2010 plan years, respectively. In addition, the Company is expecting to submit a request for a waiver for its required contribution for the 2012 plan year. If we fail to fulfill required conditions for the waivers (for 2009 and 2010), or if the waivers are not granted (for 2012), the Pension Benefit Guaranty Corporation and the Internal Revenue Service have various enforcement remedies that can be implemented to protect the participant’s benefits, such as termination of the plan or a requirement that the Company remit the unpaid contributions. The Company does not have the liquidity to remit the payments at this time and the PBGC has placed a lien on the Company’s assets. The senior lender has waived the default of non-payment of certain pension plan contributions, but the placement of the lien by PBGC constitutes a separate and distinct event of default and the senior lender may exercise any and all rights or remedies it may have under the Credit Agreement. This could have a material adverse effect on our profits, results of operations, financial condition and future prospects.

Suppliers may be unable or unwilling to furnish us with required components, which may delay or reduce our product shipments and negatively affect our business.

We design certain of our materials to match components furnished by suppliers. If such suppliers were unable or unwilling to provide us with those components, we would have to contract with other suppliers to obtain replacement sources. In particular, we purchase most of the LEDs and LED module blocks used in our digital displays and lighting from two 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 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.

Competitors may possess superior resources and deliver more marketable products, which would adversely affect our operating margins.

Our digital displays compete with a number of competitors, both larger and smaller than us, and with products based on different forms of technology. In addition, there are several competitors whose current products utilize similar technology and who possess the resources to develop competitive and more sophisticated products in the future. Our success is, to some extent, dependent upon our ability to anticipate technological changes in the industry and to successfully identify, obtain, develop and market new products that satisfy evolving industry requirements. There can be no assurance that competitors will not market new products which 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 entering into new leases as our current leases expire, which may not be feasible. The inability to renew or replace our leases would negatively affect our operations.

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

Risks Related to International Operations

Our international operations subject us to potential fluctuations in exchange rates between the U.S. Dollar and foreign currencies, as well as international legal obligations, which could impact our profitability.

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

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 any such costs, which may rise 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 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 located in China could subject us to economic, political and legal risks beyond our control.

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

Suppliers may be unable or unwilling to furnish us with required components, which may delay or reduce our product shipments and negatively affect our business.

We design certain of our materials 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 used in our digital displays and lighting from two 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 there are presently several other qualified vendors of these components. The two principal companies providing raw materials are Hangzhou Silan Microelectronics Co., Ltd (Silan), located in Hangzhou National High-Tech Industrial Development Zone and Nichia located in Tokushima, Japan. 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.

Risks Relating to our Organization and our Common Stock

We have not paid dividends since the first quarter of 2006 and do not expect to pay dividends in the future. Any return on investment may be limited to the value of our common stock.

We have not paid cash dividends on our common stock since the first quarter of 2006 and do not anticipate doing so in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

There is a limited trading market for our common stock, which may make it more difficult for shareholders to sell their shares.

To date there has been a limited trading market for our common stock. We cannot predict how liquid the market for our common stock might become. Our common stock is quoted for trading on the OTCQB. Quotation of our securities on the OTCQB may limit the liquidity and price of our securities more than if our securities were quoted or listed on a national securities exchange. Some investors may perceive our securities to be less attractive because they are traded in the over-the-counter market. In addition, as an OTCQB quoted company, we do not attract the extensive analyst coverage that accompanies companies listed on other exchanges. Further, institutional and other investors may have investment guidelines that restrict or prohibit investing in securities traded on the OTCQB. These factors may have an adverse impact on the trading and price of our common stock.

Our common stock is not widely held and the stock price may be volatile.

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

Share eligible for future sale could affect our stock price.

Future sales of common stock in the public market by our current stockholders could adversely affect the market price for the common stock. 1,380,420 shares of common stock may be sold in the public market by executive officers and directors, subject to the limitations contained in Rule 144 under the Securities Act of 1933, as amended. Sales of substantial amounts of the shares of common stock in the public market, or even the potential for such sales, could adversely affect the prevailing market price of our common stock.

Our common stock is currently deemed a "penny stock," which makes it more difficult for our investors to sell their shares.

Our common stock is subject to the "penny stock" rules adopted under Section 15(g) of the Exchange Act. The penny stock rules generally apply to companies whose common stock is not listed on The Nasdaq Stock Market or other national securities exchange and trades at less than $5.00 per share, other than companies that have had average revenue of at least $6,000,000 for the last three years or that have tangible net worth of at least $5,000,000 ($2,000,000 if the company has been operating for three or more years). These rules require, among other things, that brokers who trade penny stock to persons other than "established customers" complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. If we remain subject to the penny stock rules for any significant period, it could have an adverse effect on the market, if any, for our securities. If our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

Our certificate of incorporation allows for our board to create new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock.

Our board of directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our board of directors also has the authority to issue preferred stock without further stockholder approval. As a result, our board of directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our board of directors could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing stockholders.

Our certificate of incorporation contains certain anti-takeover provisions.

Our Amended and Restated Certificate of Incorporation contains certain provisions that could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of us. 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. 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 Amended and Restated 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."

Additionally, we are authorized to issue 500,000 shares of Preferred Stock. The Preferred Stock may 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.

USE OF PROCEEDS

The selling stockholders will receive all of the proceeds from the sale of the shares offered by them under this prospectus. We will not receive any proceeds from the sale of the shares by the selling stockholders covered by this prospectus. However, we will generate proceeds from the cash exercise of the warrants by the selling stockholders, if any. We intend to use those proceeds for general corporate purposes.

MARKET FOR OUR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Our common stock is quoted on the OTCQB under the symbol "TNLX" There has been minimal trading to date in our common stock. As of January 31, 2013, there were approximately 937 holders of record of our common stock.

The following table sets forth the range of our common stock prices on the OTCQB or NYSE Amex during the last two fiscal years.

Fiscal Year 2010	High Bid	Low Bid
First Quarter	$1.90	$0.57
Second Quarter	$0.88	$0.40
Third Quarter	$0.86	$0.31
Fourth Quarter	$0.84	$0.10

Fiscal Year 2011	High Bid	Low Bid
First Quarter	$0.31	$0.11
Second Quarter	$0.20	$0.05
Third Quarter	$0.15	$0.05
Fourth Quarter	$0.78	$0.15

Fiscal Year 2012	High Bid	Low Bid
First Quarter	$0.85	$0.45
Second Quarter	$0.70	$0.35
Third Quarter	$0.46	$0.21
Fourth Quarter	$0.45	$0.17

The above prices are believed to reflect representative inter-dealer quotations, without retail markup, markdown or other fees or commissions, and may not represent actual transactions.

Equity Compensation Plan Information

The following table shows information with respect to each equity compensation plan under which the Company's common stock is authorized for issuance as of the fiscal year ended December 31, 2012.

Equity Compensation Plan Information

December 31, 2012	Securities to be issued upon exercise	Weighted average exercise price	Securities available for future issuance
Equity compensation plans approved by stockholders	6,500	$ 5.57	5,020,000

11

DIVIDEND POLICY

We have not paid any cash dividends on our common stock since the first quarter of 2006 and do not anticipate or contemplate paying dividends on our common stock in the foreseeable future. We currently intend to use all our available funds to develop our business. We can give no assurances that we will ever have excess funds available to pay dividends.

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

Overview

Trans-Lux is a leading supplier of LED technology for high resolution video displays and lighting applications. The essential elements of these systems are the real-time, programmable digital displays 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. In 2010 the Company started a new business opportunity in the LED lighting market with energy-saving lighting solutions that will 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 also owns and operates an income-producing rental property. The Company operates in three reportable segments: Digital display sales, Digital display lease and maintenance and Real estate rentals.

The Digital display sales segment includes worldwide revenues and related expenses from the sales of both indoor and outdoor digital display signage and LED lighting solutions. This segment includes the financial, government/private, gaming, scoreboards and outdoor advertising markets. The Digital display lease and maintenance segment includes worldwide revenues and related expenses from the lease and maintenance of both indoor and outdoor digital display signage. This segment includes the lease and maintenance of digital display signage across all markets. The Real estate rentals segment includes the operations of an income-producing real estate property.

As part of the Company's restructuring plan, on November 14, 2011 the Company completed the sale of an aggregate of $8.3 million of securities. See Liquidity and Capital Resources for further details.

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. 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 percentage of completion, uncollectible accounts receivable, slow-moving and obsolete inventories, goodwill and intangible assets, income taxes, warranty obligations, pension plan obligations, contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management has discussed the development and selection of these accounting estimates and the related disclosures with the audit committee of the Board of Directors.

Management believes the following critical accounting policies, among others, involve its more significant judgments and estimates used in the preparation of its consolidated financial statements:

Percentage of Completion: The Company recognizes revenue on long-term equipment sales contracts using the percentage of completion method based on estimated incurred costs to the estimated total cost for each contract. Should actual total cost be different from estimated total cost, an addition or a reduction to cost of sales may be required.

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 market value based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional inventory write downs may be required.

Rental Equipment: The Company evaluates rental equipment assets for possible impairment annually to determine if the 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: (i) projected renewal rates and (ii) CPI rate changes. These and other assumptions are impacted by national and global economic conditions including changes in national and international interest rates, taxes, and inflation and will change in the future based on period-specific facts and circumstances, thereby possibly requiring an impairment charge in the future. We are in the process of completing our January 1, 2013 analysis of the fair value estimate. The latest impairment test completed was the January 1, 2012 analysis in which the fair value of the existing leases included renewal rate estimates of 72% for indoor equipment and 56% for outdoor equipment and a CPI rate change of 1.2%. The actual renewal rates for contracts that were due to expire in 2012 were 76% for indoor equipment and 72% for outdoor equipment. For every 1-percentage-point change in the renewal rate for indoor equipment, the valuation would change by approximately $205,000. For every 1-percentage-point change in the renewal rate for the outdoor equipment, the valuation would change by approximately $79,000. The CPI rate change used for our 2012 billings was the actual rate of 1.2% and the CPI rate change for our 2013 billings was 2.2%, each based on reports from the Department of Labor's Bureau of Labor Statistics website. For every 0.1-percentage point change in the CPI rate, the valuation would change by approximately $51,000. Since the actual rates for each of these components has exceeded our previous estimates, the fair value estimate of the rental equipment assets would have a higher value now as compared to the last valuation period, indicating that no impairment charge would be required at this time.

Indoor rental equipment is comprised of installed digital displays on lease that are used for indoor trading applications and has an estimated useful life of 5-10 years. Outdoor rental equipment is comprised of installed time and temperature and message digital displays that are used for outdoor advertising and messaging and has an estimated useful life of 15 years. The reason for the longer estimated useful life of the outdoor equipment is because the Company typically enters into longer initial contract terms for the outdoor equipment of 5 years compared to 1 to 3 years for the indoor equipment. In addition, historically, contracts for outdoor equipment generally are more likely to be renewed. For example, the Company is party to contracts for outdoor equipment originally installed over 30 or 40 years ago in the 1970's and 1980's, as well as over 100 installations from the 1990's that are still in operation. Current outdoor contracts have an average age of 13.2 years from installation through the expiration of their current terms. By comparison, the Company is party to numerous contracts for indoor equipment originally installed up to 20 years ago in the early 1990's. Current indoor contracts have an average age of 9.3 years from installation through the expiration of their current terms.

Goodwill and Intangible Assets: The Company evaluates goodwill and intangible assets for possible impairment annually for goodwill and when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable for other intangible assets. The Company uses the income and the market approach to test for impairment of its goodwill, and considers other f actors 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 catalog sports reporting unit. The Company uses a discounted cash flow model to determine the fair value under the income approach which contemplates an overall weighted average revenue growth rate of 3.0%. If the Company were to reduce its revenue projections on the reporting unit by 1.3% within the income approach, the fair value of the reporting unit would be below carrying value. The actual 2012 revenue growth rate was 2.0% below the estimate used in the valuation. The gross profit margins used were consistent with historical

margins achieved by the Company during previous years. If there is a margin decline of 0.5% or more the model would yield results of a fair value less than carrying amount. The actual 2012 gross margin was 1.5% above the estimate used in the valuation. The combination of the reduced revenue growth and the increased gross margin for 2012 as compared to the estimates used in the valuation would not have caused the fair value of the reporting unit to be below carrying value. 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, 2011 annual review indicated that the fair value of the reporting unit exceeded its carrying value by 5.7%; therefore there was no impairment of goodwill related to our catalog sports 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 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. During 2011, the Company wrote off the goodwill associated with the older LED technology and recorded a goodwill impairment charge of $66,000.

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 Obligations: 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 include investment returns and discount rates. The Company recorded an after tax charge in unrecognized pension liability in other comprehensive loss of $1.4 million and $0.4 million during 2011 and 2010, respectively. Estimates and assumptions are reviewed annually with the assistance of external actuarial professionals and adjusted as circumstances change. At December 31, 2011, plan assets were invested 38.3% in guaranteed investment contracts, 60.9% in equity and index funds and 0.8% in money market 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. At December 31, 2011, the weighted average rates used for the computation of benefit plan liabilities were: investment returns, 8.00% and discount rate, 4.80%. Net periodic cost for 2012 will be based on the December 31, 2011 valuation. The defined benefit plan periodic cost was $499,000 and $429,000 in 2011 and 2010, respectively. At December 31, 2011, assuming no change in the other assumptions, a one-percentage point change in investment returns would affect the net periodic cost by $50,000 and a one-percentage point change in the discount rate would affect the net periodic cost by $136,000. As of December 31, 2003, the benefit service under the defined benefit plan had been frozen and, accordingly, there is no service cost for each of the two years ended December 31, 2011 and 2010.The Internal Revenue Service has approved waivers of the 2009 and 2010 minimum funding standard for the Company’s defined benefit plan subject to certain conditions. The waivers defer payment of the minimum funding standard for the 2009 and 2010 plan years. The Company therefore has not remitted $242,000 and $358,000 of payment contributions for 2009 and 2010, respectively. The difference between these amounts and the amounts of $285,000 and $559,000 is due to the following. For 2009, $242,000 represents the missed payments during the calendar year and the amount of $285,000 represents the minimum funding standard for the plan year. For 2010, the amount of $358,000 represents the missed payments during the calendar year and the amount of $559,000 represents the minimum funding standard for the plan. The Company’s expected contributions for each of the next five years have not yet been determined. At this time, the Company is seeking a waiver which would allow deferral of its required contributions for the 2012 plan year and has made $559,000 of contributions as of the Company’s 10-Q filed for the period ended September 30, 2012; however there is no assurance that we will be able to obtain such a waiver. The Company does not have the liquidity to remit the payments at this time and the PBGC has placed a lien on the Company’s assets.

Results of Operations

Nine Months Ended September 30, 2012 Compared to Nine Months Ended September 30, 2011

Total revenues for the nine months ended September 30, 2012 increased $1.3 million or 7.4% to $18.4 million from $17.1 million for the nine months ended September 30, 2011, primarily due to an increase in Digital display sales offset by a decrease in Digital display lease and maintenance revenues.

Digital display sales revenues increased $1.9 million or 17.5%, primarily in the LED lighting, catalog scoreboard and custom commercial sales markets.

Digital display lease and maintenance revenues decreased $642,000 or 10.9%, primarily due to the continued expected revenue decline in the older outdoor display equipment rental and maintenance bases acquired in the early 1990s. The global recession has negatively impacted the lease and maintenance revenues as well.

Real estate rentals revenues decreased $33,000 or 47.8%, as a result of the termination of a tenant lease in the first quarter of 2012 in our Santa Fe, New Mexico rental property due to the softness in the real estate market in Santa Fe, New Mexico.

Total operating loss for the nine months ended September 30, 2012 decreased $330,000 to $3.7 million from $4.1 million for the nine months ended September 30, 2011, principally due to the increase in revenues, offset by an increase in general and administrative expenses.

Digital display sales operating loss decreased $825,000 or 34.3%, primarily as a result of the increase in revenues, offset by an increase in general and administrative expenses. The cost of Digital display sales increased $302,000, primarily due to the increase in revenues. The cost of Digital display sales represented 77.7% of related revenues in 2012 compared to 88.5% in 2011. Digital display sales general and administrative expenses increased $822,000 or 22.3%, primarily due to certain consultant marketing expenses.

Digital display lease and maintenance operating income decreased $218,000 or 91.6%, primarily due the reduction in revenues offset by the decrease in general and administrative expenses. The cost of Digital display lease and maintenance decreased $509,000 or 10.2%, primarily due to a $405,000 decrease in depreciation expense and a

$104,000 decrease in field service costs to maintain the displays. The cost of Digital display lease and maintenance revenues represented 84.9% of related revenues in 2012 compared to 84.3% in 2011. The cost of Digital display lease and maintenance includes field service expenses, plant repair costs, maintenance and depreciation. Digital display lease and maintenance general and administrative expenses decreased $351,000 or 50.9%, primarily due to a decrease in bad debt expense.

Real estate rentals operating loss increased $4,000 or 11.1%, primarily due to the reduction in revenues, offset by a decrease in general and administrative expenses. The cost of Real estate rentals represented 130.6% of related revenues in 2012 compared to 71.0% in 2011, primarily due to the reduction in revenues. Real estate rentals general and administrative expenses decreased $27,000 or 48.2%, primarily due to a decrease in bad debt expense.

Corporate general and administrative expenses increased $709,000 or 38.0%, primarily due to an increase in severance related restructuring costs, legal and audit expenses and a reduction of $325,000 in the Canadian currency exchange gain.

Net interest expense decreased $833,000 or 73.1%, primarily due to the reduction in long-term debt as a result of the restructuring plan, see Note 2 to the condensed consolidated financial statements – Plan of Restructuring, as well as a reduction in the amortization of prepaid financing costs.

The gain on debt extinguishment is attributable to exchanges of the 8¼% Notes and the 9½% Debentures. See Note 6 to the condensed consolidated financial statements – Long-Term Debt.

The change in warrant liabilities is attributable to the change in the fair market value of the warrants issued in connection with the restructuring plan. The fair market value decreased primarily due to a reduction of the market price of the Company's Common Stock underlying the warrants and the reduced exercisable period of the warrants as time has passed. See Note 5 to the condensed consolidated financial statements – Warrant Liabilities.

The effective tax rate for the nine months ended September 30, 2012 and 2011 was 2.9% and 0.4%, respectively. Both the 2012 and 2011 tax rate are being affected by the valuation allowance on the Company's deferred tax assets as a result of reporting pre-tax losses. The income tax expense relates to the Company's Canadian subsidiary.

Three Months Ended September 30, 2012 Compared to Three Months Ended September 30, 2011

Total revenues for the three months ended September 30, 2012 decreased $1.2 million or 16.7% to $5.9 million from $7.1 million for the three months ended September 30, 2011, primarily due to decreases in Digital display sales and Digital display lease and maintenance revenues.

Digital display sales revenues decreased $935,000 or 18.0%, primarily in the catalog scoreboard and custom commercial sales markets.

Digital display lease and maintenance revenues decreased $237,000 or 12.4%, primarily due to the continued expected revenue decline in the older outdoor display equipment rental and maintenance bases acquired in the early 1990s. The global recession has negatively impacted the lease and maintenance revenues as well.

Real estate rentals revenues decreased $19,000 or 79.2%, primarily as a result of the termination of a tenant lease in the first quarter of 2012 in our Santa Fe, New Mexico rental property due to the softness in the real estate market in Santa Fe, New Mexico.

Total operating loss for the three months ended September 30, 2012 decreased $447,000 to $1.1 million from $1.5 million for the three months ended September 30, 2011, principally due to a reduction in cost of sales and general and administrative expenses, offset by the decrease in revenues.

Digital display sales operating loss decreased $937,000 to $67,000 during the third quarter of 2012 from $1.0 million in the third quarter of 2011, primarily as a result of the reduction in cost of sales, offset by the decrease in revenues. The cost of Digital display sales decreased $1.7 million or 35.5%, primarily due to a decrease in the reserve for obsolete inventory and the decrease in revenues. The cost of Digital display sales represented 74.5% of related revenues during the third quarter of 2012 compared to 94.7% during the third quarter of 2011, primarily as a result of the reduction in the reserve for obsolete inventory. Digital display sales general and administrative expenses decreased $127,000 or 9.9%, primarily due to a decrease in sales and marketing expenses.

Digital display lease and maintenance operating income (loss) increased $127,000 to income of $88,000 during the third quarter of 2012 compared to a loss of ($39,000) during the third quarter of 2011, primarily as a result of a decrease in general and administrative expenses, offset by the reduction in revenues. The cost of Digital display lease and maintenance decreased $217,000 or 12.6%, primarily due to a $134,000 decrease in depreciation expense and an $82,000 decrease in field service costs to maintain the displays. The cost of Digital display lease and maintenance

revenues represented 90.4% of related revenues during the third quarter of 2012 compared to 90.5% during the third quarter of 2011. The cost of Digital display lease and maintenance includes field service expenses, plant repair costs, maintenance and depreciation. Digital display lease and maintenance general and administrative expenses decreased $147,000 or 66.8%, primarily due to a decrease in bad debt expense.

Real estate rentals operating loss decreased $28,000 or 66.7%, primarily due to a decrease in general and administrative expenses, offset by the reduction in revenues. The cost of Real estate rentals represented 320.0% of related revenues during the third quarter of 2012 compared to 66.7% during the third quarter of 2011. Real estate rentals general and administrative expenses decreased $47,000 or 94.0%, primarily due to a decrease in bad debt expense.

Corporate general and administrative expenses increased $645,000 or 154.3%, primarily due to an increase in severance related restructuring costs, legal and audit expenses and a reduction of $410,000 in the Canadian currency exchange gain.

Net interest expense decreased $296,000 or 71.2%, primarily due to the reduction in long-term debt as a result of the restructuring plan, see Note 2 to the condensed consolidated financial statements – Plan of Restructuring, as well as a reduction in the amortization of prepaid financing costs.

The change in warrant liabilities is attributable to the change in the fair market value of the warrants issued in connection with the restructuring plan. The fair market value decreased primarily due to a reduction of the market price of the Company's Common Stock underlying the warrants. See Note 5 to the condensed consolidated financial statements – Warrant Liabilities.

The effective tax rate for the three months ended September 30, 2012 and 2011 was 3.4% and 0.3%, respectively. Both the 2012 and 2011 tax rate are being affected by the valuation allowance on the Company's deferred tax assets as a result of reporting pre-tax losses. The income tax expense relates to the Company's Canadian subsidiary.

2011 Compared to 2010

Total revenues for the year ended December 31, 2011 decreased 1.9% to $23.8 million from $24.3 million for the year ended December 31, 2010, principally due to a decrease in Digital display lease and maintenance revenues, offset by an increase in Digital display sales revenues.

Digital display sales revenues increased $475,000 or 3.1%, primarily due to an increase in sales from the gaming and catalog scoreboard markets, principally due to the Company's introduction of the new TLVision product line. LED lighting is a start-up business and had not yet generated revenues for the year ended December 31, 2011, but are now accepting orders and has had its first installation in the first quarter of 2012.

Digital display lease and maintenance revenues decreased $794,000 or 9.3%, primarily due to disconnects and non-renewals of equipment on lease on existing contracts in the financial services market and the continued expected revenue decline in the older equipment on lease and maintenance bases acquired in the early 1990s. The global recession has negatively impacted the lease and maintenance revenues. The financial services market continues to be negatively impacted by the current investment climate resulting in consolidation within that industry and the wider use of flat-panel screens for smaller applications.

Real estate rentals revenues decreased $139,000 or 60.2%, primarily due to the termination of tenant leases. The Santa Fe, New Mexico real estate market is experiencing a decline in real estate rentals due to the economy.

Total operating loss for the year ended December 31, 2011 decreased $565,000 to $5.0 million from $5.5 million for the year ended December 31, 2010, principally due to a decline in general and administrative expenses and restructuring costs, offset by the decline in revenues and an increase in the reserve for obsolete inventory.

Digital display sales operating loss increased $474,000 to $3.0 million in 2011 compared to $2.5 million in 2010, primarily as a result of the increase in the reserve for obsolete inventory and start-up costs for the new LED lighting business, offset by a decrease in general and administrative expenses. The cost of Digital display sales represented 87.4% of related revenues in 2011 compared to 83.2% in 2010. The cost of Digital display sales increased $1.1 million or 8.2%, primarily due to the increase in revenues and an increase in the reserve for obsolete inventory related to the older technology that has been replaced by our new TLVision product line. Digital display sales general and administrative expenses decreased $116,000 or 2.3%, primarily due to the 2010 charge to write-off engineering software of $456,000 and a $66,000 reduction in restructuring costs in 2011, offset by an increase of $300,000 in LED lighting start-up expenses and an increase of $121,000 in bad debt expense.

Digital display lease and maintenance operating income increased $132,000 to $215,000 in 2011 compared to $83,000 in 2010, primarily as a result of a reduction in depreciation expense and general and administrative expenses, offset by the decrease in revenues.

The cost of Digital display lease and maintenance represented 84.8% of related revenues in 2011 compared to 85.3% in 2010. Digital display cost of lease and maintenance decreased $715,000 or 9.8%, primarily due to a $676,000 decrease in depreciation expense and a $38,000 decrease in field service costs to maintain the equipment. Digital display lease and maintenance general and administrative expenses decreased $211,000 or 18.0%, primarily due to an $846,000 reduction in restructuring costs, offset by a $280,000 increase in bad debt expense, a $66,000 goodwill impairment charge and an increase in certain administrative costs. The Company periodically addresses the cost of field service to keep it in line with revenues from equipment leases and maintenance, but as lease and maintenance revenues have declined, it is difficult to reduce the cost of field service proportionately. Cost of Digital display lease and maintenance includes field service expenses, plant repair costs, maintenance and depreciation.

Real estate rentals operating income (loss) decreased $204,000 to a loss of $39,000 in 2011 compared to income of $165,000 in 2010, primarily due to the reduction in revenues due to softness in the real estate rental market in Santa Fe, New Mexico. The cost of Real estate rentals represented 71.7% of related revenues in 2011 compared to 24.2% in 2010. Real estate rentals general and administrative expenses increased primarily due to an increase in the bad debt expense.

Corporate general and administrative expenses decreased $1.1 million or 34.2%. The 2011 corporate general and administrative expenses include a positive change of $311,000 in the Canadian currency exchange gain (loss) compared to 2010. Reductions in audit, consulting, insurance, payroll and benefits also contributed to the decrease this year, partly due to the outsourcing of the human resources department and benefits. The Company continues to monitor and reduce certain overhead costs such as benefit and medical costs.

Net interest expense decreased $209,000 or 13.1%, primarily due to the reduction in long-term debt.

The gain on debt extinguishment is attributable to the exchange of the 8¼% Notes and 9½% Debentures. See Note 12 to the Consolidated Financial Statements– Long Term Debt.

The change in warrant liabilities is attributable to the change in the fair market value of the warrants issued in connection with the Offering. See Note 11 to the Consolidated Financial Statements– Warrant Liabilities.

The effective tax rate benefit for the years ended December 31, 2011 and 2010 was 0.6% and 0.3%, respectively. Both the 2011 and 2010 tax rates are being affected by the valuation allowance on the Company's deferred tax assets as a result of reporting pre-tax losses.

The loss from discontinued operations relates to an impairment in the fair market value of the land held for sale located in Silver City, New Mexico(which property has since been sold and is no longer owned by the Company).

Liquidity and Capital Resources

Current Liquidity

For the nine months ended September 30, 2012, the Company used $110,000 for operating activities and $86,000 for scheduled payments of long-term debt. The cash on hand at September 30, 2012 of $853,000 would be sufficient to continue its manufacturing operations for more than the next 12 months since we estimate that cash flow from current operating activities would be sufficient to support these operations, however it would not be sufficient to cover the current payments due for interest and principal on the long-term debt or the required payments related to the pension plan until additional financing is completed. The Company's objective in regards to the Credit Agreement, which expires on March 1, 2013, and on which $700,000 remains outstanding, is to obtain additional funds to refinance the outstanding amount from external sources through equity or additional debt financing. The Company is in the final stages of discussions with senior lenders and others to obtain $2 million of financing to pay off the balance on the Credit Agreement, make payments on the pension plan liability and provide working capital to fund upcoming sales projects, but has no agreements, commitments or understanding from such senior lenders or others with respect to obtaining any additional funds, and the current global credit environment has been and continues to be a challenge in accomplishing these objectives. There is no assurance any additional funding will be available on terms favorable to the Company, or at all. 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 the 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. The Company does not anticipate receiving notification from the holders of the Notes and Debentures that would require the Company to pay any related principal and interest immediately as it could require the disposition of some or all of our assets, which would require us to curtail or cease operations. The Company does not anticipate receiving any such declaration. The Company is seeking to extend the $1.7 million mortgage on the Santa Fe, New Mexico property until a sale of the property can be completed, seeking to refinance the $700,000 line of credit, and seeking a waiver to defer the 2012 pension plan payments with the PGBC. However, there is no assurance the Company will be successful in its efforts to extend or refinance these obligations. The Company continually evaluates the need and availability of long-term capital in order to meet its cash requirements.

The Company used $110,000 more cash than was provided by operating activities and generated cash provided by operating activities of $570,000 for the nine months ended September 30, 2012 and 2011, respectively. The Company continues to explore initiatives to improve operational results and cash flows over future periods. The Company also continues to explore ways to reduce operational and overhead costs. The Company periodically takes steps to reduce the cost to maintain the equipment on rental and maintenance.

Cash and cash equivalents decreased $256,000 for the nine months ended September 30, 2012 compared to an increase of $382,000 for the nine months ended September 30, 2011. The decrease in 2012 is primarily attributable to

the investment in equipment for rental of $527,000, investment in property, plant and equipment of $58,000, scheduled payments of long-term debt of $86,000, the $650,000 pay down of the mortgage related to the Silver City land which was sold and the cash used in operating activities of $110,000, offset by $500,000 of borrowings on the revolving credit facility. The increase in 2011 is primarily attributable to cash provided by operating activities of $570,000 and $150,000 of borrowings on the revolving credit facility, offset by investment in equipment for rental of $296,000, investment in property, plant and equipment of $48,000, scheduled payments of long-term debt of $544,000 and an additional payment on the term loan portion of the Credit Agreement of $100,000. In addition, the Company obtained a mortgage on its land held for sale located in Silver City, New Mexico for $650,000 and repaid the loan in full during 2012.

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, pension plan payments, employment agreement payments and rent 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 until the underlying debts mature.

The following table summarizes the Company’s fixed cash obligations of September 30, 2012 for the remainder of 2012 and the next four years:

In thousands	Remainder of 2012	2013	2014	2015	2016
Long-term debt, including interest	$ 3,539	$1,089	$89	$400	$-
Pension plan payments	740	654	1,050	673	475
Estimated warranty liability	37	108	76	50	26
Employment agreement obligations	116	465	386	34	-
Operating lease payments	55	107	-	-	-
Total	$ 4,487	$2,423	$1,601	$1,157	$501

Other Long-Term Debt

The Company has a $540,000 mortgage on its facility located in Des Moines, Iowa at a fixed rate of interest of 6.50% payable in monthly installments, which matures March 1, 2015 and requires a compensating balance of $200,000.

The Company has a $1.7 million mortgage on its real estate rental property located in Santa Fe, New Mexico at a variable rate of interest of Prime, with a floor of 6.75%, which was the interest rate in effect at June 30, 2012, payable in monthly installments, which matures December 12, 2012. The Company is in discussion with its lenders to refinance or extend the existing mortgage. The Company is also in discussion with potential buyers to sell the property securing the mortgage. Management believes that upon sale of the property they would be able to satisfy the mortgage with the proceeds.

17

June 2011 Note Offering

On June 17, 2011, the Company entered into a Subscription Agreement with Hackel Family Associates LLC ("HFA") pursuant to which the Company sold to HFA a secured promissory note in the principal amount of $650,000, which note was satisfied in April 2012. In connection with the sale of the Note, the Company issued to HFA five-year warrants (the "HFA Warrants") to purchase 1,000,000 shares of common stock of the Company at an initial exercise price of $1.00. The exercise price of the HFA Warrants was reduced to $0.10 upon the Company's filing of its Amended and Restated Certificate of Incorporation on July 2, 2012. The HFA Warrants are exercisable on a cashless basis if at any time there is no effective registration statement for the underlying shares of common stock.

Revolving Credit Facility

The Company is party to a bank Credit Agreement, as amended, which originally provided for a revolving loan of up to $3.0 million. The credit agreement has been reduced to $0.7 million, based on eligible accounts receivable, at a variable rate of interest of Prime plus 2.00%, (5.25% at December 31, 2012), which matured January 1, 2013 and was subsequently extended to March 1, 2013. In June 2012, the senior lender reduced the revolving loan from $3.0 million to $1.0 million. In connection with the extension of the maturity to March 1, 2013, the credit facility was reduced to $0.7 million, equal to the outstanding principal. The Company is in negotiations with another lender to refinance the revolving credit facility.

The Credit Agreement required an annual facility fee on the unused commitment of 0.25%, and requires compliance with certain financial covenants, as defined in the Credit Agreement, which include a senior debt coverage ratio of not less than 1.75 to 1.00, a loan-to-value ratio of not more than 50% and a $1.0 million quarterly cap on capital expenditures. As of September 30, 2012, the Company was in compliance with the foregoing financial covenants, the Company's senior debt coverage ratio was 15.86, our loan-to-value ratio was 7.2% as of September 30, 2012 and the capital expenditures for the period were $154,000. However the Company was not in compliance with the minimum tangible net worth of not less than $6.5 million since our tangible net worth was $4.6 million at September 30, 2012, which the senior lender waived subsequent to the end of the quarter. In addition, the senior lender has waived the defaults on the Notes and the Debentures, but in the event that the holders of the Notes or the Debentures or trustees declare a default and begin to exercise any of their rights or remedies in connection with the non-payment defaults, this shall constitute a separate and distinct event of default and the senior lender may exercise any and all rights or remedies it may have. The senior lender has also waived the default of non-payment of certain pension plan contributions, but in the event that any government agency takes any enforcement action or otherwise exercises any rights or remedies it may have, this shall constitute a separate and distinct event of default and the senior lender may exercise any and all rights or remedies it may have. The amounts outstanding under the Credit Agreement are collateralized by all of the Digital Display Division assets.

As of September 30, 2012, the Company has drawn the full balance of $1.0 million against the revolving loan facility. As noted above, the Credit Agreement requires an annual facility fee on the unused commitment of 0.25%, and requires compliance with certain financial covenants, as defined in the Credit Agreement, which include a senior debt coverage ratio of not less than 1.75 to 1.00, a loan-to-value ratio of not more than 50% and a $1.0 million quarterly cap on capital expenditures. As of September 30, 2012, the Company was in compliance with the foregoing financial covenants, the Company's senior debt coverage ratio was 15.86, our loan-to-value ratio was 7.2% as of September 30, 2012 and the capital expenditures for the period were $154,000. However the Company was not in compliance with the minimum tangible net worth of not less than $6.5 million since our tangible net worth was $4.6 million at September 30, 2012, which the senior lender waived subsequent to the end of the quarter. In addition, the senior lender has waived the defaults on the Notes and the Debentures, but in the event that the holders of the Notes or the Debentures or trustees declare a default and begin to exercise any of their rights or remedies in connection with the non-payment defaults, this shall constitute a separate and distinct event of default and the senior lender may exercise any and all rights or remedies it may have. The senior lender has also waived the default of non-payment of certain pension plan contributions, but in the event that any government agency takes any enforcement action or otherwise exercises any rights or remedies it may have, this shall constitute a separate and distinct event of default and the senior lender may exercise any and all rights or remedies it may have.

As of June 30, 2012, the Company has drawn $0.6 million against the revolving loan facility, of which $0.4 million was available for additional borrowing. As noted above, the Credit Agreement requires an annual facility fee on the unused commitment of 0.25%, and requires compliance with certain financial covenants, as defined in the Credit Agreement, which include a senior debt coverage ratio of not less than 1.75 to 1.00, a loan-to-value ratio of not more than 50% and a $1.0 million quarterly cap on capital expenditures. As of June 30, 2012, the Company was in compliance with the foregoing financial covenants, the Company's senior debt coverage ratio was 8.95, our loan-to-value ratio was 4.1% as of June 30, 2012 and the capital expenditures for the period were $144,000. However the Company was not in compliance with the minimum tangible net worth of not less than $6.5 million since our tangible net worth was $5.7 million at June 30, 2012, which the senior lender waived subsequent to the end of the quarter.

As of March 31, 2012, the Company has drawn $0.1 million against the revolving loan facility, of which $2.9 million was available for additional borrowing. As noted above, the Credit Agreement requires an annual facility fee on the unused commitment of 0.25%, and requires compliance with certain financial covenants, as defined in the Credit Agreement, which include a minimum tangible net worth of not less than $6.0 million, a loan-to-value ratio of not more than 50% and a $1.0 million quarterly cap on capital expenditures. As of March 31, 2012, the Company was in compliance with the foregoing financial covenants, the Company's tangible net worth was $6.8 million, our loan-to-value ratio was 0.6% as of March 31, 2012 and the capital expenditures for the period were $287,000. However, the Company was not in compliance with the senior debt coverage ratio of not less than 1.75 to 1.00 since our senior debt coverage ratio was -6.4 to 1.00 as of March 31, 2012, which the senior lender waived subsequent to the end of the quarter.

As of December 31, 2011, the Company has drawn $0.5 million against the revolving loan facility, of which $2.5 million was available for additional borrowing. As noted above, the Credit Agreement requires an annual facility fee on the unused commitment of 0.25%, and requires compliance with certain financial covenants, as defined in the Credit Agreement, which include a senior debt coverage ratio of not less than 1.00 to 1.00, a loan-to-value ratio of not more than 50% and a $1.0 million quarterly cap on capital expenditures. As of December 31, 2011, the Company was in compliance with the foregoing financial covenants, the Company's senior debt coverage ratio was 5.23, our

loan-to-value ratio was 3.1% as of December 31, 2011 and the capital expenditures for the period were $128,000. However the Company's was not in compliance with the minimum tangible net worth of not less than $11.5 million since our tangible net worth was a negative $3.0 million at December 31, 2011, which the senior lender has waived.

Restructuring Plan and Preferred Stock Offering

The Company has $1.1 million of 8¼% Limited convertible senior subordinated notes due 2012 (the "Notes") which are no longer convertible into common shares; interest is payable semi-annually and the Notes may be redeemed, in whole or in part, at par. The Company had not remitted the March 1, 2010 and 2011 and September 1, 2010 and 2011 semi-annual interest payments of $417,800 each and the March 1, 2012 semi-annual interest and principal payment of $1.4 million to the trustee. The non-payments constitute an event of default under the Indenture governing the Notes and 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. Upon any such declaration, such amount shall be due and payable immediately, and the trustee may commence legal action against us to recover the amounts due which ultimately could require the disposition of some or all of our assets. Any such action would require us to curtail or cease operations. As of the date of this prospectus, the Company has not received any notification of legal action. The Company does not anticipate receiving any such notification or declaration. As part of the Company's restructuring plan (discussed below), the Company offered the holders of the Notes to receive $225, without accrued interest, plus 250 shares of the Company's common stock for each $1,000 Note exchanged. The offer expired on October 31, 2011. $9.0 million principal amount of the Notes were exchanged, leaving $1.1 million principal amount outstanding, as well as $226,000 of accrued interest as of December 31, 2012.

In addition, the Company has $0.3 million of 9½% Subordinated debentures due 2012 (the "Debentures") which are due in annual sinking fund payments of $105,700 beginning in 2009, which payments have not been remitted by the Company, with the remainder due in 2012; interest is payable semi-annually and the Debentures may be redeemed, in whole or in part, at par. The Company has not remitted the June 1, 2010 and 2011 and December 1, 2010 and 2011 semi-annual interest payments of $50,200 each to the trustee. The non-payments constitute an event of default under the Indenture governing the Debentures and 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. During the continuation of any event which, with notice or lapse of time or both, would constitute a default under any agreement under which Senior Indebtedness is issued, if the effect of such default is to cause or permit the holder of Senior Indebtedness to become due prior to its stated maturity, no payment (including any required sinking fund payments) of principal, premium or interest shall be made on the Debentures unless and until such default shall have been remedied, if written notice of such default has been given to the trustee by the Company or the holder of Senior Indebtedness. The failure to make the sinking fund and interest payments are events of default under the Credit Agreement and no payment can be made to such trustee or the holders at this time as such defaults have not been waived. As part of the Company's restructuring plan, the Company offered the holders of the Debentures to receive $100, without accrued interest, for each $1,000 Debenture exchanged. The offer expired on October 31, 2011. $0.7 million principal amount of the Debentures were exchanged, leaving $0.3 million principal amount outstanding, as well as $95,000 of accrued interest as of December 31, 2012. The Debentures are subordinate to the claims of the holders of the Notes and the Company's senior lender under the Credit Agreement, among other senior claims.

The Company has implemented a comprehensive restructuring plan which included offers to the holders of the 8¼% Limited convertible senior subordinated notes due 2012 (the "Notes") to receive $225, without accrued interest, plus 250 shares of the Company's common stock for each $1,000 Note exchanged and to the holders of the 9½% Subordinated debentures due 2012 (the "Debentures") to receive $100, without accrued interest, for each $1,000 Debenture exchanged. The Debentures are subordinate to the claims of the holders of the Notes and the Company's senior lender under the Credit Agreement, among other senior claims. $8,976,000 principal amount of the Notes and $718,000 principal amount of the Debentures were exchanged. The Company issued 2,244,000 shares of common stock in exchange for the Notes.

As part of the restructuring plan, on November 14, 2011 the Company completed the sale of an aggregate of $8.3 million of securities (the "Offering") consisting of 416,500 shares of the Company's Series A Convertible Preferred Stock (the "Series A Preferred Stock") having a stated value of $20.00 per share and convertible into 50 shares of the Company's common stock (or an aggregate of 20,825,000 shares of common stock) and 4,165,000 one-year warrants (the "A Warrants"). These securities were issued at a purchase price of $20,000 per unit (the "Unit"). Each Unit consists of 1,000 shares of Series A Preferred Stock, which are convertible into 50,000 shares of common stock and 10,000 A Warrants. Each A Warrant entitles the holder to purchase one share of the Company's common stock and a three-year warrant (the "B Warrants"), at an exercise price of $0.20 per share. Each B Warrant shall entitle the holder to purchase one share of the Company's common stock at an exercise price of $0.50 per share.

On October 5, 2012, the Board of Directors of the Company unconditionally extended the exercise period of the Company's outstanding A Warrants by ninety (90) days to February 12, 2013. On February 6, 2013, the Board of Directors of the Company unconditionally extended the exercise period of the Company's outstanding A Warrants until April 19, 2013. The exercise period under the A Warrants was previously set to expire on November 14, 2012.

At the Annual Meeting of Stockholders on June 26, 2012, among other things the stockholders approved proposals to (a) increase the authorized shares of common stock to 60,000,000, (b) reduce the par value of common stock to $0.001, (c) reduce the par value of preferred stock to $0.001, (d) remove Class A Stock from authorized capital stock and (e) remove Class B Stock from authorized capital stock. On July 2, 2012, the Company filed an Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware containing these provisions, which is reflected in the June 30, 2012 Condensed Balance Sheet. Pursuant to the filing of the Amended and Restated Certificate of Incorporation, the Company's 416,500 issued and outstanding shares of Series A Preferred Stock automatically converted into an aggregate of 20,825,000 shares of common stock in accordance with the terms of the Series A Preferred Stock, the exercise price of the A Warrants was reduced from $1.00 per share to $0.20 per share in accordance with the terms of the A Warrants, the exercise price of the B Warrants was reduced from $1.00 per share to $0.50 share in accordance with the terms of the B Warrants, the exercise price of the Placement Agent Warrants issued in connection with the Offering was reduced from $1.00 per share to $0.50 per share and the exercise price of the HFA Warrants (discussed below) was reduced from $1.00 per share to $0.10 per share in accordance with the terms of those warrants.

The net proceeds of the Offering were used to fund the restructuring of the Company's outstanding debt, which included: (1) a cash settlement to holders of the Notes in the amount of $2,019,600; (2) a cash settlement to holders of the Debentures in the amount of $71,800; (3) a payment on the Company's outstanding term loan with the senior lender in the amount of $320,833 and (4) a payment of $1.0 million on the Company's outstanding revolving loan with the senior lender under the Credit Agreement. The net proceeds of the Offering remaining after the payments to the holders of the Notes and the Debentures and to the senior lender were used to pay the remaining $3.0 million outstanding under the revolving loan with the senior lender under the Credit Agreement and for working capital.

We may require additional financing in the future 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.

Pension Plan Contributions

In March 2011 and 2010, the Company submitted to the Internal Revenue Service requests for waivers of the minimum funding standard for its defined benefit plan. The waiver requests were submitted as a result of the economic climate and the business hardship that the Company was experiencing. The waivers, which were granted, subject to certain conditions, defer payment of $559,000 and $285,000 of the minimum funding standard for the 2010 and 2009 plan years, respectively. The Company has made $559,000 of contributions to the pension plan for 2012 but has not yet made payment of an additional $740,000 that is due for 2012. At this time, the minimum contribution for 2013 is $654,000. The Company does not have the liquidity to remit the payments at this time and the PBGC has placed a lien on the Company's assets. Because of our current lack of sufficient liquidity and business hardship, the Company is in the process of submitting a request for a waiver of the minimum funding standard for its defined benefit plan for the 2012 plan year. This waiver would allow us to make us such payments on a quarterly basis over 3 or 4 years. Subject to obtaining the waiver, we intend to make such payments in accordance with such schedule. Because obtaining this waiver for 2012 would make it easier for us to make the required payments for 2013, we have not sought a waiver with respect to the $654,000 due for 2013 and, subject to having sufficient liquidity, intend to make such payments. The senior lender has waived the default of non-payment of certain pension plan contributions. The placement of the lien by PBGC constitutes a separate and distinct event of default and the senior lender may exercise any and all rights or remedies it may have.

Year ended December 31, 2011

The Company incurred a net loss from continuing operations of $1.2 million in 2011 and had a working capital deficiency of $11.3 million as of December 31, 2011. The 2011 results include an $8.8 million gain on debt extinguishment offset by a $3.6 million charge for marking the warrants to market. See Note 2 to the Consolidated Financial Statements – Plan of Restructuring.

The Company used cash in operating activities of continuing operations of $0.5 million and generated cash provided by operations of $1.7 million for the years ended December 31, 2011 and 2010, respectively. The Company has implemented several initiatives to improve operational results and cash flows over future periods, including the consolidation of the Stratford, Connecticut manufacturing facility into its Des Moines, Iowa facility, reducing head count and outsourcing its human resources department. 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 displays on lease and maintenance agreements.

Cash and cash equivalents increased $711,000 in 2011. The increase is primarily attributable to the $7.9 million net proceeds from issuance of Series A Preferred Stock and Warrants and the $0.7 million proceeds from mortgage borrowings, offset by $6.8 million in payments of long-term debt, $0.4 million investment in equipment manufactured for rental, $0.1 million investment in property, plant and equipment and cash used in operating activities of $0.5 million. The current economic environment has increased the Company's trade receivables collection cycle, and its allowances for uncollectible accounts receivable, but collections continues to be favorable. Cash and cash equivalents decreased $143,000 in 2010. The decrease was primarily attributable to the investment in equipment for rental of $1.3 million, the investment in property, plant and equipment of $0.2 million and scheduled payments of long-term debt of $0.8 million, offset by cash provided by operating activities of $1.7 million, the net proceeds from mortgage borrowings of $0.3 million and borrowing on the revolving loan facility of $0.1 million.

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.

Forward-Looking Statements

The Company may, from time to time, provide estimates as to future performance. These forward-looking statements will be estimates, and may or may not be realized by the Company. Except as may be required under applicable securities laws, the Company undertakes no duty to update such forward-looking statements. Many factors could cause actual results to differ from these forward-looking statements, including loss of market share through competition, introduction of competing products by others, pressure on prices from competition or purchasers of the Company's products, interest rate and foreign exchange fluctuations, terrorist acts and war.

BUSINESS

The Company is a leading designer and manufacturer of digital signage display solutions. The essential elements of these systems are the real-time, programmable electronic information displays the Company designs, manufactures, distributes and services. These display systems utilize LED (light emitting diode) technologies. Designed to meet the digital signage solutions for any size venue's indoor and outdoor needs, these display products include text, graphic and video displays for stock and commodity exchanges, financial institutions, college and high school sports stadiums, schools, casinos, convention centers, corporate applications, government applications, theatres, retail sites, airports, billboard sites and numerous other applications. In 2010, the Company started a new business opportunity in the LED lighting market with energy-saving lighting solutions that will 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 also owns an income-producing real estate property which has been placed on the market for sale.

DIGITAL DISPLAY PRODUCTS

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

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

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

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

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

The government/private sector includes applications found in major corporations, public utilities and government agencies for the display of real-time, critical data in command/control centers, data centers, help desks, visitor centers, lobbies, inbound/outbound telemarketing centers, retail applications to attract customers and for employee communications. Digital displays have found acceptance in applications for the healthcare industry such as outpatient pharmacies, military hospitals and HMOs to automatically post patient names when prescriptions are ready for pick up.

Theatres use digital displays to post current box office and ticket information, directional information and to promote concession sales. Information displays are consistently used in airports, bus terminals and train stations to post arrival and departure times and gate and baggage claim information, all of which help to guide passengers through these facilities.

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

The scoreboard sector includes digital displays used by high schools, college sports stadiums, sports venues, municipal sports playing fields, entertainment facilities and recreational facilities. This sector generally sells through dealers and distributors.

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

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

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

Sales Order Backlog (excluding leases): The amount of sales order backlog at June 30, 2012 and December 31, 2011 was approximately $2.9 million and $2.9 million, respectively. The December 31, 2011 backlog is expected to be recognized in 2012. These amounts include only the sale of products; they do not include new lease orders or renewals of existing lease agreements that may be presently in-house.

ENGINEERING AND PRODUCT DEVELOPMENT

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

In 2010, the Company introduced TLVision, our new generation of LED Large Screen Systems that feature the latest digital display technologies and capabilities, available in various pitch design, including the industry’s first 3mm LED display solution. This new line of products 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 3mm for very close distance viewing and up to 127mm for very long distance viewing. The Company also recently expanded its line of scoreboard solutions using its TLVision technology and improved hand-held, simple to operate remotes and wireless control devices.

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

The Company maintains a staff of 9 people who are responsible for product development and support. The engineering, product enhancement and development efforts are supplemented by outside independent engineering consulting organizations, as required. Engineering expense and product enhancement and development costs amounted to $0.8 million and $1.1 million in 2011 and 2010, respectively.

MARKETING AND DISTRIBUTION

The Company markets its digital display products in the United States and Canada using a combination of distribution channels, including 15 direct sales representatives, three telemarketers and a network of independent dealers and distributors. By working with software vendors and using the internet to expand the quality and quantity of multimedia content that can be delivered to our digital displays, we are able to offer customers relevant, timely information, content management software and display hardware in the form of turnkey display communications packages.

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 approximately 12 domestic and international trade shows annually.

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 approximately 20 independent distributors worldwide covering Europe, the Middle East, South America, Africa, the Far East and Australia. Foreign revenues represented less than 10% and 11% of total revenues for the years ended December 31, 2011 and 2010, respectively.

Headquartered in Norwalk, Connecticut, the Company has sales and service offices in Des Moines, Iowa and Burlington, Ontario as well as approximately 24 satellite offices in the United States and Canada.

The Company's revenues in 2011 and 2010 did not include any single customer that accounted for more than 10% of total revenues.

MANUFACTURING AND OPERATIONS

The Company's production facilities are located in Des Moines, Iowa. During 2010, the Company consolidated its production facility in Stratford, Connecticut to its Des Moines, Iowa facility. The production facilities consist principally of the manufacturing, assembly and testing of digital display units and related components. The Company performs most subassembly and most final assembly of its 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 needed for on-time delivery to its customers.

The Company has the ability to rapidly modify its product lines. The Company's displays are designed with flexibility in mind, enabling the Company to customize its displays to meet different applications with a minimum of lead-time. 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.

The Company designs certain of its materials to match components furnished by suppliers. We purchase most of the LEDs used in our digital displays and lighting from two suppliers, Elec-Tech International (002005: Shenzhen) and Han's Laser, both of Shenzhen, China. If such suppliers were 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 there presently are other qualified vendors of these components. The Company does not acquire significant amounts of components directly from foreign suppliers, other than the LEDs and LED modules which are manufactured by foreign sources. The two principal companies providing raw materials are Hangzhou Silan Microelectronics Co., Ltd (Silan), located in Hangzhou National High-Tech Industrial Development Zone and Nichia located in Tokushima, Japan. The Company obtains products and supplies from various manufacturers in China at spot prices that vary based upon supply required. The Company is not party to any long-term supply contracts with any third party manufacturers. The Company’s products are third-party certified as complying with applicable safety, electromagnetic emissions and susceptibility requirements worldwide.

GOVERNMENT REGULATION

The government of the European Union mandates that all products that are sold in the European Union meet certain safety and electromagnetic compliance standards and standards regarding hazardous substances. Compliance with these standards is shown by having the CE label affixed to the product, which companies can self-certify. In addition, all products sold into the European Union must meet the Restriction of Hazardous Substance Directive, thereby meeting specific regulations regarding manufacturing with certain hazardous substances. The Company is in compliance with such mandates.

SERVICE AND SUPPORT

The Company emphasizes the quality and reliability of its products and the ability of its field service personnel and third-party agents to provide timely and expert service to the Company's equipment on lease and maintenance bases and other types of customer-owned equipment. The Company believes that the quality and timeliness of its on-site service personnel are important components in 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. The Company's dealers and distributors offer support for the products they sell in the market segments they cover.

Personnel based in regional and satellite service locations throughout the United States and Canada provide high quality and timely on-site service for the installed equipment on lease and maintenance bases and other types of customer-owned equipment. Purchasers or lessees of the Company's larger products, such as financial exchanges, casinos and sports stadiums, often retain the Company to provide on-site service through the deployment of a service technician who is on-site daily for scheduled events. The Company operates its National Technical Services and Repair Center from its Des Moines, Iowa facility. Equipment repairs are performed in Des Moines and service technicians are dispatched nationwide from the Des Moines facility. The Company's field service 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 offers of short and long-term leases to customers and its nationwide sales, service and installation capabilities are major competitive advantages in the digital display business. The Company believes that it is the largest supplier of large-scale stock, commodity, sports and race book gaming digital displays in the United States, as well as one of the larger digital display and service organizations in the country.

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

LED LIGHTING

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

REAL ESTATE RENTALS OPERATIONS

The Company owns an income-producing real estate property located in Santa Fe, New Mexico, which currently has a 10% occupancy rate. This property has been placed on the market for sale because it does not directly relate to our core business.

INTELLECTUAL PROPERTY

The Company does not own any current patents. The Company holds a number of trademarks for its digital display equipment and considers such patents, licenses and trademarks important to its business.

EMPLOYEES

The Company has approximately 122 employees as of January 2013. Approximately 27% of the employees are unionized. The Company believes its employee relations are good.

PROPERTIES

The Company’s headquarters and principal executive offices are located in a leased facility at 26 Pearl Street, Norwalk, Connecticut, which is used for administration, engineering and sales. The Company owns a facility in Des Moines, Iowa where its manufacturing operations are maintained. In 2010, the Company consolidated its manufacturing and assembly functions, previously located in Stratford, Connecticut, into its facility in Des Moines, Iowa.

MANAGEMENT

The following persons hold the positions set forth opposite their respective names.

Name	Office	Age
Jean-Marc (J.M.) Allain	President, Chief Executive Officer and Class A Director	42
Kristin A. Kreuder	Vice President, General Counsel and Corporate Secretary	42
Todd Dupee	Vice President, Controller and Interim Chief Financial Officer	40
Marco M. Elser	Class A Director	53
Jean Firstenberg	Class B Director	76
Richard Nummi	Class B Director	53
George W. Schiele	Class A Director	80
Elliot Sloyer	Class B Director	47
Salvatore J. Zizza	Class C Director	66

J.M. Allain became the President and CEO of Trans-Lux Corporation on February 16, 2010 and has served as a director since June 2011. Mr. Allain served as President of Panasonic Solutions Company from July 2008 through October 2009; Vice President of Duos Technologies from August 2007 through June 2008; General Manager of Netversant Solutions from October 2004 through June 2005; and Vice President of Adesta, LLC from May 2002 through September 2004. Mr. Allain has familiarity with the operational requirements of complex organizations and has experience dealing with reorganizations and turnarounds.

Kristin Kreuder became Corporate Counsel of Trans-Lux Corporation on February 14, 2011 and became Vice President, General Counsel and Corporate Secretary on March 6, 2012. Ms. Kreuder served as Associate General Counsel, Assistant Corporate Secretary and Member of Disclosure Committee of MXenergy Inc. from September 2007 through September 2009 and Associate General Counsel, Assistant Corporate Secretary and Corporate Compliance Officer of Competitive Technologies, Inc. from January 2006 through August 2007.

Todd Dupee has been the Company’s Vice President, Controller and Interim Chief Financial Officer since December 3, 2012. Mr. Dupee has been with the Company since 1994 and had previously served as Staff Accountant, Accounting Manager and Assistant Vice President. Mr Dupee holds a B.S. in Accountancy from Bentley College.

Marco M. Elser has served as a director since May 25, 2012. For over five years, Mr. Elser has been a partner with AdviCorp Plc, a London-based investment banking firm. Mr. Elser previously served as International Vice President of Northeast Securities, managing distressed funds for family offices and small institutions from 1994 to 2001; he served as a first Vice President of Merrill Lynch Capital Markets in Rome and London until 1994. Mr. Elser is currently Chairman of the Board of Pine Brook Capital, a Shelton CT based engineering company and served that role

for over five years; He is a also one of the independent directors of North Hills Signal Processing Corporation, a Long Island, NY based technology company. Mr. Elser is also the president of the Harvard Club of Italy, an association he founded in 2002 with other Alumni in Italy where he has been living since 1984. He received his BA in Economics from Harvard College in 1981. Mr. Elser’s extensive knowledge of international finance and commerce allows him to make valuable contributions to the Board.

Jean Firstenberg has served as a director since 1989. Ms. Firstenberg has been retired since 2007. Before her retirement she served from 1980 to 2007 as President and CEO of the American Film Institute (AFI). During her 27 years at the AFI she built it into a national organization with an acclaimed exhibition and cultural center in the Metropolitan Washington DC area, two major film festivals, an accredited film Conservatory ranked #1 in the world and the leading authority on America’s film heritage. She has served on the Trans-Lux board since 1989 and currently serves as the chair of the Compensation Committee. She was named in 2002 to the Citizen Stamp Advisory Committee by the Postmaster General of the US to recommend stamp subjects and images and was named chair in 2006. She was elected to the Women’s Sports Foundation in 2007 and was named Vice President of the Governance Committee and has served on the Executive Committee since 2010.

Richard Nummi has served as a director since March 6, 2012 when he was elected an independent director. Mr. Nummi is an attorney and has been responsible for legal oversight and compliance with security industry rules and regulations as Managing Partner of Nummi & Associates, P.A. since February 2005. Previously, Mr. Nummi was Chief Compliance Officer at GunAllen Financial from 2003 to 2005, an Attorney with the Securities and Exchange Commission from 2000 to 2003, and Chief Compliance Officer at Jefferson-Pilot Financial from 1998 to 2000. He has served in the U.S. Navy in Naval Aviation and Naval Intelligence for 12 years. Mr. Nummi's extensive experience in compliance allows him to make valuable contributions to the Board.

George W. Schiele George W. Schiele has served as a director since 2009 when he was elected an independent director. Mr. Schiele was elected Chairman of the Board (a non-executive position) of Trans-Lux Corporation on September 29, 2010. Mr. Schiele currently serves as President of George W. Schiele, Inc., a trust management and private investment company. Mr. Schiele has held such position since 1974. He is also President of four other private companies since 1999, 2005, 2006 and 2009, respectively; a Director of Connecticut Innovations, Inc., the nation's fourth most active venture capital firm, since 2003, and Chairman of its Investment Advisory and Investment Committees since 2004. Mr Schiele additionally serves as Trustee of seven private Trusts since 1974, 1999, 2007, and 2009 to 2012, respectively; President since 2000 of one, and an Officer and Director of two, other private Charitable Foundations since 2006; the Managing Partner of two private Investment partnerships since 2008; and a Director and Executive Board member of The Yankee Institute since 2000. Mr. Schiele was elected in accordance with a Settlement Agreement approved by the United States District Court for the Southern District of New York described in the Corporation's proxy statement for the December 11, 2009 Annual Meeting of Stockholders. Mr. Schiele's long experience in previous start-ups and corporate restructurings and his service to other boards of directors allows him to make valuable contributions to the Board.

Elliot Sloyer has served as a director since March 6, 2012. Since 2005 he has been a Managing Member and Portfolio Manager of WestLane Capital Management, LLC, which was founded in 2005. Mr. Sloyer has served since 2007 as a director of Arotech Corporation, a worldwide provider of defense and security products to the military and law enforcement. Previously Mr. Sloyer was a founder and Managing Director of Harbor Capital Management LLC where he managed portfolios of convertible and distressed securities including bonds, preferred stocks and warrants for 13 years. Mr. Sloyer's extensive experience and service to other boards of directors allows him to make valuable contributions to the Board.

Salvatore J. Zizza has served as a director since 2009 when he was elected an independent director. Mr. Zizza was elected Vice Chairman of the Board (a non-executive position) of Trans-Lux Corporation on September 29, 2010. Mr. Salvatore J. Zizza has been the Chief Executive Officer of General Employment Enterprises Inc. since January 23, 2009 and serves as its Chairman of the Board. Mr. Zizza has been an Executive Vice President and Treasurer of First Medical Group Inc. since 1997. Mr. Zizza served as President and Chief Operating Officer of Bion Environmental Technologies Inc. since January 13, 2003. He has been Non Executive Chairman of Harbor BioSciences, Inc. since March 27, 2009. He has been the Chairman of Projects Group at Bion Environmental Technologies Inc. since January 2006. He serves as the Chairman of Zizza & Co. Ltd. He serves as the Chairman of Metropolitan Paper Recycling Inc. Mr. Zizza serves as the Chairman of Bethlehem Advanced Materials. He serves as Chairman of Bion Dairy Corp. He serves as Lead Independent Director of Harbor BioSciences, Inc. He has been a Director of First Medical Group Inc. since April 16, 1991. He serves as a Director of GAMCO Westwood Funds and Ned Davis Asset Allocation Fund.

Mr. Zizza has been a Director of Hollis-Eden Pharmaceuticals Inc. since March 1997. He has been an Independent Trustee of GAMCO Global Gold, Natural Resources & Income Trust by Gabelli since November 2005. He serves as a Director/trustee of 26 funds in the fund complex of Gabelli Funds. He has been Director of General Employment Enterprises Inc., since January 8, 2010. He has been an Independent Trustee of Gabelli Dividend & Income Trust since 2003. Mr. Zizza has been Independent Director of Gabelli Convertible & Income Securities Fund Inc. since April 24, 1991. He has been a Director of Gabelli Equity Trust, Inc. since 1986 and Trustee of Gabelli Utility Trust since 1999. He served as Lead Independent Director of Hollis-Eden Pharmaceuticals from March 2006 to March 2009. He served as a Director of Earl Scheib Inc. from March 1, 2004 to April 2009. Mr. Zizza received his Bachelor of Arts in Political Science and his Master of Business Administration in Finance from St. John's University, which also has awarded him an Honorary Doctorate in Commercial Sciences. Mr. Zizza’s extensive experience and service to numerous other boards of directors allows him to provide valuable contributions to the Board.

Employment Agreement and Compensation

The Corporation executed an employment agreement with J.M. Allain on February 16, 2010 (the “First Allain Agreement”) which expired on February 16, 2012. Mr. Allain was appointed as President and Chief Executive Officer of the Corporation at that time. After the First Allain Agreement expired, the Corporation entered into a new employment agreement with Mr. Allain (the “Second Allain Agreement”) with a term of three years and under which Mr. Allain was to remain the President and Chief Executive Officer of the Corporation. The Second Allain Agreement provides for compensation at the annual rate of $275,000 per annum, with a minimum raise of 6% per annum if the Corporation has a positive level of Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) during a given year. Mr. Allain is entitled under the Second Allain Agreement to receive an annual bonus based on the Corporation’s yearly EBITDA. The Second Allain Agreement further provides that, on its effective date, Mr. Allain became entitled to a grant of warrants to purchase 2,000,000 shares of the Corporation’s common stock, 50% of which are exercisable at $0.40 per share and 50% of which are exercisable at $0.60 per share. The Second Allain Agreement entitles Mr. Allain to twenty days’ paid vacation per year, a vehicle allowance, “key person” insurance, business expense reimbursement (including membership at the Core Club in New York City), and certain employee benefits generally available to employees of the Corporation. The Second Allain Agreement provides for certain severance benefits depending on whether Mr. Allain leaves the employ of the Corporation for “Cause,” “Good Reason” or “Without Cause and for Good Reason” prior to the termination of the Second Allain Agreement. The Second Allain Agreement contains standard non-disparagement, confidentiality and non-solicitation provisions.

Involvement in Certain Legal Proceedings

Except as set forth in the director and officer biographies above, to the Company's knowledge, during the past ten (10) years, none of the Company's directors, executive officers, promoters, control persons, or nominees has been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law.

Board Independence

We are not a listed issuer and, as such, are not subject to any director independence standards. Using the definition of independence set forth under the Nasdaq Marketplace Rules, Jean Firstenberg, George W. Schiele, Salvatore J. Zizza, Richard Nummi, Marco Elser and Elliot Sloyer would be considered independent directors of the Company.

Corporate Leadership Structure

Two separate individuals serve as the Corporation's Chairman of the Board and Chief Executive Officer. The Chairman is not an executive officer. He provides leadership to the Board in the fulfillment of its responsibilities in presiding over Board meetings. He also presides over meetings of the stockholders. The Chief Executive Officer is responsible for directing the operational activities of the Corporation.

Risk Management

Our Board and Audit Committee are actively involved in risk management. Both the Board and Audit Committee regularly review the financial position of the Corporation and operations of the Corporation and other relevant information, especially cash management and risks associated with the Corporation's financial position and operations.

The Board of Directors of Trans-Lux Corporation is divided into three classes with the term of office of one of the three classes of directors expiring each year and with each class being elected for a three-year term. The Class A directors will serve until the Annual Meeting of Stockholders in 2014, or until their successors are duly elected and qualified, the Class B directors will serve until the Annual Meeting of Stockholders in 2013, or until their successors are duly elected and qualified, and the Class C directors will serve until the 2015 Annual Meeting of Stockholders, or until their successors are duly elected and qualified.

There are no family relationships between any of our directors and our executive officers.

Compensation Committee

The members of the Compensation Committee of the Board of Directors are Ms. Firstenberg and Messrs. Sloyer and Zizza. The Compensation Committee operates under a formal written charter approved by the Compensation Committee and adopted by the Board of Directors. The Compensation Committee reviews compensation and other benefits. The Compensation Committee held one meeting in 2012. None of the members of the Compensation Committee is or has been an officer or employee of the Corporation. There are no Compensation Committee interlock relationships with respect to the Corporation. Members of said Committee receive a fee of $320 for each meeting of the Committee they attend and the Chairperson, Ms. Firstenberg, receives an annual fee of $1,600.

Audit Committee

The members of the Audit Committee of the Board of Directors are Messrs. Zizza, Nummi and Sloyer. The Audit Committee operates under a formal written charter approved by the Committee and adopted by the Board of Directors, a copy of which is available on the Corporation's website at http://www.trans-lux.com/about/investor-information. The Board of Directors had determined that Mr. Zizza meets the definition of "audit committee financial expert" set forth in Item 407 of Regulation S-K, as promulgated by the SEC. The Audit Committee held zero meetings in 2012. The responsibilities of the Audit Committee include the appointment of the independent registered public accounting firm, review of the audit function and material aspects thereof with the Corporation's independent registered public accounting firm, and compliance with the Corporation's policies and applicable laws and regulations. Members of said Committee receive a fee of $400 for each meeting of the Committee they attend and the Chairman, Mr. Zizza, receives an annual fee of $2,400 and $100 for each quarterly telephonic meeting with the independent auditors.

Nominating Committee

The members of the Nominating Committee of the Board of Directors are Ms. Firstenberg and Mr. Zizza, each of who is independent in accordance with the Section 952 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Nominating Committee operates under a formal written charter approved by the Committee and adopted by the Board of Directors. The Nominating Committee recommends for consideration by the Board of Directors, nominees for election of directors at the Corporation's Annual Meeting of Stockholders. Director nominees are considered on the basis of, among other things, experience, expertise, skills, knowledge, integrity, understanding the Corporation's business and willingness to devote time and effort to Board responsibilities. The Nominating Committee did not have any meetings in 2012.

The Nominating Committee does not have a separate policy regarding diversity of the Board. George W. Schiele and Salvatore J. Zizza (the "Gamco Nominees") were elected in accordance with a Settlement Agreement approved by the United States District Court for the Southern District of New York described in the Corporation's proxy statement for the December 11, 2009 Annual Meeting of Stockholders. If either of them or their replacements is unwilling or unable to serve as a director prior to the 2012 Annual Meeting of Stockholders, the Corporation, consistent with duties and obligations under Delaware law, shall use its best efforts to replace said director with a nominee suggested by the Gabelli parties: the Settlement Group, consisting of Gabelli Funds, LLC, Gamco Asset Management, Inc., Gabelli Cap Growth Fund, Gabelli Global Multimedia Trust, Inc., Gabelli Dividend and Income Trust and Gabelli Convertible Fund.

Corporate Governance Committee

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

Non-Employee Director Stock Option Plan

The Board of Directors has previously established a Non-Employee Director Stock Option Plan which, as amended, covers a maximum of 30,000 shares for grant. Such options are granted for a term of six years and are priced at fair market value on the grant date. The determination as to the amount of options to be granted to directors is based on years of service, and are calculated on a yearly basis as follows: a minimum of 500 stock options are granted for each director; an additional 500 stock options are granted if a director has served for five years or more; an additional 500 stock options are granted if a director has served for ten years or more; and an additional 1,000 stock options are granted if a director has served for twenty years or more. Such options are exercisable at any time upon the first anniversary of the grant date. The Corporation grants additional stock options upon the expiration or exercise of any

such option if such exercise or expiration occurs no earlier than four years after date of grant, in an amount equal to the number of options that have been exercised or that have expired.

Retirement Plan

The Company made a cash contribution of $605,000 during 2011, which was less than the minimum required contribution, to the Company's retirement plan for all eligible employees and the eligible individuals listed in the Summary Compensation Table. The Company has been granted waivers, subject to certain conditions, of the 2009 and 2010 minimum funding standard as permitted under 412(d) of the Internal Revenue Code and section 303 of the Employee Retirement Income Security Act of 1974. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company's retirement plan, prior to being frozen, covered all salaried employees over age 21 with at least one year of service who are not covered by a collective bargaining agreement to which the Company is a party. Retirement benefits are based on the final average salary for the highest five of the ten years preceding retirement. For example, estimated annual retirement benefits payable at normal retirement date, which normally is age 65, is approximately $15,000 for an individual with ten years of credited service and with a final average salary of $100,000; and approximately $120,000 for an individual with 40 years of credited service and with a final average salary of $200,000. Currently, $250,000 is the legislated annual cap on determining the final average salary and $195,000 is the maximum legislated annual benefit payable from a qualified pension plan.

As of January 1, 2012, Ms. Toppi had 17 years of credited service. As of December 31, 2003, the benefit service under the pension plan had been frozen, and, accordingly, no further years of credited service have been allowed, and as of April 30, 2009, the benefit under the pension plan has been frozen, and, accordingly, there is no further increase in benefit being accrued. The normal annual retirement benefit for Ms. Toppi is approximately $36,000.

Supplemental Executive Retirement Agreement

In accordance with the former President and Chief Executive Officer's agreement, he was due a supplemental executive retirement payment on July 1, 2010 in the amount of $353,000 plus tax effect of approximately $170,000, but has not yet been paid.

EXECUTIVE COMPENSATION

The following table provides certain summary information for the last two fiscal years of the Corporation concerning compensation paid or accrued by the Corporation and its subsidiaries to or on behalf of the Corporation's Chief Executive Officer, Chief Financial Officer and other Named Executive Officers of the Corporation:

Summary Compensation Table

Annual Compensation

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)