

## 深圳市洲明科技股份有限公司

## 关于海外上市子公司 Trans-Lux Corporation

## 发布 2020 年年度报告的公告

本公司及董事会全体成员保证信息披露内容真实、准确和完整，没有虚假记载、误导性陈述或者重大遗漏。

深圳市洲明科技股份有限公司的子公司 Trans-Lux Corporation 于美国时间 2021 年 4 月 15 日公布了 2020 年年度报告。

2020 年年度 Trans-Lux Corporation 主要的财务数据列示如下：

项目	本报告期	上年同期	本报告期比上年同期增减
营业总收入（千美元）	9,445	17,035	-44.56%
净利润（千美元）	-4,843	-1,402	-245.44%
经营活动产生的现金流量净额（千美元）	-1,881	-4,337	56.63%
基本每股收益（美元/股）	-0.35	-0.13	-169.23%
项目	本报告期末	上年度末	本报告期末比上年度末增减
总资产（千美元）	7,055	12,254	-42.43%
净资产（千美元）	-7,049	-1,744	-304.19%

Trans-Lux Corporation 2020 年年度报告的内容详见附录，并可于美国证券交易委员会网站（<https://www.sec.gov/>）查询。

特此公告，敬请投资者关注。

深圳市洲明科技股份有限公司董事会

2021 年 4 月 16 日

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C.

**FORM 10-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2020  
or  
 TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-2257

TRANS-LUX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

13-1394750  
(I.R.S. Employer  
Identification No.)

135 East 57<sup>th</sup> Street, 14<sup>th</sup> Floor, New York, New York 10022  
(Address of registrant's principal executive offices) (Zip code)

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes \_\_\_\_\_ No X

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No \_\_\_\_\_

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TRANS-LUX CORPORATION  
2020 Form 10-K Cover Page Continued

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes  No

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

The aggregate market value of the registrant’s voting Common Stock held by non-affiliates of the registrant based upon the last sale price of the registrant’s Common Stock reported on OTC Pink on June 30, 2020, was approximately \$789,000, which value solely for the purposes of this calculation excludes shares held by the registrant’s officers, directors and 10% stockholders. Such exclusion should not be deemed a determination by the registrant that all such individuals or entities are, in fact, affiliates of the registrant. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant’s Common Stock, par value \$0.001 per share, as of the latest practicable date, on April 14, 2021, was 13,446,276 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

**TRANS-LUX CORPORATION**  
2020 Form 10-K Annual Report

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## PART I

### ITEM 1. BUSINESS

#### SUMMARY

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

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

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

#### DIGITAL DISPLAY PRODUCTS

The Company’s LED display systems include the latest features and functionality. The Company’s product line of high-performance state-of-the-art digital display products and controllers are used to show full-color video and messages in virtually any configuration and application. The products are used by sports arenas and stadiums; financial institutions, including brokerage firms, banks, energy companies, insurance companies and mutual fund companies; educational institutions; outdoor advertising companies; corporate and government communication centers; retail outlets; casinos, racetracks and other gaming establishments; airports, train stations, bus terminals and other transportation facilities; movie theatres; health maintenance organizations and in various other applications. All sales and service, including fixed digit scoreboards, related to sports are sold through our wholly owned subsidiary, Fariplay Corporation, capitalizing on a well-recognized brand name that has been servicing this segment for over 85 years.

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

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

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

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

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

*Sales Order Backlog (excluding leases):* The amount of sales order backlog at December 31, 2020 and 2019 was approximately \$2.1 million and \$967,000, respectively. The December 31, 2020 backlog is expected to be recognized as sales in 2021, although there can be no assurance thereof. These amounts include only the sale of products; they do not include new lease orders or renewals of existing lease agreements that may be presently in-house.

#### ENGINEERING AND PRODUCT DEVELOPMENT

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

The Company’s TLVision<sup>TM</sup> line includes our latest LED Large Screen Systems that feature the most recent digital product technologies and capabilities, available in various pitch design. TLVision<sup>TM</sup> consists of full-color video products that can be used in a multitude of applications. These applications range from posting alphanumeric data to the displaying of full HD video. The pixel pitches of the products range from 1.5mm for very close distance viewing and up to 50mm for very long-

distance viewing. The Company also continues to expand its line of scoreboard solutions using its TLVision™ technology and improved hand-held, simple to operate remotes and wireless control devices.

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

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

## MARKETING AND DISTRIBUTION

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

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

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

Internationally, the Company uses a combination of internal salespeople and independent distributors to market its products outside the United States. The Company has existing relationships with independent distributors worldwide covering the rest of North America, Europe, the Middle East, South America, Africa, the Far East and Australia. Foreign revenues represented less than 10% of total revenues for the years ended December 31, 2020 and 2019.

In 2020 and 2019, no customers accounted for at least 10% of the Company's total revenues.

## MANUFACTURING AND OPERATIONS

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

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

The Company has the ability to modify its product lines. The Company's displays are designed with flexibility in mind, enabling the Company to customize its displays to meet different applications with a minimum amount of lead-time. The Company designs certain of its materials to match components furnished by suppliers. If such suppliers are unable to provide the Company with those components, the Company would have to contract with other suppliers to obtain replacement sources. Such replacement might result in engineering design changes, and delays in obtaining such replacement components. The Company believes it maintains suitable inventory and has contracts providing for delivery of sufficient quantities of such components to meet its needs. The Company also believes that there are presently other qualified vendors of these components. Other than the LEDs and LED modules which are manufactured by foreign sources, the Company does not acquire significant amounts of components directly from foreign suppliers. The Company's products are third-party certified for compliance with applicable safety, electromagnetic emissions and susceptibility requirements worldwide.

## SERVICE AND SUPPORT

The Company emphasizes the quality and reliability of its products and the ability of its field service personnel and third-party agents to provide timely and expert service to the Company's equipment on lease and maintenance bases and other

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

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

The Company operates its National Technical Services and Repair Centers from its facilities in Urbandale, Iowa and Hazelwood, Missouri. Equipment repairs are performed in Urbandale, Iowa and service technicians are dispatched nationwide from various locations including Urbandale and Hazelwood. The Company's field service division is augmented by various service companies in the United States, Canada and overseas. From time to time, the Company uses various third-party service agents to install, service and/or assist in the service of certain displays for reasons that include geographic area, size and height of displays.

### COMPETITION

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

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

### INTELLECTUAL PROPERTY

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

### EMPLOYEES

The Company had approximately 20 employees as of March 1, 2021, none of whom is unionized. The Company believes its employee relations are good.

## ITEM 1A. RISK FACTORS

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

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

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

We have incurred operating losses for the past several years. During the years ended December 31, 2020 and 2019, we incurred losses of \$4.8 million and \$1.4 million, respectively, and our revenues decreased from \$17.0 million in the year ended December 31, 2019 to \$9.4 million in the year ended December 31, 2020. We are dependent upon future operating performance and, to the extent that operating performance falls short of our needs, future financing to generate sufficient cash flows to continue to run our businesses. Future operating performance is dependent on general economic conditions, as well as financial, competitive and other factors beyond our control. We have experienced a decline in our lease and maintenance bases for the past several years. In addition, our ability to achieve profitability is subject to a number of risks and uncertainties, many of which are beyond our control including the impact of the current economic environment, the spread of major epidemics (including coronavirus) and other related uncertainties such as government imposed travel restrictions, interruptions to supply chains and extended shut down of businesses. These macroeconomic developments could negatively affect our business, operating results, and financial condition in a number of ways. For example, current or potential customers may delay or decrease spending with us or may not pay us or may delay paying us for previously performed services.

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, and to the extent we are unable to do so, we may need to undertake additional financings. In addition, we cannot predict whether future financing, if any, will be in the form of equity, debt, or a combination of both. We may not be able to obtain additional funds on a timely basis, on acceptable terms, or at all. Any equity financing we receive could be substantially dilutive to our shareholders.

WE HAVE SIGNIFICANT DEBT, WHICH COULD IMPAIR OUR FINANCIAL CONDITION

As of December 31, 2020, we had outstanding debt of approximately \$2.8 million, of which \$2.5 million of which was reflected under current portion of long-term debt in our consolidated balance sheet. Such amount includes an aggregate of \$572,000 of 8¼% Limited convertible senior subordinated notes due 2012 (the “Notes”) and 9½% Subordinated debentures due 2012 (the “Debentures”) for which we are in default. Our ability to satisfy our obligations will be dependent upon our future performance, which is subject to prevailing economic conditions and financial, business and other factors, including factors beyond our control. As of December 31, 2020, we had cash and cash equivalents of \$43,000 and there can be no assurance that our operating cash flows will be sufficient to meet our long-term debt service requirements or that we will be able to refinance indebtedness at maturity. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.”

OUR PAYCHECK PROTECTION PROGRAM LOAN MAY NOT BE FORGIVEN IN PART OR AT ALL

The proceeds of our loan under the Paycheck Protection Program (“PPP”) may be forgivable as long as the Company uses the loan proceeds for eligible purposes including payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leave; rent; utilities; and maintains its payroll levels. Certain employees were not retained by the Company, so the potential amount of loan forgiveness may be reduced, in whole or in part.

WE MAY NOT MEET OUR LOAN COVENANTS

The Loan Agreement with MidCap contains financial and other covenant requirements, including financial covenants that require the Borrowers to attain certain EBITDA amounts for certain periods, the first of which is for the three months ended March 31, 2021. If we are not able to attain the EBITDA amounts required by the covenant, MidCap may exercise certain remedies, including termination of the Loan Agreement, which would have a significant adverse impact on our financial position and operating results.

LIBOR IS EXPECTED TO BE DISCONTINUED AFTER 2021

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

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

As of December 31, 2020, we had outstanding \$352,000 of Notes. The Notes matured as of March 1, 2012 and are currently in default. The trustee, by notice to us, or the holders of 25% of the principal amount of the Notes outstanding, by notice to us and the trustee, may declare the outstanding principal plus interest due and payable immediately.

As of December 31, 2020, we had outstanding \$220,000 of Debentures. The Debentures matured as of December 1, 2012 and are currently in default. The trustee, by notice to us, or the holders of 25% of the principal amount of the Debentures outstanding, by notice to us and the trustee, may declare the outstanding principal plus interest due and payable immediately.

OUR INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL HEALTH

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

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

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

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

We derive a substantial percentage of our revenues from the leasing of our digital products, generally pursuant to leases that have an average term of one to five years. Consequently, our future success is, at a minimum, dependent on our ability to obtain the renewal of existing leases or to enter into new leases as existing leases expire. We also derive a significant percentage of our revenues from maintenance agreements relating to our digital display products. The average term of such agreements is one to five years. A portion of the maintenance agreements is cancelable upon 30 days notice. There can be no assurance that we will be successful in obtaining the renewal of existing leases or maintenance agreements, obtaining replacement leases or realizing the value of assets currently under leases that are not renewed. We expect our success in obtaining the renewal of existing leases or maintenance agreements or obtaining replacement leases will also be negatively impacted by the economic uncertainty arising from the impact of the coronavirus which has caused disruptions and extreme volatility in global financial markets and is expected to increase rates of default and bankruptcy, and impact levels of consumer and commercial spending. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations.”

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

We believe that our Chief Executive Officer, Nicholas J. Fazio, plays a significant role in our success and the loss of his services could have an adverse effect on us. We have no employment agreement with Mr. Fazio and there can be no assurance that we would be able to find a suitable replacement for Mr. Fazio. We believe that in addition to Mr. Fazio, there is a core group of executives that also plays a significant role in our success.

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

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

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

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

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

**OUR RESULTS OF OPERATIONS MAY BE NEGATIVELY IMPACTED BY THE CORONAVIRUS OUTBREAK**

We are closely monitoring the impact of the 2019 novel coronavirus, or COVID-19, on all aspects of our business. In March 2020, the World Health Organization characterized COVID-19 as a pandemic and the President of the United States declared the COVID-19 outbreak a national emergency. Since then, the COVID-19 pandemic has rapidly spread across the globe and has already resulted in significant volatility, uncertainty and economic disruption. The outbreak of COVID-19 has caused and may continue to cause travel bans or disruptions, and in some cases, prohibitions of non-essential activities, disruption and shutdown of businesses and greater uncertainty in global financial markets. The impact of COVID-19 is fluid and uncertain, but it has caused and may continue to cause various negative effects, including an inability to meet with actual or potential customers, our end customers deciding to delay or abandon their planned purchases or failing to make payments, and delays or disruptions in our or our partners' supply chains. As a result, we may experience extended sales cycles, our ability to close transactions with new and existing customers and partners may be negatively impacted, and the efficiency and effect of those activities, may be negatively affected, and it has been and, until the COVID-19 outbreak is contained, will continue to be more difficult for us to forecast our operating results. These uncertainties have, and may continue to, put pressure on global economic conditions and overall LED display spending and may cause our end customers to modify spending priorities or delay or abandon purchasing decisions, thereby lengthening sales cycles and potentially lowering prices for our solutions, and may make it difficult for us to forecast our sales and operating results and to make decisions about future investments, any of which could materially harm our business, operating results and financial condition.

Further, our management team is focused on addressing the impacts of COVID-19 on our business, which has required and will continue to require, a large investment of their time and resources and may distract our management team or disrupt our 2021 operating plans. The extent to which COVID-19 ultimately impacts our results of operations, cash flow and financial position will depend on future developments, which are uncertain and cannot be predicted, including, but not limited to, the

duration and spread of the outbreak, its severity, the actions taken by governments and authorities to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, we may continue to experience materially adverse impacts to our business as a result of its global economic impact, including as a result of any recession that may occur.

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

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

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

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

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

Our Amended and Restated Certificate of Incorporation, as amended (our “Certificate of Incorporation”) contains certain provisions that could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company. Such provisions could limit the price that certain investors might be willing to pay in the future for shares of our Common Stock, thus making it less likely that a stockholder will receive a premium on any sale of shares of our Common Stock. Our Board of Directors is divided into three classes, each of which serves for a staggered three-year term, making it more difficult for a third party to gain control of our Board. Our Certificate of Incorporation also contains a provision that requires a four-fifths vote on any merger, consolidation or sale of assets with or to an “Interested Person” or “Acquiring Person,” as well as any amendment to the provision which divides the Board into three classes.

Additionally, we are authorized to issue 2,500,000 shares of preferred stock, of which (i) 416,500 are designated as Series A Convertible Preferred Stock, none of which are outstanding, and (ii) 51,000 are designated as Series B Convertible Preferred Stock (“SBCPS”), none of which are outstanding. The remaining unissued preferred stock, if issued, will contain such rights, preferences, privileges and restrictions as may be fixed by our Board of Directors, which may adversely affect the voting power or other rights of the holders of Common Stock or delay, defer or prevent a change in control of the Company, or discourage bids for the Common Stock at a premium over its market price or otherwise adversely affect the market price of the Common Stock.

These provisions and others that could be adopted in the future could deter unsolicited takeovers or delay or prevent changes in our control or management, including transactions in which stockholders might otherwise receive a premium for their

shares over then current market prices. These provisions may also limit the ability of stockholders to approve transactions that they may deem to be in their best interests.

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

As of April 14, 2021, one stockholder, Unilumin North America Inc. (“Unilumin”), owns approximately 52.0% of our Common Stock and beneficially owns approximately 53.7% of our Common Stock. In addition, three of the Company’s four directors are employed by Unilumin or other entities affiliated with Unilumin. Accordingly, such stockholder could exert significant control over any potential stockholder actions. The interests of this stockholder may not align with our interests or the interests of other stockholders and thereby could control our policies and operations, including the election of directors, the appointment of management, future issuances of our Common Stock or other securities, the incurrence or modification of debt by us, amendments to our Certificate of Incorporation and bylaws, and the entering of extraordinary transactions, such as a merger or sale of all or substantially all of our assets. In addition, this majority stockholder will be able to cause or prevent a change of control of the Company and could preclude any unsolicited acquisition of the Company. This concentration of ownership could deprive stockholders of an opportunity to receive a premium for their shares of Common Stock as part of a sale of the Company and ultimately might affect the market price of the Common Stock.

WE DO NOT EXPECT TO PAY ANY DIVIDENDS ON OUR COMMON STOCK FOR THE FORESEEABLE FUTURE

We currently expect to retain all future earnings, if any, for future operation, expansion and debt repayment and have no current plans to pay any cash dividends to holders of our Common Stock for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our operating results, financial condition, cash requirements, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, we must comply with the covenants in our credit agreement in order to be able to pay cash dividends, and our ability to pay dividends generally may be further limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur. As a result, you may not receive any return on an investment in our Common Stock unless you sell our Common Stock for a price greater than that which you paid for it.

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The Company's headquarters and principal executive offices are located in a leased facility at 135 East 57<sup>th</sup> Street, 14<sup>th</sup> Floor, New York, New York, at an annual rental of \$7,000, which it uses as its primary executive, sales and administrative office. The Company leases a facility in Hazelwood, Missouri, at an annual rental of \$375,000, which is being used for manufacturing operations. The Company leases a facility in Urbandale, Iowa, at an annual rental of \$28,000, which is used for sales and administrative operations.

The aggregate property rent expense was \$460,000 and \$608,000 for the years ended December 31, 2020 and 2019, respectively.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business and/or which are covered by insurance. The Company has accrued reserves individually and in the aggregate for such legal proceedings. Should actual litigation results differ from the Company's estimates, revisions to increase or decrease the accrued reserves may be required. There are no open matters that the Company deems material.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

**PART II**

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

- (a) The Company's Common Stock trades on the OTC Pink under the symbol "TNLX." Sales price information is set forth in Item 5(d) below. The Company had approximately 86 holders of record of its Common Stock as of April 14, 2021. The number of record holders does not include DTC participants or beneficial owners holding shares through nominee names. The Board of Directors did not declare any cash dividends on Common Stock during 2020 and the Company does not anticipate paying any cash dividends on its Common Stock for the foreseeable future. In addition, the Company's loan agreement with MidCap restricts the payment of dividends.
- (b) Not applicable.
- (c) The Company did not purchase any of its equity securities during any month of the fourth fiscal quarter of 2020.

ITEM 6. REMOVED AND RESERVED

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

**Overview**

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

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

### **Critical Accounting Policies and Estimates**

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

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

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

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

*Rental Equipment:* The Company evaluates rental equipment assets for possible impairment annually to determine if the \$656,000 carrying amount of such assets may not be recoverable. The Company uses a cash flow model to determine the fair value under the income approach, based on the remaining lengths of existing leases. Changes in the assumptions used could materially impact our fair value estimates. Assumptions critical to our fair value estimates are projected renewal rates and CPI rate changes. These and other assumptions are impacted by national and global economic conditions including changes in national and international interest rates, taxes, inflation, etc. and will change in the future based on period-specific facts and circumstances, thereby possibly requiring an impairment charge in the future. The December 31, 2020 impairment analysis included a renewal rate estimate of 92.1% and a CPI rate change of approximately 1.5%, which were the actual average rates for the two-year period ended December 31, 2020. Based on these assumptions, the cash flow model determined a fair value of \$7.8 million, exceeding its carrying value by 1087%. Therefore there is no impairment of the Rental Equipment. For every 1-percentage-point change in the renewal rate, the valuation would change by approximately \$182,000. For every 0.1-percentage-point change in the CPI rate, the valuation would change by approximately \$16,000.

Rental equipment is comprised of installed digital products on lease primarily used for indoor trading applications, time and temperature displays and other digital message displays and have estimated useful lives of 10-15 years. For example, the Company is party to contracts for equipment originally installed over 30 or 40 years ago in the 1970's and 1980's, as well as dozens of installations from the 1990's still in operation. Current contracts have an average age of 21.0 years from their installation dates through the expiration of their current terms.

*Goodwill:* The Company evaluates goodwill for possible impairment annually and when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company had \$744,000 of goodwill related to its digital product sales reporting unit. The Company used the income and the market approach to test for impairment of its goodwill, and considers other factors including economic trends and our market capitalization relative to net book value. The Company weighed these approaches by using a 90% factor for the income approach and a 10% factor for the market

approach. Together these two factors estimate the fair value of the reporting unit. The Company used a discounted cash flow model to determine the fair value under the income approach which contemplates an overall weighted average revenue growth rate. The Company used 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, 2020 annual review indicated that the fair value of the reporting unit did not exceed the carrying value. Therefore, there was an impairment of goodwill related to our digital product sales reporting unit. As a result, the Company wrote off the \$744,000 of goodwill in the year ended December 31, 2020.

*Restricted Cash:* The Company classifies cash as restricted when the cash is unavailable for withdrawal or usage for general operations. Restrictions may include legally restricted deposits, contracts entered into with others, or the Company's statements of intention with regard to particular deposits. In May 2017, the Company deposited \$650,000 in a savings account as collateral for a letter of credit in favor of the City of Hazelwood, Missouri as collateral for a forgivable loan. In July 2020, the loan was terminated and the restricted cash was used to pay off the loan in full.

In July 2016, the Company deposited \$400,000 in a savings account as collateral for a letter of credit in favor of the landlord at its Hazelwood, Missouri manufacturing facility as a security deposit. In October 2017, the security deposit was reduced by \$100,000 to \$300,000, in October 2018, the security deposit was reduced by \$50,000 to \$250,000, and in October 2019, the security deposit was reduced by an additional \$50,000 to \$200,000, so the related letter of credit and savings account deposit were also reduced. Due to cash constraints in 2020 due to the COVID-19 pandemic, the landlord allowed the Company to apply the security deposit against current rent payments, so the security deposit was reduced from \$200,000 to zero. The Company has presented these funds in Restricted cash in the Consolidated Balance Sheets since the use of the funds under the letters of credit is restricted.

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

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

*Pension Plan Obligations:* The Company is required to make estimates and assumptions to determine the obligation of our pension benefit plan, which includes investment returns and discount rates. The Company recorded after-tax charges in unrecognized pension liability of \$755,000 and \$342,000 in 2020 and 2019, respectively, in other comprehensive loss. Estimates and assumptions are reviewed annually with the assistance of external actuarial professionals and adjusted as circumstances change. Assumed mortality rates of plan participants are a critical estimate in measuring the expected payments a participant will receive over their lifetime and the amount of liability and expense we recognize. At December 31, 2020, plan assets were invested 31.8% in fixed income contracts and 68.2% in equity and index funds. The investment return assumption takes the asset mix into consideration. The assumed discount rate reflects the rate at which the pension benefits could be settled. The Company utilizes a yield curve in lieu of a single weighted discount rate in determining liabilities and the interest cost for the following year. At December 31, 2020, the weighted average rates used for the computation of benefit plan liabilities were: investment returns, 8.00% and discount rate, 3.20%. The net periodic cost for 2021 will be based on the December 31, 2020 valuation. The defined benefit pension plan periodic benefit (cost) was \$111,000 and (\$83,000) in 2020 and 2019, respectively. At December 31, 2020, assuming no change in the other assumptions, a one-percentage point increase/(decrease) in the discount rate would have increased/(decreased) the net periodic cost by \$20,000/(\$32,000).

As of December 31, 2003, the benefit service under the defined benefit pension plan had been frozen and, accordingly, there is no service cost for the years ended December 31, 2020 and 2019. In 2020, we made contributions of \$85,000 of the plan. As allowed by the CARES Act, the Company elected to defer the payment of the \$556,000 of remaining minimum required contributions due in 2020 until January 1, 2021. Subsequent to December 31, 2020, the Company made \$56,000 of contributions to the plan. At this time, we expect to make our remaining minimum required contributions in 2021 of \$1.0

million; however, there is no assurance that we will be able to make any or all of such remaining payments. See Note 15 to the Consolidated Financial Statements – Pension Plan for further details.

*Contingencies and Litigation:* The Company is subject to legal proceedings and claims which arise in the ordinary course of its business and/or which are covered by insurance. The Company has accrued reserves individually and in the aggregate for such legal proceedings. Should actual litigation results differ from the Company’s estimates, revisions to increase or decrease the accrued reserves may be required. There are no open matters that the Company deems material.

## Results of Operations

The following table presents our Statements of Operations data, expressed as a percentage of revenue for the years ended December 31, 2020 and 2019:

In thousands, except percentages	2020		2019	
Revenues:				
Digital product sales	\$ 7,378	78.1 %	\$14,710	86.4 %
Digital product lease and maintenance	2,067	21.9 %	2,325	13.6 %
Total revenues	<u>9,445</u>	<u>100.0 %</u>	<u>17,035</u>	<u>100.0 %</u>
Cost of revenues:				
Cost of digital product sales	9,525	100.9 %	12,273	72.1 %
Cost of digital product lease and maintenance	628	6.6 %	775	4.5 %
Total cost of revenues	<u>10,153</u>	<u>107.5 %</u>	<u>13,048</u>	<u>76.6 %</u>
Gross (loss) profit from operations	(708)	(7.5)%	3,987	23.4 %
General and administrative expenses	<u>(3,908)</u>	<u>(41.4)%</u>	<u>(4,438)</u>	<u>(26.0)%</u>
Operating loss	(4,616)	(39.1)%	(451)	(2.6)%
Interest expense, net	(425)	(4.5)%	(504)	(3.0)%
Loss on foreign currency remeasurement	(57)	(0.6)%	(130)	(0.8)%
Gain (loss) on extinguishment of debt	137	1.4 %	(193)	(1.1)%
Pension benefit (expense)	111	1.2 %	(83)	(0.5)%
Loss before income taxes	<u>(4,850)</u>	<u>(41.6)%</u>	<u>(1,361)</u>	<u>(8.0)%</u>
Income tax benefit (expense)	7	0.1 %	(41)	(0.2)%
Net loss	<u>\$ (4,843)</u>	<u>(41.5)%</u>	<u>\$ (1,402)</u>	<u>(8.2)%</u>

## 2020 Compared to 2019

Total revenues for the year ended December 31, 2020 decreased \$7.6 million or 44.6% to \$9.4 million from \$17.0 million for the year ended December 31, 2019, primarily due to decreases in Digital product sales.

Digital product sales revenues decreased \$7.3 million or 49.8% to \$7.4 million for the year ended December 31, 2020 compared to \$14.7 million for the year ended December 31, 2019, primarily due to the onset of the coronavirus pandemic.

Digital product lease and maintenance revenues decreased \$258,000 or 11.1% to \$2.1 million for the year ended December 31, 2020 compared to \$2.3 million for the year ended December 31, 2019, primarily due to the continued expected revenue decline in the older outdoor display equipment rental and maintenance bases acquired in the early 1990s. The financial services market continues to be negatively impacted by the current investment climate resulting in consolidation within that industry and the wider use of flat-panel screens for smaller applications.

Total operating loss for the year ended December 31, 2020 increased \$4.2 million to \$4.6 million from \$451,000 for the year ended December 31, 2019, principally due to the decrease in revenues and an increase in the cost of revenues as a percentage of revenues.

Digital product sales operating income (loss) decreased \$5.4 million to a loss of \$5.2 million for the year ended December 31, 2020 compared to income of \$183,000 for the year ended December 31, 2019, primarily due to the decrease in revenues. The cost of Digital product sales decreased \$2.7 million or 22.4%, primarily due to the decrease in revenues. The cost of Digital product sales represented 129.1% of related revenues in 2020 compared to 83.4% in 2019. General and administrative expenses for Digital product sales increased \$768,000 or 34.1%, primarily due to the write-off of goodwill and an increase in marketing expenses, partially offset by a decrease in bad debt expenses and employees’ expenses.

Digital product lease and maintenance operating income decreased \$363,000 or 20.7% to \$1.4 million for the year ended December 31, 2020 compared to \$1.8 million for the year ended December 31, 2019, primarily due to a decrease in the cost

of Digital product lease and maintenance and a decrease in general and administrative expenses. The cost of Digital product lease and maintenance decreased \$147,000 or 19.0%, primarily due to a decrease in depreciation expense. The cost of Digital product lease and maintenance revenues represented 30.4% of related revenues in 2020 compared to 33.3% in 2019. The cost of Digital product lease and maintenance includes field service expenses, plant repair costs, maintenance and depreciation. General and administrative expenses for Digital product lease and maintenance increased \$252,000 to \$50,000 for the year ended December 31, 2020, primarily due to an increase in bad debt expenses.

Corporate general and administrative expenses decreased \$1.6 million or 65.0% to \$836,000 for the year ended December 31, 2020 compared to \$2.4 million for the year ended December 31, 2019, primarily due to a reduction in relocation, employee, rent, legal and directors' expenses, partially offset by an increase in warrant expense.

Net interest expense decreased \$79,000 or 15.7% to \$425,000 for the year ended December 31, 2020 compared to \$504,000 for the year ended December 31, 2019, primarily due to decreases in interest rates and the average outstanding long-term debt, primarily due to the decrease in the balance owed under revolving credit loans and term loans, partially offset by the new borrowing under the Paycheck Protection Program ("PPP") loan.

The gain on extinguishment of debt for the year ended December 31, 2020 represented the reversal of accrued interest on the Hazelwood loan, which was terminated in July 2020. The loss on extinguishment of debt for the year ended December 31, 2019 represented the write-off of the remaining debt discount costs and the termination fees related to the CNH and SM Investors loans, partially offset by the gain on the extinguishment of \$35,000 of Notes.

The effective tax rate for the years ended December 31, 2020 and 2019 was a benefit (expense) of 0.1% and (3.0%), respectively. In 2020 and 2019, the Company recognized income tax benefit (expense) of \$7,000 and (\$41,000), respectively. The income tax expense in 2020 and 2019 is affected by income tax expense related to the Company's Canadian subsidiary and the valuation allowance on the Company's deferred tax assets as a result of reporting pre-tax losses.

## **Liquidity and Capital Resources**

### **Current Liquidity**

The Company has incurred recurring losses and continues to have a working capital deficiency. The Company incurred a net loss of \$4.8 million in the year ended December 31, 2020 and had a working capital deficiency of \$6.3 million as of December 31, 2020. As of December 31, 2019, the Company had a working capital deficiency of \$3.1 million. The increase in the working capital deficiency as compared to December 31, 2019 is primarily due to increases in the current portion of long-term debt, customer deposits and accounts payable, as well as decreases in receivables, cash, inventories and prepaids and other assets, partially offset by a decrease in accrued liabilities.

The Company is dependent on future operating performance in order to generate sufficient cash flows in order to continue to run its businesses. Future operating performance is dependent on general economic conditions, as well as financial, competitive and other factors beyond our control. In order to more effectively manage its cash resources, the Company had, from time to time, increased the timetable of its payment of some of its payables, which had, from time to time, delayed certain product deliveries from our vendors, which in turn had, from time to time, delayed certain deliveries to our customers. The recent cash infusions have resolved these previous issues.

Management believes there is substantial doubt as to whether we will have adequate liquidity, including access to the debt and equity capital markets, to operate our business over the next 12 months from the date of issuance of this Form 10-K. The Company continually evaluates the need and availability of long-term capital to meet its cash requirements and fund potential new opportunities.

The Company used cash for operating activities of \$1.9 million and \$4.3 million in the years ended December 31, 2020 and 2019, respectively. The Company has implemented several initiatives to improve operational results and cash flows over future periods, including reducing headcount, reorganizing its sales department and outsourcing certain administrative functions. The Company continues to explore ways to reduce operational and overhead costs. The Company periodically takes steps to reduce the cost to maintain the digital products on lease and maintenance agreements.

Cash, cash equivalents and restricted cash decreased \$1.3 million in 2020. The decrease is primarily attributable to cash used in operating activities of \$1.9 million, the paydown of \$650,000 on the Hazelwood loan and investments in equipment for rental, property and equipment of \$190,000, partially offset by borrowing on the revolving loan of \$612,000 and proceeds from the PPP loan of \$811,000. The Company will apply for forgiveness of all or some of the PPP loan. The current

economic environment has increased the Company's trade receivables collection cycle, and its allowances for uncollectible accounts receivable, but collections continue to be favorable.

Under various agreements, the Company is obligated to make future cash payments in fixed amounts. These include payments under the Company's long-term debt agreements, payments to the Company's pension plan, employment agreement payments, warranty liabilities and rental payments required under operating lease agreements. The Company has both variable and fixed interest rate debt. Interest payments are projected based on actual interest payments incurred in 2020 until the underlying debts mature.

The following table summarizes the Company's fixed cash obligations as of December 31, 2020 over the next five fiscal years:

In thousands	2021	2022	2023	2024	2025
Long-term debt, including interest	\$3,686	\$ 270	\$ -	\$ -	\$ -
Pension plan payments	1,008	406	355	248	114
Employment obligations	-	-	-	-	-
Estimated warranty liability	164	127	79	51	17
Operating lease payments	375	348	309	-	-
Total	\$5,233	\$1,151	\$743	\$299	\$131

As of December 31, 2020, the Company still had outstanding \$352,000 of Notes which matured as of March 1, 2012. The Company also still had outstanding \$220,000 of Debentures which matured on December 1, 2012. On January 15, 2021, the Company agreed to an exchange with a holder of \$50,000 of Notes, under which agreement the Company paid \$20,000 to the holder in exchange for the principal and the holder forgave any accrued interest. The Company continues to consider future exchanges of the \$302,000 of remaining Notes and \$220,000 of remaining Debentures, but has no agreements, commitments or understandings with respect to any further exchanges. See Note 12 to the Consolidated Financial Statements – Long-Term Debt for further details.

The Company may still seek additional financing in order to provide enough cash to cover our remaining current fixed cash obligations as well as providing working capital. However, there can be no assurance as to the amounts, if any, the Company will receive in any such financing or the terms thereof. The Company has no agreements, commitments or understandings with respect to any such financings. To the extent the Company issues additional equity securities, it could be dilutive to existing shareholders.

### Pension Plan Contributions

The minimum required pension plan contribution for 2020 was \$641,000, of which the Company contributed \$85,000. As allowed by the CARES Act, the Company elected to defer the payment of the \$556,000 of remaining minimum required contributions due in 2020 until January 1, 2021. Subsequent to December 31, 2020, the Company made \$56,000 of contributions to the pension benefit plan. At this time, we expect to make our minimum required contributions to the pension benefit plan in 2021 of \$1.0 million; however, there is no assurance that we will be able to make any or all of such remaining payments. See Note 15 to the Consolidated Financial Statements – Pension Plan for further details.

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

### Safe Harbor Statement under the Private Securities Reform Act of 1995

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

We have based these forward-looking statements on our current expectations and projections about future events. However, they are subject to various risks and uncertainties, many of which are outside our control, including the circumstances described in the section entitled “Risk Factors” in this report. Accordingly, our actual results or financial condition could

differ materially and adversely from those discussed in, or implied by, these forward-looking statements. We caution you not to place undue reliance on our forward-looking statements. Each forward-looking statement speaks only as of the date on which it is made, and, except to the extent required by federal securities laws, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to interest rate risk on its long-term debt. The Company manages its exposure to changes in interest rates by the use of variable and fixed interest rate debt. The fair value of the Company's fixed rate long-term debt is disclosed in Note 12 to the Consolidated Financial Statements – Long-Term Debt. Every 1-percentage-point change in interest rates would result in an annual interest expense fluctuation of approximately \$6,000. In addition, the Company is exposed to foreign currency exchange rate risk mainly as a result of investment in its Canadian subsidiary. A 10% change in the Canadian dollar relative to the U.S. dollar would result in a currency exchange expense fluctuation of approximately \$269,000, based on dealer quotes, considering current exchange rates. The Company does not enter into derivatives for trading or speculative purposes and did not hold any derivative financial instruments at December 31, 2020.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

Report of Independent Registered Public Accounting Firm	16
Consolidated Balance Sheets as of December 31, 2020 and 2019	18
Consolidated Statements of Operations for the Years Ended December 31, 2020 and 2019	19
Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2020 and 2019	19
Consolidated Statements of Changes in Stockholders' Deficit for the Years Ended December 31, 2020 and 2019	20
Consolidated Statements of Cash Flows for the Years Ended December 31, 2020 and 2019	21
Notes to Consolidated Financial Statements	22

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Trans-Lux Corporation (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, stockholders’ deficit and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### **Explanatory Paragraph – Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

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

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

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

### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

## Evaluation of the goodwill impairment analysis

### *Description of the Matter*

When evaluating goodwill for impairment, the Company performs either an initial qualitative or quantitative valuation for each of their reporting units. For the quantitative evaluation, the Company compares fair value of each reporting unit to its carrying value. The Company determines the fair value of its reporting units using a combination of income-based and market-based approaches and incorporates assumptions it believes market participants would utilize. Under the income-based approach, the Company determines fair value using a discounted cash flow approach that requires significant judgment with respect to revenue and expense growth rates based upon annual budgets and longer-range strategic plans and the selection of an appropriate discount rate. Under the market-based approach, the Company determines fair value by comparing its reporting units to similar businesses or guideline companies whose securities are actively traded in public markets. The Company had goodwill of \$744,000 related to the digital product sales segment and the fair value did not exceed the carrying value and therefore, impairment of \$744,000 was recorded in 2020.

Given the significant estimates and assumptions management makes to estimate the fair value of the digital product sales reporting unit and the sensitivity of associated operations, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions was determined as a critical audit matter because it involved a high degree of subjectivity and auditor judgement. The evaluation included assessing key assumptions used in estimating the fair value of the reporting unit, such as forecasted growth rates, estimated costs, and the discount rate.

### *How we Addressed the Matter in Our Audit*

Our audit procedures with respect to forecasted growth rates, estimated costs, and the discount rate include the following, amongst others:

- We evaluated management's ability to accurately forecast revenue and expense growth rates by comparing actual results to management's historical forecasts
- Due to the uncertainties in the industry related to the impacts of COVID-19, we evaluated the reasonableness of forecasts of revenue and expense growth rates by comparing historical results of digital product sales
- With the assistance of our fair value specialists, we evaluated the reasonableness of the discount rate, including testing the source information underlying the determination of the discount rate, testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing those to the discount rate selected by management.

/S/ Marcum LLP

Marcum LLP

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

New Haven, CT  
April 15, 2021

TRANS-LUX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

In thousands, except share data	December 31 2020	December 31 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 43	\$ 535
Receivables, net	1,382	2,381
Inventories	1,542	2,182
Prepays and other assets	327	807
Total current assets	<u>3,294</u>	<u>5,905</u>
Long-term assets:		
Rental equipment, net	656	927
Property, plant and equipment, net	2,200	2,284
Right of use assets	858	1,141
Goodwill	-	744
Restricted cash	-	850
Other assets	47	403
Total long-term assets	<u>3,761</u>	<u>6,349</u>
<b>TOTAL ASSETS</b>	<b>\$ 7,055</b>	<b>\$ 12,254</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 1,640	\$ 945
Accrued liabilities	4,555	6,046
Current portion of long-term debt	2,546	1,572
Current lease liabilities	302	284
Customer deposits	524	123
Total current liabilities	<u>9,567</u>	<u>8,970</u>
Long-term liabilities:		
Long-term debt, less current portion	269	650
Long-term lease liabilities	591	893
Deferred pension liability and other	3,677	3,485
Total long-term liabilities	<u>4,537</u>	<u>5,028</u>
Total liabilities	<u>14,104</u>	<u>13,998</u>
Stockholders' deficit:		
Preferred Stock Series A - \$20 stated value - 416,500 shares authorized; shares issued and outstanding: 0 in 2020 and 2019	-	-
Preferred Stock Series B - \$200 stated value - 51,000 shares authorized; shares issued and outstanding: 0 in 2020 and 2019	-	-
Common Stock - \$0.001 par value - 30,000,000 shares authorized; shares issued: 13,474,116 in 2020 and 2019; shares outstanding: 13,446,276 in 2020 and 2019	13	13
Additional paid-in-capital	41,330	41,088
Accumulated deficit	(38,007)	(33,164)
Accumulated other comprehensive loss	(7,322)	(6,618)
Treasury stock - at cost - 27,840 common shares in 2020 and 2019	(3,063)	(3,063)
Total stockholders' deficit	<u>(7,049)</u>	<u>(1,744)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 7,055</b>	<b>\$ 12,254</b>

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

TRANS-LUX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands, except per share data	12 Months Ended December 31	
	2020	2019
<b>Revenues:</b>		
Digital product sales	\$ 7,378	\$14,710
Digital product lease and maintenance	2,067	2,325
Total revenues	9,445	17,035
<b>Cost of revenues:</b>		
Cost of digital product sales	9,525	12,273
Cost of digital product lease and maintenance	628	775
Total cost of revenues	10,153	13,048
<b>Gross (loss) profit</b>	(708)	3,987
General and administrative expenses	(3,937)	(4,132)
Restructuring costs benefit (expense)	29	(306)
<b>Operating loss</b>	(4,616)	(451)
Interest expense, net	(425)	(504)
Loss on foreign currency remeasurement	(57)	(130)
Gain (loss) on extinguishment of debt	137	(193)
Pension benefit (expense)	111	(83)
<b>Loss before income taxes</b>	(4,850)	(1,361)
Income tax benefit (expense)	7	(41)
<b>Net loss</b>	\$ (4,843)	\$ (1,402)
 Loss per share - basic and diluted	 \$ (0.35)	 \$ (0.13)

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

TRANS-LUX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

In thousands	12 Months Ended December 31	
	2020	2019
Net loss	\$ (4,843)	\$ (1,402)
Other comprehensive income (loss):		
Unrealized foreign currency translation gain	51	118
Change in unrecognized pension costs	(755)	(342)
Total other comprehensive loss, net of tax	(704)	(224)
Comprehensive loss	\$ (5,547)	\$ (1,626)

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

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

In thousands, except share data	Preferred Stock		Common Stock		Add'l Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stock- holders' Deficit		
	Series A Shares	Series B Shares	Series A Amt	Series B Amt						Shares	Amt
<b>For the year ended December 31, 2020</b>											
Balance January 1, 2020	-	\$ -	-	\$ -	13,474,116	\$ 13	\$ 41,088	\$ (33,164)	\$ (6,618)	\$ (3,063)	\$ (1,744)
Net loss	-	-	-	-	-	-	-	(4,843)	-	-	(4,843)
Issuance of warrants	-	-	-	-	-	-	242	-	-	-	242
Other comprehensive loss, net of tax:											
Unrealized foreign currency translation loss	-	-	-	-	-	-	-	-	51	-	51
Change in unrecognized pension costs	-	-	-	-	-	-	-	-	(755)	-	(755)
Balance December 31, 2020	-	\$ -	-	\$ -	13,474,116	\$ 13	\$ 41,330	\$ (38,007)	\$ (7,322)	\$ (3,063)	\$ (7,049)
<b>For the year ended December 31, 2019</b>											
Balance January 1, 2019	-	\$ -	16,512	\$ 3,302	3,652,813	\$ 4	\$ 30,069	\$ (31,682)	\$ (6,394)	\$ (3,063)	\$ (7,764)
Net loss	-	-	-	-	-	-	-	(1,402)	-	-	(1,402)
Preferred stock converted to Common Stock	-	-	(16,512)	(3,302)	1,651,200	1	3,301	-	-	-	-
Exercise of warrants, net of costs	-	-	-	-	5,670,103	6	5,292	-	-	-	5,298
Rights Offering, net of costs	-	-	-	-	2,500,000	2	2,426	-	-	-	2,428
Dividends paid on preferred stock	-	-	-	-	-	-	-	(80)	-	-	(80)
Other comprehensive income, net of tax:											
Unrealized foreign currency translation gain	-	-	-	-	-	-	-	-	118	-	118
Change in unrecognized pension costs	-	-	-	-	-	-	-	-	(342)	-	(342)
Balance December 31, 2019	-	\$ -	-	\$ -	13,474,116	\$ 13	\$ 41,088	\$ (33,164)	\$ (6,618)	\$ (3,063)	\$ (1,744)

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

TRANS-LUX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands	12 Months Ended December 31	
	2020	2019
<b>Cash flows from operating activities</b>		
Net loss	\$(4,843)	\$(1,402)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	540	668
Amortization of right of use assets	283	373
Write off of goodwill	744	-
Amortization of deferred financing fees and debt discount	98	96
Loss on disposal of assets	5	32
(Gain) loss on extinguishment of debt	(137)	193
Loss on foreign currency remeasurement	57	130
Issuance of warrants	242	-
Bad debt expense	123	(93)
Changes in operating assets and liabilities:		
Accounts receivable, net	878	(18)
Inventories	640	19
Prepays and other assets	598	(73)
Accounts payable	695	(2,783)
Accrued liabilities	(1,357)	(254)
Operating lease liabilities	(284)	(369)
Customer deposits	401	(309)
Deferred pension liability and other	(564)	(547)
Net cash used in operating activities	<u>(1,881)</u>	<u>(4,337)</u>
<b>Cash flows from investing activities</b>		
Equipment manufactured for rental	(16)	(44)
Purchases of property, plant and equipment	(174)	(377)
Net cash used in investing activities	<u>(190)</u>	<u>(421)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	1,423	-
Proceeds from warrant exercise, net of costs	-	5,298
Proceeds from rights offering, net of costs	-	2,428
Payments of long-term debt	(650)	(3,037)
Payments of dividends on preferred stock	-	(80)
Payments for deferred financing fees	(40)	(25)
Payments for fees on extinguishment of debt	-	(62)
Net cash provided by financing activities	<u>733</u>	<u>4,522</u>
Effect of exchange rate changes	(4)	(2)
Net decrease in cash, cash equivalents and restricted cash	(1,342)	(238)
Cash, cash equivalents and restricted cash at beginning of year	1,385	1,623
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 43</b>	<b>\$ 1,385</b>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 263	\$ 239
Income taxes paid	15	22
Supplemental non-cash financing activities:		
Preferred Stock Series B converted to Common Stock	\$ -	\$ 3,302
Reconciliation of cash, cash equivalents and restricted cash to amounts reported in the Consolidated Balance Sheets at end of period:		
Current assets		
Cash and cash equivalents	\$ 43	\$ 535
Long-term assets		
Restricted cash	-	850
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 43</b>	<b>\$ 1,385</b>

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

## Notes To Consolidated Financial Statements

### 1. Summary of Significant Accounting Policies

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

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

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

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

*Accounts receivable, net:* Accounts receivable are carried at net realizable value. Credit is extended based on an evaluation of each customer’s financial condition; collateral is generally not required. Reserves for uncollectible accounts receivable are provided based on historical experience and current trends. The Company evaluates the adequacy of these reserves regularly.

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

In thousands	2020	2019
Balance at beginning of year	\$ 743	\$1,797
Provisions	123	(97)
Write-offs	(206)	(957)
Balance at end of year	\$ 660	\$ 743

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers, the relatively small account balances within the majority of the Company’s customer base and their dispersion across different businesses. At December 31, 2020, one customer accounted for 37.1% of the balance in Accounts receivable, net. At December 31, 2019, two customers accounted for 39.8% of the balance in Accounts receivable, net. In 2020 and 2019, no customers accounted for at least 10% of our total revenues.

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

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

The estimated useful lives are as follows:

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

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

*Goodwill:* Goodwill represents the excess of purchase price over the estimated fair value of net assets acquired. The goodwill of \$744,000 relating to the Digital product sales segment was written off in 2020.

The Company annually evaluated the value of its goodwill on October 1 and determined if it is impaired by comparing the carrying value of goodwill to its estimated

fair value. Changes in the assumptions used could materially impact the fair value estimates. Assumptions critical to our fair value estimates are: (i) discount rate used to derive the present value factors used in determining the fair value of the reporting unit, (ii) projected average revenue growth rates used in the reporting unit models and (iii) projected long-term growth rates used in the derivation of terminal year values. These and other assumptions are impacted by economic conditions and expectations of management. The Company used the income and the market approach when testing for goodwill impairment. The Company weighed these approaches by using a 90% factor for the income approach and a 10% factor for the market approach. Together these two factors estimate the fair value of the reporting unit. The Company used a discounted cash flow model to determine the fair value under the income approach which contemplates a conservative overall weighted average revenue growth rate. The Company used 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 goodwill impairment test compares the fair value of the reporting unit with its carrying amount. To the extent the calculated fair value of the goodwill is less than the recorded goodwill, an impairment charge is recorded for the difference. Fair value is determined using cash flow and other valuation models (generally Level 3 inputs in the fair value hierarchy described in Note 4 – Fair Value). In 2020, due to the results of the market approach and income approach, the Company determined that the fair value was below the carrying amount of goodwill and therefore the Company recorded impairment of the goodwill of \$744,000. There was no impairment of goodwill in 2019.

*Impairment or disposal of long-lived assets:* The Company evaluates whether there has been an impairment in value of its long-lived assets if certain circumstances indicate that a possible impairment may exist. An impairment in value may exist when the carrying value of a long-lived asset exceeds its undiscounted cash flows. If it is determined that an impairment in value has occurred, the carrying value is written down to its fair value as determined by a discounted cash flow model. There were no impairments of long-lived assets in 2020 or 2019.

*Restricted cash:* The Company classifies cash as restricted when the cash is unavailable for withdrawal or usage for general operations. Restrictions may include legally restricted deposits, contracts entered into with others, or the Company's statements of intention with regard to particular deposits. The Company did not have any Restricted cash in 2020. The Company had Restricted cash in 2019 for letters of credit in connection with a forgivable loan (\$650,000) and a security deposit (\$200,000). During 2020, the forgivable loan was

satisfied and the security deposit was reduced by \$200,000. The Company has presented these funds in Restricted cash in the Consolidated Balance Sheets since the use of the funds under the letters of credit is restricted.

*Shipping Costs:* The costs of shipping product to our customers of \$230,000 and \$436,000 in 2020 and 2019, respectively, are included in Cost of digital product sales.

*Advertising/Marketing Costs:* The Company expenses the costs of advertising and marketing at the time that the related advertising takes place. Advertising and marketing costs of \$40,000 and \$43,000 in 2020 and 2019, respectively, are included in General and administrative expenses.

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

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

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

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

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

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

*The following new accounting pronouncements were adopted in 2020:*

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04, *Intangibles – Goodwill and Other (Topic 350)*. ASU 2017-04 simplifies the test for goodwill impairment. As required by this standard, the Company adopted ASU 2018-07 on January 1, 2020. The adoption of this standard did not have a material effect on the Company's consolidated financial position and results of operations.

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

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

## 2. Liquidity and Going Concern

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

Due to the onset of the COVID-19 pandemic in 2020, the Company experienced a reduction in sales orders from customers. As a result, the Company incurred a net loss of \$4.8 million in 2020 and had a working capital deficiency of \$6.3 million as of December 31, 2020.

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, including the impact of the current economic environment, the spread of major epidemics (including coronavirus) and other related uncertainties such as government-imposed travel restrictions, interruptions to supply chains and extended shut down of businesses. In order to more effectively manage its cash resources, the Company had, from time to time, increased the timetable of its payment of some of its payables, which delayed certain product deliveries from our vendors, which in turn delayed certain deliveries to our customers.

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

financial position and operating results. The Company continually evaluates the need and availability of long-term capital in order to meet its cash requirements and fund potential new opportunities.

### 3. Revenue Recognition

Under the revenue recognition guidance provided by ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of this standard, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of this standard, the Company assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Sales tax, value added tax and other taxes collected on behalf of third parties are excluded from revenue.

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

When determining the transaction price of a contract, an adjustment is made if payment from a customer occurs either significantly before or significantly after performance, resulting in a significant financing component. Applying the practical expedient in paragraph 606-10-32-18, the Company does not assess whether a significant financing component exists if the period between when the Company performs its

obligations under the contract and when the customer pays is one year or less. None of the Company's contracts contained a significant financing component as of December 31, 2020.

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

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

### Disaggregated Revenues

The following table represents a disaggregation of revenue from contracts with customers for the years ended December 31, 2020 and 2019, along with the reportable segment for each category:

In thousands	2020	2019
Digital product sales:		
Catalog and small customized products	<b>\$6,823</b>	\$13,322
Large customized products	<b>555</b>	1,388
Subtotal	<b>7,378</b>	14,710
Digital product lease and maintenance:		
Operating leases	<b>936</b>	1,215
Maintenance agreements	<b>1,131</b>	1,110
Subtotal	<b>2,067</b>	2,325
Total	<b>\$9,445</b>	\$17,035

## **Performance Obligations**

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

### *Digital Product Sales*

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

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

that the digital display products will conform to the published specifications. Returns may only be made subject to this warranty and not for convenience.

### *Digital Product Lease and Maintenance*

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

The Company has an enforceable right to payment for performance completed to date, as evidenced by the requirement that the customer pay upfront for each month of services. Lease and maintenance service amounts billed ahead of revenue recognition are recorded in deferred revenue and are included in Accrued liabilities in the Consolidated Balance Sheets.

## **Contract Balances with Customers**

Contract assets primarily relate to rights to consideration for goods or services transferred to the customer when the right is conditional on something other than the passage of time. The contract assets are transferred to the receivables when the rights become unconditional. As of December 31, 2020 and 2019, the Company had no contract assets. The contract liabilities primarily relate to the advance consideration received from customers for contracts prior to the transfer of control to the customer and therefore revenue is recognized on completion of delivery. Contract liabilities are classified as deferred revenue and included in Accrued liabilities in the Consolidated Balance Sheets.

The following table presents the balances in the Company's receivables and contract liabilities with customers as of December 31, 2020 and 2019:

In thousands	2020	2019
Gross receivables	\$2,042	\$3,124
Allowance for bad debts	660	743
Net receivables	1,382	2,381
Contract liabilities	618	230

During the years ended December 31, 2020 and 2019, the Company recognized bad debt expense (recovery) of \$123,000 and (\$97,000), respectively.

During the years ended December 31, 2020 and 2019, the Company recognized the following revenues as a result of changes in the contract asset and the contract liability balances in the period:

In thousands	2020	2019
Revenue recognized in the period from:		
Amounts included in the contract liability at the beginning of the period	\$82	\$392
Performance obligations satisfied in previous periods (for example, due to changes in transaction price)	-	-

#### **Transaction Price Allocated to Future Performance Obligations – alternative more qualitative presentation**

Remaining performance obligations represent the transaction price of contracts for which work has not been performed (or has been partially performed). The guidance provides certain practical expedients that limit this requirement and, therefore, the Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which revenue is recognized at the amount to which the Company has the right to invoice for services performed. As of December 31, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations for digital product sales was \$1.5 million and digital product lease and maintenance was \$3.4 million. The Company expects to recognize revenue on approximately 67%, 18% and 15% of the remaining performance obligations over the next 12 months, 13 to 36 months and 37 or more months, respectively.

#### **Costs to Obtain or Fulfill a Customer Contract**

The Company capitalizes incremental costs of obtaining customer contracts. Capitalized commissions are

amortized based on the transfer of the products or services to which the assets relate. Applying the practical expedient, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs are included in General and administrative expenses.

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

#### **4. Fair Value**

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

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

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

Based on this hierarchy, the Company determined the fair value of the cash surrender value of life insurance, a Level 2 based on observable inputs primarily from the counter party. The Company's cash surrender value of life insurance had a carrying amount of \$55,000 at December 31, 2020 and 2019. As \$22,000 was paid out in 2021, at December 31, 2020, the current portion was included in Prepaids and other assets and the remaining \$33,000 was included in Other Assets in the Consolidated Balance Sheets. At December 31, 2019, the \$55,000 was included in Other assets in the Consolidated Balance Sheets. The carrying amounts of cash equivalents,

receivables and accounts payable approximate fair value due to the short maturities of these items. The fair value of the Company's 8¼% Limited convertible senior subordinated notes due 2012 (the "Notes"), using observable inputs, was \$70,000 at December 31, 2020 and December 31, 2019. The fair value of the Company's 9½% Subordinated debentures due 2012 (the "Debentures"), using observable inputs, was \$44,000 at December 31, 2020 and 2019. The fair value of the Company's remaining long-term debt including current portion approximates its carrying value of \$2.4 million at December 31, 2020 and \$1.7 million at December 31, 2019.

## 5. Inventories

Inventories consist of the following:

In thousands	2020	2019
Raw materials	\$1,124	\$1,393
Work-in-progress	324	512
Finished goods	94	277
Total inventory	\$1,542	\$2,182

## 6. Rental Equipment, net

Rental equipment consists of the following:

In thousands	2020	2019
Rental equipment	\$3,714	\$4,291
Less accumulated depreciation	3,058	3,364
Net rental equipment	\$ 656	\$ 927

During 2020, \$593,000 of fully depreciated rental equipment was written off. Depreciation expense for rental equipment for the years ended December 31, 2020 and 2019 was \$288,000 and \$427,000, respectively.

## 7. Property, Plant and Equipment, net

Property, plant and equipment consists of the following:

In thousands	2020	2019
Machinery, fixtures and equipment	\$2,923	\$2,884
Leaseholds and improvements	23	23
	2,946	2,907
Less accumulated depreciation	746	623
Net property, plant and equipment	\$2,200	\$2,284

Equipment having net book values of \$2.2 million and \$2.3 million at December 31, 2020 and 2019, respectively, are pledged as collateral under various financing agreements.

During 2020 and 2019, \$118,000 and \$76,000, respectively, of fully depreciated property, plant and equipment was written off. Depreciation expense for property, plant and equipment for the years ended December 31, 2020 and 2019 was \$252,000 and \$241,000, respectively.

## 8. Other Assets

Other assets consist of the following:

In thousands	2020	2019
Refundable AMT credits	\$ -	\$275
Prepays	34	55
Deposits	13	73
Total other assets	\$47	\$403

## 9. Taxes on Income

The components of income tax (benefit) expense are as follows:

In thousands	2020	2019
Current:		
Federal	\$(41)	\$ -
State and local	25	25
Foreign	9	16
	\$ (7)	\$41
Deferred:		
Federal	\$ -	\$ -
State and local	-	-
	-	-
Income tax (benefit) expense	\$ (7)	\$41

Loss before income taxes from the United States operations was \$4.8 million and \$1.2 million for the years ended December 31, 2020 and 2019, respectively. Loss before income taxes from Canadian operations was \$0.1 million and \$0.2 million for the years ended December 31, 2020 and 2019, respectively.

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

	2020	2019
Statutory federal income tax benefit rate	21.0 %	21.0 %
State income taxes, net of federal benefit	3.9	2.5
AMC credit fully refundable under TCJ Act	0.9	-
Foreign income taxed at different rates	(0.2)	(3.6)
Deferred tax asset valuation allowance	(25.5)	285.5
Section 382 adjustment to deferred net operating loss	-	(309.3)
Other	-	0.9
Effective income tax benefit (expense) rate	0.1 %	(3.0)%

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

In thousands	2020	2019
Deferred income tax asset:		
Tax credit carryforwards	\$ -	\$ -
Operating loss carryforwards	2,763	1,487
Net pension costs	2,157	2,210
Allowance for bad debts	179	182
Other	6	148
Valuation allowance	(4,801)	(3,563)
	304	464
Deferred income tax liability:		
Depreciation	128	345
Other	176	119
	304	464
Net deferred income taxes	\$ -	\$ -

Operating tax loss carryforwards primarily relate to U.S. federal net operating loss carryforwards of approximately \$9.6 million, which began to expire in 2019. The operating loss carryforwards have been limited by changes in ownership of the Company in 2012 and 2019 as defined under Section 382 of the Internal Revenue Code. The change in ownership as of June 26, 2012 limited our operating loss carryforwards at that time to \$295,000 per year aggregating \$5.9 million. The change in ownership as of April 10, 2019 limited our operating loss carryforwards at that time to \$148,000 per year aggregating \$3.0 million. Losses subsequent to April 10, 2019 have increased the operating loss carryforwards. Carryforward losses of \$148,000 expired in the year ended December 31, 2020.

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

from such assets will not be realized.

The Company's determinations regarding uncertain income tax positions may be subject to review and adjustment at a later date based upon factors including, but not limited to, an ongoing analysis of tax laws, regulations and interpretations thereof. The Company does not have any material uncertain tax positions in 2020 and 2019.

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

## 10. Accrued Liabilities

Accrued liabilities consist of the following:

In thousands	2020	2019
Taxes payable	\$1,149	\$1,114
Current portion of pension liability (see Note 15 – Pension Plan)	1,008	641
Interest payable	933	875
Warranty reserve	438	430
Deferred revenues	271	787
Audit fees	134	122
Compensation and employee benefits	90	336
Directors fees	-	1,202
Other	532	539
	\$4,555	\$6,046

A summary of the warranty reserve for the years ended December 31, 2020 and 2019 is as follows:

In thousands	2020	2019
Balance at beginning of year	\$ 430	\$ 405
Provisions	149	176
Deductions	(141)	(151)
Balance at end of year	\$ 438	\$ 430

## 11. Warrant Issuances

On June 4, 2020, the Company entered into a Contract Manufacturing Agreement (the "CMA") with Craftsmen Industries Inc. ("Craftsmen"), which commenced June 15, 2020. The CMA allows for renewal terms of 180 days each. The initial term expired December 31, 2020 and has been renewed for a second term, so it remains in effect through June 30, 2021. Under the CMA, Craftsmen shall manufacture and supply goods and provide all necessary labor, materials, management expertise, and oversight necessary to manufacture the goods at the Company's manufacturing facility located in Hazelwood, Missouri. The Company shall provide Craftsmen assistance to the manufacturing process, the technical details as well as the amount of goods to be produced.

The CMA provides that all payments owed by the Company to Craftsmen under the CMA are secured by a second lien on company assets and had been guaranteed by Unilumin USA LLC (“Unilumin USA”) through December 31, 2020. Unilumin USA is wholly owned by Unilumin North America, who owns 52.0% of the Company’s outstanding Common Stock and beneficially owns 53.7% of the Company’s outstanding Common Stock. In connection with the Unilumin Guarantee in the CMA, the Company issued warrants (the “Warrants”) to purchase 500,000 shares of the Company’s Common Stock to Unilumin USA at an exercise price of \$1.00 per share. The Warrants are exercisable until June 4, 2024. The Company calculated the fair value of the Warrants as \$94,000 utilizing the Black-Scholes method, using a volatility of 151% and a risk free rate of 0.28%. The Company recorded an expense of \$94,000 in general and administrative expenses in June 2020.

On December 31, 2020, certain current and former directors agreed to forgo \$1.1 million of directors’ fees owed to them in exchange for warrants to purchase 1.1 million shares of the Company’s Common Stock at an exercise price of \$1.00 per share (the Director Warrants”). The Warrants are exercisable until December 31, 2024. The Company calculated the fair value of the Warrants as \$148,000 utilizing the Black-Scholes method, using a volatility of 158% and a risk free rate of 0.27%. The Company recorded a gain of \$937,000 on the exchange in general and administrative expenses in December 2020.

On June 11, 2018, in connection with a Subordinated Secured Promissory Note (the “SMI Note”), the Company issued SM Investors, L.P. (“SMI”) a three-year warrant to purchase 82,500 shares of Common Stock at an exercise price of \$0.01 per share. This warrant has not yet been exercised.

On June 11, 2018, in connection with a Subordinated Secured Promissory Note (the “SMII Note”) with SM Investors II, L.P. (“SMII”), the Company issued SMII a three-year warrant to purchase 167,500 shares of Common Stock at an exercise price of \$0.01 per share. This warrant has not yet been exercised.

In connection with a Securities Purchase Agreement (“SPA”) with Unilumin, the Company issued the Unilumin Warrant to purchase 5,670,103 shares of the Company’s Common Stock at an exercise price of \$0.97 per share. In 2019, Unilumin fully exercised the Unilumin Warrant, aggregating \$5.5 million. The Company received cash of \$5.3 million after fees related to the exercise of this warrant.

On April 23, 2015, the Company entered into a credit agreement with BFI Capital Fund II, LLC (“BFI”) for a \$1.5 million credit line, which was repaid in full prior to 2016. In connection with the agreement, the Company also issued BFI a 5-year warrant to purchase 10,000

shares of Common Stock at an exercise price of \$12.00 per share. This warrant expired unexercised on April 23, 2020.

## 12. Long-Term Debt

Long-term debt consists of the following:

In thousands	2020	2019
8¼% Limited convertible senior subordinated notes due 2012	\$ 352	\$ 352
9½% Subordinated debentures due 2012	220	220
Revolving credit line	612	-
Term loans – related party	1,000	1,000
Term loan	811	-
Forgivable loan	-	650
Total debt	2,995	2,222
Less deferred financing costs and debt discount	180	-
Net debt	2,815	2,222
Less portion due within one year	2,546	1,572
Net long-term debt	\$ 269	\$ 650

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

In thousands	2021	2022	2023	2024	2025	Thereafter
	\$2,726	\$269-	\$ -	\$ -	\$ -	\$-

On September 16, 2019, the Company entered into the Loan Agreement with MidCap. On June 3, 2020 and December 16, 2020, the Company and MidCap entered into modification agreements to the Loan Agreement. The Loan Agreement has a term of three years, unless earlier terminated by the parties in accordance with the termination provisions of the Loan Agreement. The Loan Agreement allows the Company to borrow up to an aggregate of \$4.0 million at an interest rate of the 3-month LIBOR interest rate plus 4.75% (4.96% at December 31, 2020) on a revolving credit loan based on accounts receivable, inventory and equipment for general working capital purposes. As of December 31, 2020, the balance outstanding under the Loan Agreement was \$612,000. The Loan Agreement also requires the payment of certain fees, including a facility fee, an unused credit line fee and a collateral monitoring charge. The Loan Agreement contains financial and other covenant requirements, including financial covenants that require the Borrowers to attain certain EBITDA amounts for certain periods, the first of which is for the three months ended March 31, 2021. The Loan Agreement is secured by substantially all of the Borrowers’ assets.

On April 23, 2020, the Company entered into a loan note (the “Loan Note”) with Enterprise Bank and Trust (“Lender”) as lender under the CARES Act of the Small Business Administration of the United States of America (“SBA”), dated as of April 20, 2020. Under the Loan

Note, the Company borrowed \$810,800 from Lender under the Paycheck Protection Program (“PPP”) included in the SBA’s CARES Act, all of which is outstanding as of December 31, 2020. As of December 31, 2020, the Company had accrued \$6,000 of interest related to the Loan Note, which is included in Accrued liabilities in the Consolidated Balance Sheets. The Loan Note proceeds are forgivable as long as the Company uses the loan proceeds for eligible purposes including payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leave; rent; utilities; and maintains its payroll levels. Certain employees were not retained by the Company, so the potential amount of loan forgiveness will be reduced. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1.00%, with a deferral of payments for the first six months. While the Company believes that its use of the loan proceeds will meet the conditions of forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Company to be ineligible for forgiveness of the loan, in whole or in part.

The Company has a \$500,000 loan from Carlisle Investments Inc. (“Carlisle”) at a fixed interest rate of 12.00%, which matured on April 27, 2019 with a bullet payment of all principal due at such time. Interest is payable monthly. As of December 31, 2020 and 2019, the entire amount was outstanding and is included in current portion of long-term debt in the Consolidated Balance Sheets. As of December 31, 2020 and 2019, the Company had accrued \$180,000 and \$120,000, respectively, of interest related to this loan, which are included in accrued liabilities in the Consolidated Balance Sheets. Marco Elser, a former director of the Company, exercises voting and dispositive power as investment manager of Carlisle.

The Company has an additional \$500,000 loan from Carlisle at a fixed interest rate of 12.00%, which matured on December 10, 2017 with a bullet payment of all principal due at such time (the “Second Carlisle Agreement”). Interest is payable monthly. As of December 31, 2020 and 2019, the entire amount was outstanding and is included in current portion of long-term debt Consolidated Balance Sheets. As of December 31, 2020 and 2019, the Company had accrued \$180,000 and \$120,000, respectively, of interest related to this loan, which are included in accrued liabilities in the Consolidated Balance Sheets. Under the Second Carlisle Agreement, the Company granted a security interest to Carlisle in accounts receivable, materials and intangibles relating to a certain purchase order for equipment issued in April 2017.

As of December 31, 2020 and 2019, the Company had outstanding \$352,000 of Notes. The Notes matured as of March 1, 2012 and are currently in default. As of December 31, 2020 and 2019, the Company had accrued

\$329,000 and \$300,000, respectively, of interest related to the Notes, which is included in Accrued liabilities in the Consolidated Balance Sheets. The trustee, by notice to the Company, or the holders of 25% of the principal amount of the Notes outstanding, by notice to the Company and the trustee, may declare the outstanding principal plus interest due and payable immediately. On January 15, 2021, holders of \$50,000 of the Notes accepted the Company’s offer to exchange each \$1,000 of principal, forgiving any related interest, for \$400 in cash, for an aggregate payment by the Company of \$20,000. As a result of the transaction, the Company recorded a gain on the extinguishment of debt, net of expenses, of \$77,000 in 2021.

As of December 31, 2020 and 2019, the Company had outstanding \$220,000 of Debentures. The Debentures matured as of December 1, 2012 and are currently in default. As of December 31, 2020 and 2019, the Company had accrued \$232,000 and \$211,000, respectively, of interest related to the Debentures, which is included in Accrued liabilities in the Consolidated Balance Sheets. The trustee, by notice to the Company, or the holders of 25% of the principal amount of the Debentures outstanding, by notice to the Company and the trustee, may declare the outstanding principal plus interest due and payable immediately.

The Company had a \$650,000 forgivable loan from the City of Hazelwood, Missouri. The loan would have been forgiven on a pro-rata basis if predetermined employment levels were attained. If the Company had attained the employment levels required by the forgivable loan, there would have been no interest due, otherwise interest accrued at a rate of prime plus 2.00%. As of December 31, 2019, the Company had accrued \$118,000 of interest related to this loan, which is included in accrued liabilities in the Consolidated Balance Sheets. On July 2, 2020, the Company and the City of Hazelwood agreed to a termination of the loan and a forgiveness of all accrued interest. The principal balance of \$650,000 was repaid on that date and the forgivable loan was satisfied in full. As a result of the termination, the Company recorded a gain on the extinguishment of debt of \$137,000 in the year ended December 31, 2020.

### 13. Leases

Certain premises are occupied under operating leases that expire at varying dates through 2023. Certain of these leases provide for the payment of real estate taxes and other occupancy costs. On June 21, 2016, the Company entered into a lease for a manufacturing facility in Hazelwood, Missouri for a seven-year lease period at an initial annual rental of \$317,000. On December 23, 2019, the Company entered into a lease for office space in Urbandale, Iowa for a two-year lease period at an initial annual rental of \$28,000. On February 1, 2016, the

Company sold its Des Moines, Iowa facility in a sale/leaseback transaction. The lease was for a two-year lease period at an annual rental of \$158,000. In 2017, the Company extended the lease through February 1, 2019 at the same rate. In 2018, the Company extended the lease for another year through February 1, 2020 at the same rate. Rent expense was \$460,000 and \$608,000 for the years ended December 31, 2020 and 2019, respectively.

The Company leases administrative and manufacturing facilities through operating lease agreements. The Company has no finance leases as of December 31, 2020. Our leases include both lease (e.g., fixed payments including rent) and non-lease components (e.g., common area or other maintenance costs). The facility leases include one or more options to renew. The exercise of lease renewal options is typically at our sole discretion, therefore, the renewals to extend the lease terms are not included in our ROU assets or lease liabilities as they are not reasonably certain of exercise. We regularly evaluate the renewal options and, when they are reasonably certain of exercise, we include the renewal period in our lease term.

Operating leases result in the recognition of ROU assets and lease liabilities on the Consolidated Balance Sheets. ROU assets represent our right to use the leased asset for the lease term and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate at the commencement date to determine the present value of lease payments. Most real estate leases include one or more options to renew, with renewal terms that can extend the lease term from 1 to 5 years or more. Lease expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets. The primary leases we enter into with initial terms of 12 months or less are for equipment.

#### Supplemental information regarding leases:

In thousands, unless otherwise noted	2020
Balance Sheet:	
ROU assets	\$858
Current lease liabilities	302
Non-current lease liabilities	591
Total lease liabilities	893
Weighted average remaining lease term (years)	2.7
Weighted average discount rate	8.9%
Future minimum lease payments:	
2021	\$ 370
2022	348
2023	295
2024	-
2025	-
Thereafter	-
Total	1,013
Less: Imputed interest	120
Total lease liabilities	893
Less: Current lease liabilities	302
Long-term lease liabilities	\$ 591

#### Supplemental cash flow information regarding leases:

In thousands	2020
Operating cash flow information:	
Cash paid for amounts included in the measurement of lease liabilities	\$377
Non-cash activity:	
ROU assets obtained in exchange for lease liabilities	-

Total operating lease expense and short-term lease expense was \$383,000 and \$77,000, respectively, for the year ended December 31, 2020. Total operating lease expense and short-term lease expense was \$497,000 and \$111,000, respectively, for the year ended December 31, 2019.

#### 14. Stockholders' Deficit

During 2020 and 2019, the Board of Directors did not declare any quarterly cash dividends on the Company's Common Stock.

The Company was authorized to issue 2,500,000 shares of preferred stock as of December 31, 2020, of which (i) 416,500 shares were designated as Series A Convertible Preferred Stock, none of which were outstanding, (ii) 51,000 shares were designated as SBCPS, none of which were outstanding, and (iii) 2,032,500 shares were not yet designated. The undesignated preferred stock would contain such rights, preferences, privileges and restrictions as may be fixed by our Board of Directors.

Shares of the Company's Common Stock reserved for future issuance in connection with convertible securities and stock option plans were 1.8 million and 260,000 at December 31, 2020 and 2019, respectively.

Accumulated other comprehensive loss is comprised of approximately \$7.6 million and \$6.8 million of unrecognized pension costs at December 31, 2020 and 2019, respectively, and \$245,000 and \$194,000 of unrealized foreign currency translation gains at December 31, 2020 and 2019, respectively.

The components of accumulated other comprehensive loss are as follows:

In thousands	Pension plan actuarial loss	Foreign currency translation gain (loss)	Total
Balances at January 1, 2019	\$(6,470)	\$ 76	\$(6,394)
Actuarial loss	(342)	-	(342)
Translation gain	-	118	118
Balances at December 31, 2019	(6,812)	194	(6,618)
<b>Actuarial loss</b>	<b>(755)</b>	<b>-</b>	<b>(755)</b>
<b>Translation gain</b>	<b>-</b>	<b>51</b>	<b>51</b>
<b>Balances at December 31, 2020</b>	<b>\$(7,567)</b>	<b>\$ 245</b>	<b>\$(7,322)</b>

## 15. Pension Plan

All eligible salaried employees of Trans-Lux Corporation and certain of its subsidiaries are covered by a non-contributory defined benefit pension plan. Pension benefits vest after five years of service and are based on years of service and final average salary. The Company's general funding policy is to contribute at least the required minimum amounts sufficient to satisfy regulatory funding standards, but not more than the maximum tax-deductible amount. The benefit service under the pension plan had been frozen since 2003 and, accordingly, there was no service cost for the years ended December 31, 2020 and 2019. In 2009, the compensation increments were frozen, and accordingly, no additional benefits are being accrued under the plan. For 2020 and 2019, the accrued benefit obligation of the plan exceeded the fair value of plan assets, due primarily to the plan's investment performance and updates to actuarial longevity tables. The Company's obligations under its pension plan exceeded plan assets by \$4.7 million at December 31, 2020.

The Company employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The portfolio contains a diversified blend of equity and fixed income

investments. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews.

At December 31, 2020 and 2019, the Company's pension plan weighted-average asset allocations by asset category are as follows:

	2020	2019
Equity and index funds	<b>68.2%</b>	69.3%
Fixed income funds	<b>31.8</b>	30.7
	<b>100.0%</b>	100.0%

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

The following table presents the pension plan assets by level within the fair value hierarchy as of December 31, 2020 and 2019:

In thousands	2020	2019
Level 1:		
Equity and index funds	<b>\$ 7,139</b>	\$ 7,028
Fixed income funds	<b>3,336</b>	3,120
Total Level 1	<b>10,475</b>	10,148
Level 2	-	-
Level 3	-	-
Total pension plan assets	<b>\$10,475</b>	\$10,148

The funded status of the plan as of December 31, 2020 and 2019 is as follows:

In thousands	2020	2019
Change in benefit obligation:		
Projected benefit obligation at beginning of year	\$ 14,258	\$ 12,965
Interest cost	387	501
Actuarial loss	1,396	1,565
Benefits paid	(896)	(773)
Projected benefit obligation at end of year	<u>15,145</u>	<u>14,258</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	10,148	8,647
Actual return on plan assets	1,138	1,645
Company contributions	85	629
Benefits paid	(896)	(773)
Fair value of plan assets at end of year	<u>10,475</u>	<u>10,148</u>
Funded status (underfunded)	<u>\$ (4,670)</u>	<u>\$ (4,110)</u>
Amounts recognized in other accumulated comprehensive loss:		
Net actuarial loss	\$ 9,051	\$ 8,296
Weighted average assumptions as of December 31:		
Discount rate:		
Components of cost	3.20%	4.30%
Benefit obligations	2.41%	3.20%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	N/A	N/A

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

In 2020, the Company expects to amortize \$288,000 of actuarial losses to pension expense. The accumulated benefit obligation at December 31, 2020 and 2019 was \$15.1 million and \$14.3 million, respectively. The minimum required contribution in 2020 is expected to be \$1.0 million, which is included in Accrued liabilities in the Consolidated Balance Sheets. The long-term pension liability is \$3.7 million and is included in Deferred pension liability and other in the Consolidated Balance Sheets.

The minimum required pension plan contribution for 2020 was \$641,000, of which the Company contributed \$85,000. As allowed by the CARES Act, the Company elected to defer the payment of the \$556,000 of remaining minimum required contributions due in 2020 until

January 1, 2021. Subsequent to December 31, 2020, the Company made \$56,000 of contributions to the pension benefit plan. At this time, we expect to make our minimum required contributions to the pension benefit plan in 2021 of \$1.0 million; however, there is no assurance that we will be able to make any or all of such remaining payments. If we are unable to fulfill our related obligations, the implementation of any such enforcement remedies would have a material adverse impact on our financial condition, results of operations, and liquidity.

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

In thousands	2021	2022	2023	2024	2025
	\$1,274	\$737	\$877	\$971	\$876

The following table presents the components of the net periodic pension cost for the years ended December 31, 2020 and 2019:

In thousands	2020	2019
Interest cost	\$ 387	\$ 501
Expected return on plan assets	(786)	(682)
Amortization of net actuarial loss	288	264
Net periodic pension (benefit) cost	<u>\$(111)</u>	<u>\$ 83</u>

The following table presents the change in unrecognized pension costs recorded in other comprehensive loss as of December 31, 2020 and 2019:

In thousands	2020	2019
Balance at beginning of year	\$8,296	\$7,954
Net actuarial loss	1,043	606
Recognized loss	(288)	(264)
Balance at end of year	<u>\$9,051</u>	<u>\$8,296</u>

In addition, the Company provided unfunded supplemental retirement benefits for the retired, former Chief Executive Officer. During 2009 the Company accrued \$0.5 million for such benefits, which was settled in November 2019. The Company does not offer any post-retirement benefits other than the pension and supplemental retirement benefits described herein.

## 16. Share-Based Compensation

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

The Company currently has one stock option plan. As of December 31, 2020, 800 shares of Common Stock were available for grant under the Non-Employee Director Stock Option Plan.

Changes in the stock option plan are as follows:

	Number of Shares			Weighted Average Exercise Price
	Authorized	Granted	Available	
Balance January 1, 2019	800	-	800	N/A
Authorized	-	-	-	
Expired	-	-	-	
Granted	-	-	-	
Balance December 31, 2019	800	-	800	
<b>Authorized</b>	-	-	-	
<b>Expired</b>	-	-	-	
<b>Granted</b>	-	-	-	
<b>Balance December 31, 2020</b>	<b>800</b>	<b>-</b>	<b>800</b>	

Under the Non-Employee Director Stock Option Plan, option prices must be at least 100% of the market value of the Common Stock at the time of grant. No option may be exercised prior to one year after the date of grant and the optionee must be a director of the Company at the time of exercise, except in certain cases as permitted by the Compensation Committee. Exercise periods are for six years from the date of grant and terminate at a stipulated period of time after an optionee ceases to be a director. At December 31, 2020, there were no outstanding options to purchase shares.

As of December 31, 2020, there was no unrecognized compensation cost related to non-vested options granted under the Plans.

## 17. Loss Per Share

The following table presents the calculation of loss per share for the years ended December 31, 2020 and 2019:

In thousands, except per share data	2020	2019
Numerator:		
Net loss, as reported	<b>\$(4,843)</b>	\$(1,402)
Dividends paid on preferred shares	-	(80)
Change in dividends accumulated on preferred shares	-	41
Net loss attributable to common Shares	<b>\$(4,843)</b>	\$(1,441)
Denominator:		
Weighted average shares outstanding	<b>13,696</b>	11,417
Basic and diluted loss per share	<b>\$ (0.35)</b>	\$ (0.13)

At December 31, 2020 and 2019, there were no dividends accumulated on the Company's SBCPS.

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

At December 31, 2020 and 2019, outstanding warrants exercisable into 1.8 million and 260,000 shares of Common Stock, respectively, were excluded from the calculation of diluted loss per share because their impact would have been anti-dilutive.

## 18. Restructuring

The Company records restructuring liabilities that represent charges in connection with consolidations of certain operations as well as headcount reduction programs. In the third quarter of 2019, the Company approved restructuring plans to consolidate the manufacturing facilities. The Company recorded restructuring costs of \$306,000 for the year ended December 31, 2019, which mainly consisted of costs to relocate equipment and inventory and other costs to consolidate the manufacturing facilities. This restructuring relates to the digital product sales segment. Through December 31, 2019, the Company paid \$53,000 of costs to relocate equipment and inventory. The remaining \$253,000 was included in accrued liabilities in the Condensed Consolidated Balance Sheet at December 31, 2019. In the year ended December 31, 2020, the Company paid \$224,000 to complete the consolidation of the manufacturing facilities. As a result, the Company adjusted the accrual and recognized restructuring costs of (\$29,000) in the year ended December 31, 2020.

## 19. Commitments and Contingencies

*Commitments:* At December 31, 2020, the Company had no employment agreements with its executive officers. At December 31, 2019, the Company had employment agreements with its President and Chief Executive Officer, who resigned on April 14, 2020, and with its Senior Vice President and Chief Accounting Officer, which agreement expired September 30, 2020.

*Contingencies:* The Company is subject to legal proceedings and claims which arise in the ordinary course of its business and/or which are covered by insurance. The Company believes that it has accrued adequate reserves individually and in the aggregate for such legal

proceedings. Should actual litigation results differ from the Company's estimates, revisions to increase or decrease the accrued reserves may be required. There are no open matters that the Company deems material.

## **20. Related Party Transactions**

On March 4, 2019, the Unilumin exercised \$2.0 million of the Unilumin Warrant, and on April 5, 2019, Unilumin exercised the remaining \$3.5 million of the Unilumin Warrant, raising an aggregate of \$5.5 million for the Company. As of December 31, 2020, Unilumin owns 52.0% of the Company's Common Stock and beneficially owns 53.7% of the Company's Common Stock. Nicholas J. Fazio, Yang Liu and Yantao Yu, each directors of the Company, are each directors and/or officers of Unilumin. The Company purchased \$553,000 and \$83,000 of product from Unilumin in the year ended December 31, 2020 and 2019, respectively. The amount payable by the Company to Unilumin was \$231,000 as of December 31, 2020. The Company did not owe any amount to Unilumin as of December 31, 2019. In connection with the Unilumin Guarantee in the CMA, the Company issued Warrants to purchase 500,000 shares of the Company's Common Stock to Unilumin USA at an exercise price of \$1.00 per share (see Note 11).

No fees were paid to Durkin Law, LLC in 2020. In connection with the Company's agreement with Unilumin in 2018, the Company paid \$175,000 to Durkin Law, LLC in early 2019. In connection with Durkin Law, LLC's representation of the Company in regards to the Loan Agreement and certain other general corporate matters later in 2019, the Company paid \$26,000 to Durkin Law, LLC. Thomas E. Durkin, principal of Durkin Law, LLC, was appointed the Company's Executive Vice President, General Counsel & Corporate Secretary on July 30, 2019.

On April 5, 2019, the Rights Offering terminated. At the closing of the Rights Offering on April 9, 2019, the Company received gross proceeds of \$2.5 million in exchange for 2,500,000 shares of Common Stock. Participants in the Rights Offering included (a) Gabelli Funds, LLC, a greater than 5% stockholder, (b) Salvatore Zizza, a director of the Company, (c) Todd Dupee, an executive officer of the Company, and (d) George Schiele and Alberto Shaio, former directors and/or former executive officers of the Company.

## **21. Business Segment Data**

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

The Company evaluates segment performance and allocates resources based upon operating income. The Company's operations are managed in two reportable business segments: Digital product sales and Digital product lease and maintenance. Both design and produce large-scale, multi-color, real-time digital products. Both operating segments are conducted on a global basis, primarily through operations in the United States. The Company also has operations in Canada. The Digital product sales segment sells equipment and the Digital product lease and maintenance segment leases and maintains equipment. Corporate general and administrative items relate to costs that are not directly identifiable with a segment. There are no intersegment sales.

Foreign revenues represent less than 10% of the Company's revenues for 2020 and 2019. The foreign operation does not manufacture its own equipment; the domestic operation provides the equipment that the foreign operation leases or sells. The foreign operation operates similarly to the domestic operation and has similar profit margins. Foreign assets are immaterial.

Information about the Company's operations in its two business segments for the years ended December 31, 2020 and 2019 and as of December 31, 2020 and 2019 were as follows:

In thousands	2020	2019
Revenues:		
Digital product sales	\$ 7,378	\$14,710
Digital product lease & maintenance	2,067	2,325
Total revenues	\$ 9,445	\$17,035
Operating (loss) income:		
Digital product sales	\$ (5,169)	\$ 183
Digital product lease & maintenance	1,389	1,752
Corporate general and administrative expenses	(836)	(2,386)
Total operating loss	(4,616)	(451)
Interest expense, net	(425)	(504)
Loss on foreign currency remeasurement	(57)	(130)
Gain (loss) on extinguishment of debt	137	(193)
Pension benefit (expense)	111	(83)
Loss before income taxes	(4,850)	(1,361)
Income tax benefit (expense)	7	(41)
Net loss	\$ (4,843)	\$ (1,402)
Assets:		
Digital product sales	\$ 5,231	\$ 8,204
Digital product lease & maintenance	1,781	3,515
Total identifiable assets	7,012	11,719
General corporate	43	535
Total assets	\$ 7,055	\$12,254
Depreciation and amortization:		
Digital product sales	\$ 251	\$ 234
Digital product lease & maintenance	288	427
General corporate	1	7
Total depreciation and amortization	\$ 540	\$ 668
Capital expenditures:		
Digital product sales	\$ 173	\$ 376
Digital product lease & maintenance	16	44
General corporate	1	1
Total capital expenditures	\$ 190	\$ 421

## 22. Subsequent Events

The Company has evaluated events and transactions subsequent to December 31, 2020 and through the date these Consolidated Financial Statements were included in this Form 10-K and filed with the SEC.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

- (a) Evaluation of disclosure controls and procedures. As of the end of the period covered by this Annual Report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (our principal executive officer) and our Chief Accounting Officer (our principal accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)). As a result of this evaluation, our Chief Executive Officer and Chief Accounting Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to our management (including our Chief Executive Officer and Chief Accounting Officer) to allow timely decisions regarding required disclosures. Based on such evaluation, our Chief Executive Officer and Chief Accounting Officer have concluded these disclosure controls are effective as of December 31, 2020.
- (b) Changes in internal control over financial reporting. There has been no change in the Company's internal control over financial reporting that occurred in the fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
- (c) Management's Report on Internal Control Over Financial Reporting. The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. A company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

The Company's management assessed its internal control over financial reporting as of December 31, 2020 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013). Management, including the Company's Chief Executive Officer and its Chief Accounting Officer, based on their evaluation of the Company's internal control over financial reporting (as defined in Securities Exchange Act Rule 13a-15(f)), have concluded that the Company's internal control over financial reporting was effective as of December 31, 2020.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Pursuant to the Certificate of Incorporation and Amended and Restated Bylaws the Company, the Board of Directors is divided into three separate classes of directors. The directors of the Corporation, their ages and the expiration of their respective terms are as follows:

Name	Age	Expiration of Term
Nicholas J. Fazio .....	41	2022
Yang Liu .....	31	2023
Yantao Yu .....	45	2022
Salvatore J. Zizza .....	75	2021

Directors:

**Nicholas J. Fazio** was appointed a director of the Company on November 19, 2018. Mr. Fazio was appointed Chief Executive Officer of the Corporation on September 17, 2020, and previously was appointed Interim Chief Executive Officer on April 14, 2020. Mr. Fazio has been Director and Chief Executive Officer of Unilumin USA since 2017. Previously, he was Senior Product Manager for Christie Digital Systems USA from 2014 to 2017 and Vice President of Engineering of McCann Systems from 1997 to 2014. Mr. Fazio’s strong business knowledge and extensive history and resources in the LED display arena allow him to provide valuable contributions to the Board.

**Yang Liu** was appointed a director of the Company on November 19, 2018. Mr. Liu has been Director of Unilumin Sports since 2016. Previously, he was Director of Unilumin Visual from 2016 to 2017, Sales Manager of the Unilumin Amsterdam sales office from 2014 to 2016, and Sales Engineer for Unilumin Benelux from 2011 to 2013. Mr. Liu’s strong business knowledge and extensive history and resources in the LED display arena allow him to provide valuable contributions to the Board.

**Yantao Yu** was elected as a director of the Company on July 30, 2019. Mr. Yu has been the Chief Financial Officer of ROE Visual, a subsidiary of the Unilumin Group Co. Ltd. in the United States, since September 2018. With over 25 years of financial experience, his background includes positions as Senior Accountant and/or Controller of The Quaker Oats Company; Bostik China (a subsidiary of Total S.A [TOT]); Eton Electric; and Airwell Air-conditioning Technology (China) Co., Ltd. and Airwell Fedders North America Inc (subsidiaries of Elco Holdings, Ltd. [TASE: ELCO]). From 1994 through 2012, he served as Chief Financial Officer of Lover Group and served as its Secretary of the Board from 2013 through August 2018. Mr. Yu holds an Executive Master of Business Administration (EMBA) degree from the University of Minnesota and his professional certifications include CPA, CGA, CMA and FCCA. Mr. Yu’s extensive financial experience allows him to provide valuable contributions to the Board.

**Salvatore J. Zizza** has served as an independent director since December 2009 and was elected Chairman of the Board (a non-executive position) of the Company on September 28, 2018. He had served as Vice Chairman of the Board (a non-executive position) of the Company since September 29, 2010. He currently serves as the Chairman of Zizza & Associates, LLC. and of Bethlehem Advanced Materials. Additionally, Mr. Zizza serves as a Director of GAMCO Westwood Funds. He has been an Independent Trustee of GAMCO Global Gold, Natural Resources & Income Trust by Gabelli since November 2005 and serves as a Director/trustee of 26 funds in the fund complex of Gabelli Funds, LLC. He has been Director of General Employment Enterprises Inc. since January 8, 2010 and has been an Independent Trustee of Gabelli Dividend & Income Trust since 2003. Mr. Zizza has been Independent Director of Gabelli Convertible & Income Securities Fund Inc. since April 24, 1991 and has been a Director of Gabelli Equity Trust, Inc. since 1986 and a Trustee of Gabelli Utility Trust since 1999. Mr. Zizza has previously served as Chief Executive Officer and Chairman of the Board of General Employment Enterprises Inc. from December 23, 2009 until December 26, 2012. Mr. Zizza had served as President and Chief Operating Officer of Bion Environmental Technologies Inc. from January 13, 2003 until December 31, 2005 and has served as Non-Executive Chairman of Harbor BioSciences, Inc. since March 27, 2009. He served as Lead Independent Director of Hollis-Eden Pharmaceuticals from March 2006 to March 2009 and as a Director of Earl Scheib Inc. from March 1, 2004 to April

2009. Mr. Zizza received his Bachelor of Arts in Political Science and his Master of Business Administration in Finance from St. John's University, which also has awarded him an Honorary Doctorate in Commercial Sciences. Mr. Zizza's extensive experience and service to numerous other boards of directors allow him to provide valuable contributions to the Board. In addition, Mr. Zizza also serves as Chairman of the Audit Committee and is the "audit committee financial expert" as required under the rules of the United States Securities and Exchange Commission.

### **Meetings of the Board of Directors and Certain Committees:**

The Board of Directors held one meeting during 2020. All directors attended 75% or more of such meetings and of the committee meetings for which they were members. All directors attended the Annual Meeting of Stockholders. The Corporation does not have a formal policy regarding directors' attendance at the Board meetings or the Annual Meeting of Stockholders, but strongly encourages and prefers that directors attend regular and special Board meetings as well as the Annual Meeting of Stockholders in person, although attendance by teleconference is considered adequate. The Corporation recognizes that attendance of the board members at all meetings may not be possible and excuses absences for good cause.

There are currently no fees paid to board members. Fees for members of the Board and Committees are determined annually by the entire Board of Directors based on review of compensation paid by other similar size companies, the amounts currently paid by the Company, the overall policy for determining compensation paid to officers and employees of the Company and the general financial condition of the Company. During 2020 and 2019, certain board members deferred payment of their director fees. On December 31, 2020, in lieu of cash payments, certain board members and former board members have received warrants for their outstanding fees.

### **Corporate Governance Policies and Procedures**

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

### **Corporate Leadership Structure**

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

### **Risk Management**

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

### **Communication with the Board of Directors**

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

## **Committees of the Board of Directors**

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

### **Compensation Committee**

The members of the Compensation Committee of the Board of Directors are Messrs. Fazio, Yu and Zizza, with Mr. Zizza serving as Chairman. The Compensation Committee operates under a formal written charter approved by the Compensation Committee and adopted by the Board of Directors. The Compensation Committee reviews compensation and other benefits. The Compensation Committee held no meetings in 2020. None of the members of the Compensation Committee is or has been an officer or employee of the Corporation. There are no Compensation Committee interlock relationships with respect to the Corporation. Members of the Compensation Committee do not receive any fees for their participation.

### **Audit Committee**

Our Audit Committee consists of Messrs. Yu and Zizza, with Mr. Zizza serving as Chairman. Our Board has determined that Mr. Zizza is an "audit committee financial expert" as defined in applicable SEC rules. The Audit Committee held three meetings in 2020. Members of the Audit Committee do not receive any fees for their participation. Our Audit Committee's responsibilities include:

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

### **Executive Committee**

The members of the Executive Committee of the Board of Directors are Messrs. Fazio, Yu and Zizza. The Executive Committee operates under a formal written charter approved by the Committee and adopted by the Board of Directors. Messrs. Yu and Zizza are independent, meeting the requirements of Section 952 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Messrs. Yu and Zizza qualify as "non-employee directors" for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and Messrs. Yu and Zizza qualify as "outside directors" for the purposes of Section 162(m) of the Internal Revenue Code, as amended. The primary purpose of the Executive Committee is to provide the Chief Executive Officer of the Company with a confidential sounding board for insights and advice, and to provide the Board with a more active formal interface with management and its day to day policy and actions. Additionally, the secondary objective of the Executive Committee is to exercise the powers and authority of the Board, subject to certain limitations set forth in the charter, during the intervals between meetings of the Board, when, based on the business needs of the Company, it is desirable for the Board to meet but the convening of a special board meeting is not warranted as determined by the Chairman of the Board. It is the general intention that all substantive matters in the ordinary course of business be brought before the full Board for action, but the Board recognizes the need for flexibility to act on substantive matters where action may be necessary between Board meetings, which, in the opinion of the Chairman of the Board, should not be postponed until the next previously scheduled meeting of the Board. The Executive Committee held five meetings in 2020. Members of the Executive Committee do not receive any fees for their participation.

### **Nominating Committee**

The members of the Nominating Committee of the Board of Directors are Messrs. Fazio, Yu and Zizza, with Mr. Fazio serving as Chairman. The Nominating Committee operates under a formal written charter approved by the Committee and adopted by the Board of Directors. The Nominating Committee recommends for consideration by the Board of Directors, nominees for election of directors at the Corporation's Annual Meeting of Stockholders. Director nominees are considered

on the basis of, among other things, experience, expertise, skills, knowledge, integrity, understanding the Corporation's business and willingness to devote time and effort to Board responsibilities. The Nominating Committee did not hold any meetings in 2020. Members of the Nominating Committee do not receive any fees for their participation. The Nominating Committee does not have a separate policy regarding diversity of the Board.

### **Corporate Governance Committee**

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

### **Independence of Non-Employee Directors**

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

### **Stockholder Communication with the Board**

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

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

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

### **Delinquent Section 16(a) Reports**

The Corporation's executive officers, directors and 10% stockholders are required under Section 16(a) of the Securities Exchange Act of 1934 to file reports of ownership and changes in ownership with the SEC. Copies of those reports must also be furnished to the Corporation. Based solely on a review of the copies of reports furnished to the Corporation for the year ended December 31, 2020, John Hammock and Yang Liu still needed to make their Form 3 filings, Salvatore Zizza still needed to make his Form 4 filing related to the warrants he received and Unilumin still needed to make their Form 4 filing related to the warrants they received. All of the Corporation's other executive officers, directors and 10% stockholders have complied with the Section 16(a) filing requirements.

### **Executive Officers**

The Corporation's executive officers are as follows:

Name	Office	Age
Nicholas J. Fazio	Chief Executive Officer	41
Thomas E. Durkin	Executive Vice President, General Counsel & Corporate Secretary	67
John Hammock	Senior Vice President and Chief Sales & Marketing Officer	58
Todd Dupee	Senior Vice President and Chief Accounting Officer	48

For Mr. Fazio's biographical information can be found at the beginning of Item 10 – Directors, Executive Officers and Corporate Governance.

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

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

Mr. Dupee became Senior Vice President and Chief Accounting Officer of the Corporation effective October 1, 2018. He had been Interim Chief Accounting Officer of the Corporation from April 26, 2018 until October 8, 2018 and Vice President of the Corporation from 2009 until October 8, 2018. He had previously been Controller since 2004 (except when he served as Chief Financial Officer and Interim Chief Financial Officer from December 3, 2012 to May 29, 2014) and has been with the Corporation since 1994.

ITEM 11. EXECUTIVE COMPENSATION

**Compensation of Executive Officers**

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

**Summary Compensation Table**

**Annual Compensation**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)</b>	<b>Option Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Change in Pension Value of Nonqualified Deferred Compensation Earnings (\$)</b>	<b>All Other Compensation (\$)<sup>(1)</sup></b>	<b>Total (\$)</b>
Alberto Shaio .....	2020	101,101	-	-	-	-	-	6,000	107,101
Former President and Chief Executive Officer	2019	299,999	-	-	-	-	-	18,000	317,999
John Hammock .....	2020	191,402	-	-	-	-	-	-	191,402
Senior Vice President and Chief Sales and Marketing Officer	2019	184,998	-	-	-	-	-	-	184,998
Todd Dupee .....	2020	155,196	-	-	-	-	-	6,000	161,196
Senior Vice President and Chief Accounting Officer	2019	150,004	-	-	-	-	-	6,000	156,004

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

**All Other Compensation**

During 2020 and 2019, “All Other Compensation” consisted of director fees and other items. The following is a table of amounts per named individual:

<b>Name</b>	<b>Year</b>	<b>Director and/or Trustee Fees (\$)</b>	<b>Other<sup>(1)</sup> (\$)</b>	<b>Total All Other Compensation (\$)</b>
Alberto Shaio	2020	-	6,000	6,000
	2019	-	18,000	18,000
John Hammock	2020	-	-	-
	2019	-	-	-
Todd Dupee	2020	-	6,000	6,000
	2019	-	6,000	6,000

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

**Stock Option Plans and Stock Options**

**Defined Benefit Pension Plan**

In 2020, the Company made \$85,000 of the minimum requirement of \$641,000 of contributions to the Company’s defined benefit pension plan for all eligible employees and the eligible individuals listed in the Summary Compensation Table. As allowed by the CARES Act, the Company elected to defer the payment of the \$556,000 of remaining minimum required contributions due in 2020 until 2021.

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

### Outstanding Equity Awards at Fiscal Year-End 2020

There were no unexercised options held by any of our Named Executive Officers as of December 31, 2020.

### Employment Agreements

The Corporation has no employment agreements with any employees.

### Potential Payments Upon Severance or Change in Control

None.

### Director Compensation

#### Non-Employee Director Stock Option Plan

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

### Compensation of Directors

The following table represents director compensation for 2020:

Name	Year	Fees Earned (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensati on (\$)	Nonqualifie d Deferred Compensati on Earnings (\$)	All Other Compensatio n (\$)	Total (\$)
Nicholas J. Fazio .....	2020	-	-	-	-	-	-	-
Yang Liu .....	2020	-	-	-	-	-	-	-
George W. Schiele <sup>(1)</sup> .	2020	-	-	-	-	-	-	-
Yantao Yu .....	2020	-	-	-	-	-	-	-
Salvatore J. Zizza .....	2020	9,000	-	-	-	-	-	9,000

<sup>(1)</sup> Mr. Schiele's term expired on September 17, 2020.

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

The following table sets forth information as of March 30, 2021 (or such other date specified) with respect to (A) the beneficial ownership of Common Stock or shares issuable within 60 days of such date by (i) each person known by the Corporation to own more than 5% of the Common Stock and who is deemed to be such beneficial owner of Common Stock under Rule 13d-3(a)(ii); (ii) each person who is a director of the Corporation; (iii) each named executive in the Summary Compensation Table and (iv) all persons as a group who are executive officers and directors of the Corporation, and (B) the percentage of outstanding shares held by them on that date:

Name, Status and Mailing Address	Number of Shares Beneficially Owned	Percent Of Class (%)
<b><u>5% Stockholders:</u></b>		
Unilumin North America Inc. 254 West 31 <sup>st</sup> Street New York, NY 10001	7,485,892 <sup>(1)</sup>	53.7
Gabelli Funds, LLC GAMCO Asset Management Inc. Teton Advisors, Inc One Corporate Center Rye, NY 10580-1434	4,172,500 <sup>(2)</sup>	31.0
<b><u>Non-Employee Directors:</u></b>		
Yang Liu	- <sup>(3)</sup>	*
Yantao Yu	- <sup>(3)</sup>	*
Salvatore J. Zizza	624,970 <sup>(4)</sup>	4.5
<b><u>Named Executive Officers:</u></b>		
Nicholas J. Fazio	7,485,892	53.7
Thomas E. Durkin	-	*
John Hammock	10,000	*
Todd Dupee	40,000	*
All directors and executive officers as a group	8,160,862 <sup>(5)</sup>	56.5

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

<sup>(1)</sup> Unilumin owns 6,985,892 shares, which is 52.0% of our outstanding shares. The stock ownership and percentage reflected in the above table also includes warrants to purchase 500,000 shares.

<sup>(2)</sup> Based on Schedule 13D, as amended, dated November 25, 2020 by Mario J. Gabelli, Gabelli Funds, LLC, Teton Advisors, Inc., Gamco Investors, Inc., GCPC, Inc., and Gamco Asset Management Inc., which companies are parent holding companies and/or registered investment advisers. All securities are held as agent for the account of various investment company fund accounts managed by such reporting person. Except under certain conditions, Gabelli Funds, LLC has beneficial ownership of such shares. Based on such Schedule 13D amendment, Gabelli Funds, LLC beneficially owns 1,705,000 shares of Common Stock, GAMCO Asset Management Inc. beneficially owns 102,500 shares of Common Stock and Teton Advisors, Inc. beneficially owns 2,365,000 shares of Common Stock.

<sup>(3)</sup> Mr. Fazio is Director and Chief Executive Officer of Unilumin North America Inc., which owns 6,985,892 shares and has warrants to purchase 500,000 shares, so he may be deemed a beneficial owner of the shares owned by Unilumin North America Inc. Mr. Fazio has no pecuniary interest in these shares and disclaims any beneficial interest. The share ownership with respect to Messrs. Liu and Yu does not include the shares held by Unilumin North America Inc.

<sup>(4)</sup> Mr. Zizza disclaims any interest in the shares set forth in footnote 2 above. This includes warrants to purchase 499,970 shares.

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

Equity Compensation Plan Information			
December 31, 2020	Securities to be issued upon exercise	Weighted average exercise price	Securities available for future issuance
Equity compensation plans approved by stockholders	-	-	800

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

**Certain Transactions**

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

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

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

*Audit Committee Pre-Approval of Independent Auditor Services:* All audit services provided by Marcum LLP ("Marcum") for 2020 and 2019 were approved by the Audit Committee in advance of the work being performed.

*Audit Fees:* Marcum audit fees were \$180,000 in 2020 and \$206,000 in 2019. Marcum audit fees include fees and expenses associated with the annual audit of the Company's financial statements.

*Audit-Related Fees:* Marcum did not provide any audit-related serviced services in 2020 or 2019.

*Tax Fees:* Marcum did not provide any tax services in 2020 or 2019.

*All Other Fees:* Marcum did not provide any non-audit services in 2020 or 2019.

**PART IV**

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) The following documents are filed as part of this report:
- 1 Consolidated Financial Statements of Trans-Lux Corporation:
    - Report of Independent Registered Public Accounting Firm as of December 31, 2020
    - Consolidated Balance Sheets as of December 31, 2020 and 2019
    - Consolidated Statements of Operations for the Years Ended December 31, 2020 and 2019
    - Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2020 and 2019
    - Consolidated Statements of Changes in Stockholders' Deficit for the Years Ended December 31, 2020 and 2019
    - Consolidated Statements of Cash Flows for the Years Ended December 31, 2020 and 2019
    - Notes to Consolidated Financial Statements
  - 2 Financial Statement Schedules: Not applicable.
  - 3 Exhibits:

- 3(a) Amended and Restated Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 of Form 8-K dated July 2, 2012).
- (b) Amendment to Amended and Restated Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 of Form 8-K filed February 9, 2019).
- (c) Amended and Restated Bylaws of the registrant (incorporated by reference to Exhibit 3.2 of Form 8-K filed March 9, 2012).
- 4(a) Indenture dated as of December 1, 1994 (form of said indenture is incorporated by reference to Exhibit 6 of Schedule 13E-4 Amendment No. 2 filed December 23, 1994).
- (b) Indenture dated as of March 1, 2004 (form of said indenture is incorporated by reference to Exhibit 12(d) of Schedule TO filed March 2, 2004).
- (c) Description of the Company's securities registered pursuant to section 12 of the Securities Exchange Act on 1934.
- 10.1 \*\* Form of Indemnity Agreement - Directors (form of said agreement is incorporated by reference to Exhibit 10.1 of Registration No. 333-15481).
- 10.2 \*\* Form of Indemnity Agreement - Officers (form of said agreement is incorporated by reference to Exhibit 10.2 of Registration No. 333-15481).
- 10.3 Amended and Restated Pension Plan dated January 1, 2016 (incorporated by reference to Exhibit 10.3 of Form 10-K filed March 29, 2016).
- 10.4 Promissory note in favor of Carlisle Investments Inc. ("Carlisle") (incorporated by reference to Exhibit 10.15 of Form 10-K/A filed April 29, 2016).
- 10.5 Credit Agreement with Carlisle dated as of November 6, 2017 (incorporated by reference to Exhibit 10.5 of Form 10-Q filed November 9, 2017).
- 10.6 Loan and Security Agreement with MidCap Business Credit LLC dated as of September 16, 2019 (incorporated by reference to Exhibit 10.1 of Form 8-K filed September 20, 2019).
- 10.7 1<sup>st</sup> Modification Agreement to Loan and Security Agreement with MidCap Business Credit LLC dated as of June 3, 2020 (incorporated by reference to Exhibit 10.1 of Form 8-K filed June 9, 2020).
- 10.8 2<sup>nd</sup> Modification Agreement to Loan and Security Agreement with MidCap Business Credit LLC dated as of December 16, 2020 (incorporated by reference to Exhibit 10.1 of Form 8-K filed December 21, 2020).
- 10.9 Loan note with Enterprise Bank and Trust dated as of April 20, 2020 (incorporated by reference to Exhibit 10.1 of Form 8-K filed May 4, 2020).
- 10.10 Form of Warrants issued to certain current and former directors (filed herewith).
- 21 List of Subsidiaries, filed herewith.
- 31.1 Certification of Nicholas J. Fazio, Chief Executive Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.2 Certification of Todd Dupee, Senior Vice President and Chief Accounting Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

- 32.1 Certification of Nicholas J. Fazio, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.2 Certification of Todd Dupee, Senior Vice President and Chief Accounting Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 101 The following interactive data files pursuant to Rule 405 of Regulation S-T from Trans-Lux Corporation's Annual Report on Form 10-K for the annual period ended December 31, 2020 are formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2020 and 2019, (ii) Consolidated Statements of Operations for the Years Ended December 31, 2020 and 2019, (iii) Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2020 and 2019, (iv) Consolidated Statements of Changes in Stockholders' Deficit for the Years Ended December 31, 2020 and 2019, (v) Consolidated Statements of Cash Flows for the Years Ended December 31, 2020 and 2019 and (vi) Notes to Consolidated Financial Statements. \*

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

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

ITEM 16. FORM 10-K SUMMARY

Not applicable.

## SIGNATURES

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

### TRANS-LUX CORPORATION

By: /s/ Nicholas J. Fazio  
Nicholas J. Fazio  
Chief Executive Officer

By: /s/ Todd Dupee  
Todd Dupee  
Senior Vice President and Chief Accounting Officer

Dated: April 15, 2021

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

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

<u>/s/ Salvatore J. Zizza</u> Salvatore J. Zizza, Chairman of the Board	April 15, 2021
<u>/s/ Nicholas J. Fazio</u> Nicholas J. Fazio, Director and Chief Executive Officer (Principal Executive Officer)	April 15, 2021
<u>/s/ Yang Liu</u> Yang Liu, Director	April 15, 2021
<u>/s/ Yantao Yu</u> Yantao Yu, Director	April 15, 2021
<u>/s/ Todd Dupee</u> Todd Dupee, Senior Vice President and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	April 15, 2021