TRANS LUX Corp
Form S-1/A
January 09, 2019

As filed with the Securities and Exchange Commission on January 9, 2019

Registration No. 333-228695

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 1 to

FORM S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

TRANS-LUX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**13-1394750**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

135 East 57th Street, 14th Floor

New York, NY 10022

(800) 243-5544

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Alberto Shaio

President and Chief Executive Officer

135 East 57th Street, 14th Floor

New York, NY 10022

(800) 243-5544

(Name, address including zip code, and telephone number, including area code, of agent for service)

With Copies to:

Kenneth A. Schlesinger, Esq.

Olshan Frome Wolosky LLP

1325 Avenue of the Americas

New York, NY 10019

(212) 451-2300

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o

Non-accelerated filer o

Accelerated Filer o

Smaller reporting company x

Emerging growth company o

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 7(a)(2)(B) of the Securities Act. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Non-transferable subscription rights to purchase Common Stock, $0.001 par value per share	2,500,000			(1)
Shares of Common Stock, $0.001 par value per share (4)	2,500,000	$1.00	$2,500,000.00(2)	$303.00(3)

(1)

The subscription rights are being distributed without consideration. Pursuant to Rule 457(g) under the Securities Act of 1933, as amended, no separate registration fee is payable with respect to the subscription rights since they are being registered on the same registration statement as the Common Stock offered hereby.

(2)

Represents the aggregate gross proceeds from the assumed exercise of all subscription rights to be distributed. Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act. In no event will the aggregate maximum offering price of all securities issued pursuant to this registration statement exceed $2,500,000.

(3)

Calculated based on the maximum aggregate offering price of the Common Stock underlying the subscription rights. The registrant previously paid the registration fee with the initial filing of the registration statement.

(4)

Pursuant to Rule 416, there are also deemed covered hereby such additional securities as may be issued to prevent dilution resulting from stock splits, stock dividends or similar transactions.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 9, 2019

PRELIMINARY PROSPECTUS

TRANS-LUX CORPORATION

2,500,000 Subscription Rights to Purchase Shares of Common Stock at $1.00 per Share
2,500,000 Shares of Common Stock

Trans-Lux Corporation is distributing, at no charge, to holders of our common stock non-transferable subscription rights to purchase up to 2,500,000 shares of our common stock, $0.001 par value per share, at a subscription price of $1.00 per share.

You will receive one subscription right for each share of common stock owned at 5:00 p.m., Eastern Time, on January 25, 2019, the record date for the rights offering. Each subscription right will entitle you to purchase one share of our common stock at a subscription price of $1.00 per whole share, which we refer to as the basic subscription right. If you fully exercise your basic subscription right and other stockholders do not fully exercise their basic subscription rights, you may also exercise an over-subscription right to purchase, at the same price, the additional shares of common stock that remain unsubscribed at the expiration of the rights offering, subject to the availability and pro rata allocation of common stock among persons exercising this over-subscription right. We will not issue fractional shares of common stock. If the number of subscription rights you exercise would otherwise permit you to purchase a fraction of a share, the number of shares that you may purchase will be rounded down to the nearest whole share. If all of the basic subscription rights are exercised, the total purchase price of the shares offered in the rights offering would be approximately $2.5 million. The subscription rights may not be sold, transferred or assigned.

The subscription rights will expire if they are not exercised before 5:00 p.m., Eastern Time, on February 20, 2019, the expiration date for the rights offering, unless we extend the rights offering period. We reserve the option to extend the rights offering and the period for exercising your subscription rights for a period not to exceed 30 days, although we do not presently intend to do so. You should carefully consider whether to exercise your subscription rights before the expiration date. All exercises of subscription rights are irrevocable, even if the rights offering is extended by our Board of Directors. Our Board of Directors may cancel the rights offering at any time before its expiration for any reason. If the rights offering is cancelled, we will issue a press release notifying stockholders of the cancellation and all subscription payments received by the Subscription Agent will be returned, without interest or penalty, as soon as practicable.

Our Board of Directors is not making any recommendation regarding your exercise of the subscription rights. You should carefully consider whether to exercise your subscription rights prior to the expiration of the rights offering.

The closing price of our common stock on January 2, 2019 was $0.46. Our common stock is quoted on the OTC Pink under the symbol TNLX. The subscription rights issued in the rights offering will not be listed for trading on any stock exchange or market.

The purchase of subscription rights and the exercise of subscription rights for shares of common stock involve risks. See Risk Factors beginning on page 12 of this prospectus as well as the risk factors and other information contained in any documents we incorporate by reference into this prospectus before exercising your subscription rights. See Incorporation by Reference and Available Information on page 54 of this prospectus.

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

The date of this prospectus is ____________, 2019.

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ABOUT THIS PROSPECTUS

We have not authorized anyone to provide you with additional or different information from that contained or incorporated by reference in this prospectus. We take no responsibility for, and can provide no assurances as to the reliability of, any other information that you may obtain from other sources. You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus and any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus or any exercise of the subscription rights.

This prospectus does not offer to sell, or ask for offers to buy, any shares of our common stock in any state or jurisdiction (within or outside the United States) where it would not be lawful or where the person making the offer is not qualified to do so. We are not seeking to register this offering in any state, and instead intend to rely on applicable offering exemptions under state securities laws (in some cases subject to notice filings). We are not aware of an applicable offering exemption in the states of Arizona and California. Accordingly, persons residing in such states are not permitted to participate in this offering.

As used in this prospectus, Trans-Lux, the Company, we, us, and our refer to Trans-Lux Corporation and its subsidiaries.

As permitted under the rules of the Securities and Exchange Commission (the SEC), this prospectus incorporates important business information about the Company that is contained in documents that we file with the SEC, but that are not included in or delivered with this prospectus. You may obtain copies of these documents, without charge, from the website maintained by the SEC at www.sec.gov, as well as other sources. See Incorporation by Reference and Available Information in this prospectus.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference in this prospectus include 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-looki
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 prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2017. 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.

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PROSPECTUS SUMMARY

This summary highlights specific information included elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider before investing in the subscription rights or common stock, and it is qualified in its entirety by the more detailed information included in this prospectus. To understand the rights offering fully, you should carefully read this entire prospectus, including the risks discussed under the Risk Factors section, our financial statements and related notes and the other information incorporated by reference herein as described under Incorporation by Reference.

The Company	Trans-Lux is a leading supplier of LED technology for displays and lighting applications. The essential elements of these systems are the real-time, programmable digital displays and lighting fixtures that we design, manufacture, distribute and service. Designed to meet the digital signage solutions for any size venue s indoor and outdoor needs, these displays are used primarily in applications for the financial, banking, gaming, corporate, advertising, transportation, entertainment and sports markets. The Company s LED lighting fixtures offer energy-saving lighting solutions that feature a comprehensive offering of the latest LED lighting technologies that provide facilities and public infrastructure with green lighting solutions that emit less heat, save energy and enable creative designs. Our principal executive offices are located at 135 East 57th Street, 14th Floor, New York, New York 10022, where our telephone number is (800) 243-5544.
Subscription Rights Offering	We are distributing, at no charge, to holders of our common stock non-transferable subscription rights to purchase up to 2,500,000 shares of our common stock. You will receive one subscription right, exercisable for the purchase of one share of common stock, for each share of common stock you owned on the record date.
Subscription Price	$1.00 per whole share of common stock, payable in cash. To be effective, any payment for the exercise of a right must clear before the expiration of the rights offering.
Basic Subscription Right	Each subscription right will entitle you to purchase one share of our common stock at a subscription price of $1.00 per share, which we refer to as the basic subscription right. See The Rights Offering The Subscription Rights Basic Subscription Right on page 25 for more information.
Over-Subscription Right	If you fully exercise your basic subscription right and other stockholders do not fully exercise their basic subscription rights, you may also exercise an over-subscription right to purchase additional shares of common stock that remain unsubscribed at the expiration of the rights offering, subject to availability. If the number of unsubscribed shares is not sufficient to satisfy all of the properly exercised over-subscription rights requests, the available shares will be prorated among those who properly exercised over-subscription rights in proportion to their respective basic subscription rights. See The Rights Offering The Subscription Rights Over-Subscription Right on page 25 for more information.

Record Date	5:00 p.m., Eastern Time, on January 25, 2019.
Expiration Date	5:00 p.m., Eastern Time, on February 20, 2019. We reserve the option to extend the rights offering and the period for exercising your subscription rights for a period not to exceed 30 days, although we do not presently intend to do so.
Use of Proceeds	We intend to use the net proceeds from the rights offering for repayment of certain debt, pension plan contributions and for general corporate purposes. See Use of Proceeds on page 24 for more information.
Non-Transferability of Subscription Rights	The subscription rights issued in the rights offering are non-transferable and may not be sold, transferred or assigned and will not be listed for trading on any stock exchange or market. See The Rights Offering Non-Transferability of Subscription Rights on page 31 for more information.
No Board Recommendation	Our Board of Directors is making no recommendation regarding your exercise of the subscription rights. You are urged to make your decision based on your own assessment of our business and the rights offering. Please see Risk Factors on page 12 for a discussion of some of the risks involved in investing in our common stock.
No Revocation	All exercises of subscription rights are irrevocable, even if you later learn information that you consider to be unfavorable to the exercise of your subscription rights and even if the rights offering is extended by our Board of Directors. You should not exercise your subscription rights unless you are certain that you wish to purchase shares of our common stock at a subscription price of $1.00 per share.
U.S. Federal Income Tax Considerations	For U.S. federal income tax purposes, you will not recognize income or loss in connection with the receipt or exercise of subscription rights unless the rights offering is part of a disproportionate distribution within the meaning of applicable tax law, in which case you may recognize taxable income upon receipt of the subscription rights. We believe that the rights offering will not be part of a disproportionate distribution. The disproportionate distribution rules are complicated, however, and their application is uncertain. This position is not binding on the Internal Revenue Service, or the courts and accordingly, it is possible that the Internal Revenue Service could challenge this position. You may be required to allocate a portion of your tax basis in your common stock to the subscription rights we distribute to you in the offering, depending on the value of the subscription rights. For further information, please see Material U.S. Federal Income Tax Consequences beginning on page 49. You are urged to consult your own tax advisor as to your particular tax consequences resulting from the receipt and the disposition or exercise of subscription rights and the receipt, ownership and disposition of common stock.

Extension, Cancellation and Amendment	We reserve the option to extend the rights offering and the period for exercising your subscription rights for a period not to exceed 30 days, although we do not presently intend to do so. If we elect to extend the expiration of the rights offering, we will issue a press release announcing the extension no later than 9:00 a.m., Eastern Time, on the next business day after the most recently announced expiration of the rights offering. We will extend the duration of the rights offering as required by applicable law or regulation and may choose to extend it if we decide to give investors more time to exercise their subscription rights in the rights offering. Our Board of Directors may cancel the rights offering at any time before its expiration for any reason, including due to the failure of our company to complete the stockholder approval process with respect to the amendment of our certificate of incorporation to increase the number of authorized shares of common stock and preferred stock for issuance by us and the amendment of the terms of our Series B Convertible Preferred Stock to reduce its conversion price (the Amendments). We received stockholder approval of the Amendments by the written consent of a majority of our stockholders and the Amendments will become effective on January 28, 2019, which is more than 20 days after the distribution of an information statement to the non-consenting stockholders in accordance with Schedule 14C of the Securities Exchange Act of 1934, as amended (the Exchange Act). If the rights offering is cancelled, we will issue a press release notifying stockholders of the cancellation and all subscription payments received by the Subscription Agent will be returned, without interest or penalty, as soon as practicable. Our Board of Directors also reserves the right to amend the terms of the rights offering for any reason, including, without limitation, in order to increase participation in the rights offering. Such amendments may include a change in the subscription price, although no such change is presently contemplated. If we should make any fundamental change to the terms set forth in this prospectus, we will file a post-effective amendment to the registration statement in which this prospectus is included, offer potential purchasers who have subscribed for rights the opportunity to cancel such subscriptions and issue a refund of any money advanced by such stockholder and recirculate an updated prospectus after the post-effective amendment is declared effective with the SEC. In addition, upon such event, we may extend the expiration date of the rights offering to allow holders of rights ample time to make new investment decisions and for us to recirculate updated documentation. Promptly following any such occurrence, we will issue a press release announcing any changes with respect to the rights offering and the new expiration date. See The Rights Offering Expiration Date, Extension, and Amendments on page 31 for more information.
Procedures for Exercising Rights	To exercise your subscription rights, you must complete the rights certificate and deliver it to the Subscription Agent, together with full payment for all the subscription rights you elect to exercise under the basic subscription right and over-subscription right. See The Rights Offering beginning on page 25 for detailed information on the procedure and requirements for exercising your subscription rights. You may deliver the documents and payments by mail or commercial carrier. If regular mail is used for this purpose, we recommend using registered mail, properly insured, with return receipt requested. If you cannot deliver your rights certificate to the Subscription Agent before the expiration of the rights offering, you may follow the guaranteed delivery procedures described under The Rights Offering Guaranteed Delivery Procedures on page 30.

No Minimum Subscription Requirement	There is no minimum subscription requirement. We will consummate the rights offering regardless of the amount raised from the exercise of basic and over-subscription rights by the expiration date.
Subscription Agent	Continental Stock Transfer & Trust Company
Information Agent	Morrow Sodali LLC
Shares Outstanding Before the Rights Offering[(1)]	3,624,973 shares of our common stock were outstanding on the record date.
Shares Outstanding After Completion of the Rights Offering[(1)]	Assuming that all shares of common stock offered hereby are issued, we expect 6,124,973 shares of our common stock will be outstanding immediately after completion of the rights offering.
Fees and Expenses	We will pay the fees and expenses we incur related to the rights offering.
OTC Pink Trading Symbol of our Common Stock	Our common stock is quoted on OTC Pink under the symbol TNLX.
Questions	If you have any questions about the rights offering, including questions about subscription procedures and requests for additional copies of this prospectus or other documents, please contact the Information Agent, Morrow Sodali LLC, by email at TNLX@morrowsodali.com or by telephone at (800) 662-5200. Banks and brokerage firms also may contact Morrow Sodali LLC at (203) 658-9400.
Risk Factors	Before you purchase subscription rights or invest in the rights offering, you should be aware that there are risks associated with these transactions, including the risks described in the section entitled Risk Factors beginning on page 12 of this prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2017. You should carefully read and consider these risk factors together with all of the other information included in or incorporated by reference into this prospectus before you decide to purchase subscription rights or to exercise your subscription rights to purchase shares of common stock.

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(1)

The number of shares of our common stock outstanding immediately before and immediately after this offering excludes:

a.

800 shares of common stock reserved for issuance under our Non-Employee Director Stock Option Plan;

b.

5,670,103 shares of common stock underlying a warrant to purchase shares of our common stock issued in a recent private placement transaction (see Information About Trans-Lux Recent Transaction below), which is subject to mandatory exercise at an exercise price per share of $0.97 per share if we receive gross proceeds of at least $2,500,000 upon the consummation of this rights offering and at least 90% of our Series B Convertible Preferred Stock is converted into common stock;

c.

260,000 shares of common stock underlying other outstanding warrants to purchase shares of our common stock, but which were not issued in connection with the Private Placement; and

d.

330,240 shares of common stock underlying 16,512 shares of our Series B Convertible Preferred Stock. Upon the effectiveness of the Amendments, the conversion price of the Series B Convertible Preferred Stock will be reduced from $10.00 to $2.00, which will result in the number of shares of common stock underlying our Series B Convertible Preferred Stock to increase to 1,651,200 shares.

Information Agent

509 Madison Avenue

Suite 1608

New York, NY 10022

Stockholders Call Toll Free: (800) 662-5200

Brokers call (203) 658-9400

E-mail: TNLX@morrowsodali.com

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QUESTIONS AND ANSWERS ABOUT THE RIGHTS OFFERING

The following are examples of what we anticipate will be common questions about the rights offering. The answers are based on selected information included elsewhere in this prospectus. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about the rights offering. This prospectus and the documents incorporated by reference herein contain more detailed descriptions of the terms and conditions of the rights offering and provide additional information about us and our business, including potential risks related to the rights offering, the shares of our common stock offered hereby and our business. We urge you to read this entire prospectus, our financial statements and related notes and the other information incorporated by reference herein as described under Incorporation by Reference.

What is the rights offering?

We are distributing to holders of our common stock, at no charge, non-transferable subscription rights to purchase shares of our common stock. We have granted to you, as a stockholder on the record date, one subscription right for each share of our common stock you owned at that time. If you hold your shares in the name of a broker, bank or other nominee who uses the services of the Depository Trust Company (DTC), DTC will issue one subscription right to the nominee for each share of our common stock you own at the record date. The subscription rights will be evidenced by rights certificates. Each subscription right will entitle the holder to a basic subscription right and an over-subscription right.

Why are we conducting the rights offering?

We are conducting the rights offering to raise capital for repayment of debt, pension plan contributions and for general corporate purposes. See Use of Proceeds.

How was the subscription price determined?

In determining the subscription price for exercising the rights, our Board of Directors (our Board) considered a number of factors, including the likely cost of capital from other sources, the price at which our stockholders might be willing to participate in the rights offering, historical and current trading prices of our common stock and our need for liquidity and capital. In addition, we believe $1.00 to be an appropriate subscription price to maximize proceeds we may receive from the exercise of the rights offered hereby and the exercise of a warrant issued in a recent private placement transaction (see Information About Trans-Lux Recent Transaction below), which warrant requires that its exercise price be reduced to the same price as the exercise price of the rights issued in this rights offering if the subscription price is less than $1.00 per share. The subscription price is not necessarily related to our book value, net worth or any other established criteria of value.

What is the basic subscription right?

The basic subscription right gives our stockholders the opportunity to purchase one share of our common stock at a subscription price of $1.00 per whole share. You may exercise all or a portion of your basic subscription rights, or you may choose not to exercise any subscription rights. We will not issue fractional shares of common stock. See The Rights Offering The Subscription Rights Basic Subscription Right.

If sufficient shares of common stock are available, we will seek to honor your basic subscription request in full. In the event that holders exercise subscription rights for in excess of 2,500,000 shares of common stock (not including the over- subscription right), the amount subscribed for by each stockholder will be proportionally reduced, based on the amount subscribed for by each stockholder (not including any over-subscription right). See The Rights Offering Limitation on the Purchase of Shares of Common Stock for a description of certain limitations on purchase.

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What is the over-subscription right?

If you fully exercise your basic subscription right and other stockholders do not fully exercise their basic subscription rights, you may also exercise an over-subscription right to purchase additional shares of common stock that remain unsubscribed at the expiration of the rights offering, subject to availability. To the extent the number of unsubscribed shares is not sufficient to satisfy all of the properly exercised over-subscription rights requests, the available shares will be prorated among those who properly exercised over-subscription rights in proportion to their respective basic subscription rights.

In order to properly exercise your over-subscription right, you must deliver the subscription payment for exercise of your over-subscription right before the expiration of the rights offering. Because we will not know the total number of unsubscribed shares before the expiration of the rights offering, if you wish to maximize the number of shares you purchase pursuant to your over-subscription right, you will need to deliver payment in an amount equal to the aggregate subscription price for the maximum number of shares of common stock available, assuming that no stockholder other than you has purchased any shares of our common stock pursuant to their basic subscription right and over-subscription right. See The Rights Offering The Subscription Rights Over-Subscription Right.

Am I required to exercise all of the subscription rights I receive in the rights offering?

No. You may exercise any number of your subscription rights, or you may choose not to exercise any subscription rights. However, if you choose not to exercise your subscription rights in full, your percentage ownership of our common stock may decrease and your voting and other rights may be diluted. In addition, if you do not exercise your basic subscription right in full, you will not be entitled to participate in the over-subscription right.

May I transfer my subscription rights?

No. You may not sell, transfer or assign your subscription rights to anyone. Subscription rights will not be listed for trading on any stock exchange or market. Rights certificates may only be completed by the stockholder who receives them.

How soon must I act to exercise my subscription rights?

The subscription rights may be exercised at any time beginning on the date of this prospectus and before the expiration of the rights offering, which is on February 20, 2019, at 5:00 p.m., Eastern Time. See The Rights Offering for detailed information on the procedure and requirements for exercising your subscription rights. If you elect to exercise any rights, the Subscription Agent must actually receive all required documents from you, and your payment must have cleared, before that time. Although we reserve the option of extending the expiration of the rights offering for a period not to exceed 30 days, we currently do not intend to do so.

How do I exercise my subscription rights? What forms and payment are required to purchase the shares of our common stock?

If you wish to participate in the rights offering, please deliver payment to the Subscription Agent using one of the methods outlined under The Rights Offering Method of Exercising Subscription

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Rights and Form of Payment in this prospectus, which payment must have cleared, before 5:00 p.m., Eastern Time, on February 20, 2019; and deliver a properly completed rights certificate to the Subscription Agent before 5:00 p.m., Eastern Time, on February 20, 2019.

After I send in my payment and rights certificate, may I cancel my exercise of subscription rights?

No. All exercises of subscription rights are irrevocable, even if you later learn information that you consider to be unfavorable to the exercise of your subscription rights and even if the rights offering is extended by our Board. However, if we amend the rights offering to make a material change to the terms set forth in this prospectus, you may cancel your subscription and receive a refund of any money you have advanced. You should not exercise your subscription rights unless you are certain that you wish to purchase shares of our common stock at a subscription price of $1.00 per share.

What should I do if I want to participate in the rights offering but my shares are held in the name of my broker, bank or other nominee?

If you hold your shares of our common stock in the name of a broker, bank or other nominee, your broker, bank or other nominee is the record holder of the shares you own. The record holder must exercise the subscription rights on your behalf for the shares of our common stock you wish to purchase.

If you wish to participate in the rights offering and purchase shares of our common stock, contact the record holder of your shares promptly. You should complete and return to your record holder the form entitled Beneficial Owner Election Form. You should receive this form from your record holder with the other rights offering materials.

What will happen if I do not exercise my subscription rights?

If you do not exercise any subscription rights, the number of shares of our common stock you own will not change. However, if you choose not to exercise your subscription rights, your percentage ownership of our common stock will decrease and your voting and other rights will be diluted. Any sales in the public market of our common stock issuable upon exercise of the subscription rights by other stockholders could adversely affect prevailing market prices of the outstanding shares of our common stock.

Are there risks in exercising my subscription rights?

Yes. Exercising your subscription rights involves the purchase of shares of our common stock and should be considered as carefully as you would consider any other equity investment. Stockholders who exercise subscription rights risk investment loss on new money invested. We cannot assure you that anyone purchasing common stock at the subscription price will be able to sell those shares in the future at the same price or a higher price. Among other things, you should carefully consider the risks described under the headings Risk Factors in this prospectus and the documents incorporated by reference herein.

When and how will I receive my shares of common stock?

Shares of common stock purchased in the rights offering will be issued only in book-entry form (i.e., no physical stock certificates will be issued). If you are the holder of record of our common stock (whether you hold share certificates or your shares are maintained in book-entry form by our transfer agent), you will receive a statement of ownership reflecting the shares of common stock purchased in the offering in the Direct Registration System (DRS) as soon as practicable after the expiration of the rights offering. If your shares of common stock are registered in street name, that is, in the name of a broker, bank or other nominee, your shares of common stock will be issued to the same account, and you may request a statement of ownership from the nominee following the expiration of the rights offering.

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If the rights offering is not completed, will my subscription payment be refunded to me?

Yes. The Subscription Agent will hold all funds it receives in a segregated bank account until completion of the rights offering. If the rights offering is not completed, all subscription payments received by the Subscription Agent will be returned, without interest, as soon as practicable. If you own shares in street name, the Subscription Agent will return payments to the record holder of the shares.

How do I exercise my subscription rights if I live outside the United States?

We will not mail this prospectus or the rights certificates to stockholders whose addresses are outside the United States or who have an army post office or foreign post office address. The Subscription Agent will hold the rights certificates for their account. To exercise subscription rights, our foreign stockholders must notify the Subscription Agent and timely follow the procedures described in The Rights Offering Foreign Stockholders.

What fees or charges apply to me if I exercise rights?

We are not charging any fee or sales commission to issue subscription rights to you or to issue shares to you if you exercise your subscription rights. If you exercise your subscription rights through the record holder of your shares, you are responsible for paying any fees your record holder may charge you.

What are the U.S. federal income tax consequences of exercising subscription rights?

For U.S. federal income tax purposes, you will not recognize income or loss in connection with the receipt or exercise of subscription rights unless the rights offering is part of a disproportionate distribution within the meaning of applicable tax rules (in which case you may recognize taxable income upon receipt of the subscription rights). We believe that the rights offering will not be part of a disproportionate distribution but certain aspects of that determination are unclear. This position is not binding on the Internal Revenue Service (the IRS) or the courts, however. You are urged to consult your own tax advisor as to your particular tax consequences resulting from the receipt and exercise of subscription rights and the receipt, ownership and disposition of common stock. For further information, please see Material United States Federal Income Tax Consequences.

Are we requiring a minimum subscription to complete the rights offering?

No.

Are there any conditions to completing the rights offering?

No.

Will our directors and officers participate in the rights offering?

All holders of our common stock as of the record date for the rights offering will receive, at no charge, non-transferable subscription rights to purchase shares of our common stock as described in this prospectus. To the extent that our directors and officers held shares of our common stock as of the record date, they will receive the subscription rights and, while they are under no obligation to do so, will be entitled to participate in the rights offering. Our directors and officers have not indicated to us whether they will purchase shares of common stock in the offering.

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Has the Board made a recommendation to our stockholders regarding the rights offering?

No. Our Board does not make any recommendation to stockholders regarding the exercise of rights under the rights offering. You should make an independent investment decision about whether or not to exercise your rights.

How much money will the Company receive from the rights offering?

Assuming all the shares of common stock offered are sold, the gross proceeds from the rights offering will be approximately $2.5 million.

Can the Board extend, cancel or amend the rights offering?

Yes. We reserve the option to extend the rights offering and the period for exercising your subscription rights for a period not to exceed 30 days, although we do not presently intend to do so. If we elect to extend the expiration of the rights offering, we will issue a press release announcing such extension no later than 9:00 a.m., Eastern Time, on the next business day after the most recently announced expiration of the rights offering. We will extend the duration of the rights offering as required by applicable law or regulation and may choose to extend it if we decide to give investors more time to exercise their subscription rights in the rights offering. If we elect to extend the rights offering for a period of more than 30 days, then holders who have subscribed for rights may cancel their subscriptions and receive a refund of all money advanced.

Our Board of Directors may cancel the rights offering at any time before its expiration for any reason, including due to the failure of our company to complete the stockholder approval process with respect to the Amendments. We received stockholder approval of the Amendments by the written consent of a majority of our stockholders and the Amendments will become effective on January 28, 2019, which is more than 20 days after the distribution of an information statement to the non-consenting stockholders in accordance with Schedule 14C of the Exchange Act. If the rights offering is cancelled, we will issue a press release notifying stockholders of the cancellation and all subscription payments received by the Subscription Agent will be returned, without interest or penalty, as soon as practicable.

Although we do not presently intend to do so, we reserve the right to amend or modify the terms of the rights offering for any reason, including, without limitation, in order to increase participation in the rights offering. Such amendments or modifications may include a change in the subscription price, although no such change is presently contemplated. If we should make any fundamental changes to the terms set forth in this prospectus, we will file a post-effective amendment to the registration statement in which this prospectus is included, offer potential purchasers who have subscribed for rights the opportunity to cancel their subscriptions, issue a refund of any money advanced by such stockholder and recirculate an updated prospectus after the post-effective amendment is declared effective by the SEC. In addition, upon such event, we may extend the expiration date of the rights offering to allow holders of rights ample time to make new investment decisions and for us to recirculate updated documentation. Promptly following any such occurrence, we will issue a press release announcing any changes and the new expiration date.

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Will there be a trading market for the subscription rights?

No. The subscription rights are not transferable and will not be listed for trading on any stock exchange or market.

Will I receive dividends on my shares of common stock?

The Board did not declare any cash dividends on common stock during 2017 or 2018 and we do not anticipate paying any cash dividends on our common stock for the foreseeable future. In addition, the terms of our senior secured credit agreement restrict the payment of dividends on our common stock.

Whom should I contact if I have other questions?

If you have other questions or need assistance, please contact the Information Agent Morrow Sodali LLC, by email at TNLX@morrowsodali.com or by telephone at (800) 662-5200. Banks and brokerage firms also may contact Morrow Sodali LLC at (203) 658-9400.

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RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the risks described below, together with the other information contained or incorporated by reference into this prospectus, including the other risks and information contained in the section entitled Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2017 and any risks described in our other filings with the SEC before making a decision to invest in the common stock.

The risks described below and in the documents referred to in the preceding sentence are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. If any of the following risks actually occurs, our business, results of operations and financial condition could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to the Rights Offering

The subscription price determined for the rights offering is not necessarily an indication of the fair value of our common stock.

In determining the subscription price, our Board considered a number of factors, including the likely cost of capital from other sources, the price at which our stockholders might be willing to participate in the rights offering, historical and current trading prices of our common stock and our need for liquidity and capital. The subscription price is not necessarily related to our book value, net worth or any other established criteria of value.

We may cancel the rights offering at any time before its expiration, and neither we nor the Subscription Agent will have any obligation to you except to return your subscription payments.

We may, in our sole discretion, decide to cancel the rights offering before its expiration for any reason, including due to the failure of our company to complete the stockholder approval process with respect to the Amendments. We received stockholder approval of the Amendments by the written consent of a majority of our stockholders and the Amendments will become effective on January 28, 2019, which is more than 20 days after the distribution of an information statement to the non-consenting stockholders in accordance with Schedule 14C of the Exchange Act. If the rights offering is cancelled, we will issue a press release notifying stockholders of the cancellation and all payments received by the Subscription Agent for the exercise of subscriptions will be returned, without interest, as soon as practicable. Neither we nor the Subscription Agent will have any further obligation to you in that case, including but not limited to any obligation to reimburse you for any amount you have paid to purchase subscription rights that are no longer exercisable.

The subscription rights are non-transferable and thus there will be no market for them.

You may not sell, transfer or assign your subscription rights to anyone else. We do not intend to list the subscription rights on any securities exchange or any other trading market. Because the subscription rights are non-transferable, there is no market or other means for you to directly realize any value associated with them.

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If you do not act promptly and follow the subscription instructions, your exercise of subscription rights will be rejected.

Stockholders that wish to purchase shares of common stock in the rights offering must act promptly to ensure that all required forms and payments are actually received by the Subscription Agent before the expiration of the rights offering. If you are a beneficial owner of shares, you must act promptly to ensure that your broker, bank or other nominee acts for you and that all required forms and payments are actually received by the Subscription Agent before the expiration of the rights offering. We are not responsible if your broker, bank or other nominee fails to ensure that all required forms and payments are actually received by the Subscription Agent before the expiration of the rights offering. If you fail to complete and sign the required subscription forms, send an incorrect payment amount or otherwise fail to follow the subscription procedures that apply to your exercise in the rights offering before the expiration of the rights offering, the Subscription Agent will reject your subscription or accept it only to the extent of the payment received. Neither we nor our Subscription Agent undertakes to contact you concerning an incomplete or incorrect subscription form or payment, nor are we under any obligation to correct such forms or payment. We have the sole discretion to determine whether a subscription exercise properly complies with the subscription procedures.

If the rights offering is consummated, your relative ownership interest may experience significant dilution.

To the extent that you do not exercise your subscription rights, your proportionate voting interest will be reduced, and the percentage that your original shares represent of our expanded equity after exercise of the rights will be diluted.

The tax treatment of the rights offering is somewhat uncertain and it may be treated as a taxable event to our stockholders.

If the rights offering is deemed to be part of a disproportionate distribution under section 305 of the Internal Revenue Code, our stockholders may recognize taxable income for U.S. federal income tax purposes in connection with the receipt of subscription rights in the rights offering depending on our current and accumulated earnings and profits and our stockholders tax basis in our common stock. A disproportionate distribution is a distribution or a series of distributions, including deemed distributions, that has the effect of the receipt of cash or other property by some stockholders or holders of debt instruments convertible into stock and an increase in the proportionate interest of other stockholders in a company s assets or earnings and profits. The disproportionate distribution rules are complicated and their application is uncertain. Please see Material U.S. Federal Income Tax Consequences for further information.

The rights offering could impair or limit our net operating loss carryforwards.

As of December 31, 2017, we had net operating loss carryforwards (NOLs) of approximately $16.5 million for U.S. federal income tax purposes. Under the Internal Revenue Code of 1986, as amended (the Code), an ownership change with respect to a corporation could limit the amount of pre-ownership change NOLs and certain other tax assets that the corporation may utilize after the ownership change to offset future taxable income, possibly reducing the amount of cash available to the corporation to satisfy its obligations. An ownership change generally should occur if the aggregate stock ownership of beneficial owners of at least 5% of our stock increases by more than 50 percentage points over the preceding three-year period. The transaction described under Information About Trans-Lux Recent Transaction , could result in a shift in our beneficial ownership that could trigger an ownership change. In addition, because not all stockholders may exercise their basic subscription rights in full, the purchase of shares of our common stock could result in a shift in this beneficial ownership that could trigger an ownership change with respect to our stock. Please see Material United States Federal Income Tax Consequences for further information.

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We may amend or modify the terms of the rights offering at any time before the expiration of the rights offering in our sole discretion.

Our Board reserves the right to amend the terms of the rights offering in its sole discretion. Although we do not presently intend to do so, we may choose to amend the terms of the rights offering for any reason, including, without limitation, in order to increase participation in the rights offering. Any such amendment that is not fundamental enough for us to have to return your subscription payment may nonetheless affect your rights, including any anticipated return on your investment, adversely.

The market price of our common stock is volatile and may decline before or after the subscription rights expire.

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 Cautionary Note Regarding Forward-Looking Statements in this prospectus, those contained in the section entitled Risk Factors in this prospectus and our Annual Report on Form 10-K for the year ended December 31, 2017, the general state of the securities markets and the market for similar stocks, changes in capital markets that affect the perceived availability of capital to companies in our industry, and governmental legislation or regulation, as well as general economic and market conditions. We cannot assure you that the market price of our common stock will not decline after you elect to exercise your subscription rights.

Because our management will have broad discretion over the use of the proceeds from the rights offering, you may not agree with how we use the proceeds, and we may not invest the proceeds successfully.

We are conducting the rights offering to raise capital for repayment of debt, pension plan contributions and for general corporate purposes. We will retain broad discretion of the use of such proceeds. You will be relying on the judgment of our management with regard to the use of such proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. It is possible that the proceeds will be invested in a way that does not yield a favorable, or any, return for the Company.

Sales, or the availability for sale, of substantial amounts of our common stock could adversely affect the value of our common stock.

No prediction can be made as to the effect, if any, that future sales of our common stock, or the availability of our common stock for future sales, will have on the market price of our common stock. Sales of substantial amounts of our common stock in the public market and the availability of shares for future sale could adversely affect the prevailing market price of our common stock. This in turn could impair our future ability to raise capital through an offering of our equity securities.

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The rights offering may cause the price of our common stock to decrease.

The subscription price, together with the number of shares of common stock we propose to issue and ultimately will issue if the rights offering is completed, may result in an immediate decrease in the market value of our common stock. This decrease may continue after the completion of the rights offering. If a substantial number of subscription rights are exercised, and if the holders of the common stock received upon such exercise choose to sell some or all of those shares of common stock, the resulting sales could depress the market price of our common stock. There is no assurance that, following the rights offering, you will be able to sell your common stock at a price equal to or greater than the subscription price.

We may not be permitted to make payment of dividends on the common stock.

Under Delaware law, we may only pay dividends or make distributions to our stockholders from our surplus (as determined in accordance with Delaware General Corporation Law) or our net profits for the current fiscal year or the fiscal year before which the dividend or distribution is declared under certain circumstances. The Board did not declare any cash dividends on common stock during 2017 and 2018 and we do not anticipate paying any cash dividends on our common stock for the foreseeable future. In addition, the terms of our senior secured credit agreement restrict the payment of dividends on our common stock. Therefore, our ability to pay dividends and make any other distributions in the future will depend upon our financial results, liquidity and financial condition.

Risks Relating to our Business and Securities

There is substantial doubt about our ability to continue as a going concern.

Our independent registered public accounting firm issued an opinion on our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 that states that the Consolidated Financial Statements were prepared assuming we will continue as a going concern and further states that the Company has suffered recurring losses from operations and has a significant working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Since the filing of our Annual Report on Form 10-K for the year ended December 31, 2017, we continue to lack adequate liquidity, including access to the debt and equity capital markets, to operate our business over the next 12 months from the date of this prospectus. We had a working capital deficiency of $9.2 million as of September 30, 2018. As a result, our short-term business focus continues to be to preserve our liquidity position. While we received gross proceeds of $1.5 million from the sale of 1,315,789 shares of common stock as described below under Information About Trans-Lux Recent Transaction , unless we are successful in obtaining additional liquidity, we believe that we will not have sufficient cash and liquid assets to fund normal operations and, as such, there is substantial doubt about the Company s ability to continue as a going concern for the next 12 months from the date of this prospectus. In addition, our obligations under our pension plan exceeded plan assets by $4.1 million at September 30, 2018, including $817,000 of minimum required contributions due over the next 12 months. We are in default on our 8¼% Limited convertible senior subordinated notes due 2012 (the Notes) and 9½% Subordinated debentures due 2012 (the Debentures), which have remaining principal balances of $387,000 and $220,000, respectively. Also, as of September 30, 2018, we were not in compliance with the fixed charge coverage ratio covenant related to our credit agreement with CNH Finance Fund I, L.P. (CNH). We and CNH agreed to a forbearance with respect to the default caused by our non-compliance with the fixed charge coverage ratio covenant as of September 30, 2018 under such credit agreement. The amounts due to CNH mature within the next 12 months. As a result, if we are unable to (i) obtain additional liquidity for working capital, (ii) make the minimum required contributions to the defined benefit pension plan, (iii) make the required principal and interest payments on the Notes and the Debentures and/or (iv) attain and maintain compliance with all debt covenants, there would be a significant adverse impact on our financial position and operating results.

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

We have incurred operating losses for the past several years. During the years ended December 31, 2017 and 2016, we incurred losses from continuing operations of $2.8 million and $0.6 million, respectively. During the nine months ended September 30, 2018 and 2017, we incurred losses from continuing operations of $4.0 million and $2.6 million, respectively. We are dependent upon future operating performance to generate sufficient cash flows in order to continue to run our businesses. Future operating performance is dependent on general economic conditions, as well as financial, competitive and other factors beyond our control. We have experienced a decline in our lease and maintenance bases for the past several years. There can be no assurance that we will be able to increase our revenue sufficiently to generate the cash required to fund our current operations.

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 September 30, 2018, we had outstanding $387,000 of Notes, which are no longer convertible into common shares and which matured as of March 1, 2012; interest was payable semi-annually. Such Notes were not exchanged into cash and our common stock as part of an exchange offer in 2011. Based on the payment schedule prior to the offer to exchange, we had not remitted the March 1, 2010 and 2011 and September 1, 2010 and 2011 semi-annual interest payments of $418,000 each and the March 1, 2012 semi-annual interest and principal payment of $1.4 million to the trustee. The non-payments constituted an event of default under the indenture governing the Notes. The trustee, by notice to the Company, or the holders of 25% of the principal amount of the Notes outstanding, by notice to the Company and the trustee, may declare the outstanding principal plus interest due and payable immediately. The Notes are subordinate to the Company s senior secured indebtedness to CNH pursuant to a credit and security agreement, as subsequently amended on various dates, the latest being on March 14, 2018 (collectively, the Credit Agreement) with CNH. The Credit Agreement contains financial and other covenant requirements, including, but not limited to, financial covenants that require the Borrowers to maintain a fixed charge coverage ratio and a loan turnover rate. In connection with the Forbearance Agreement to Credit and Security Agreements dated as of November 7, 2018, CNH waived the Company s anticipated non-compliance with these financial covenants through February 28, 2019. At September 30, 2018, the total amount outstanding under the Notes is reflected under current portion of long-term debt in our consolidated balance sheet.

As of September 30, 2018, we had $220,000 of Debentures, which matured on December 1, 2012; interest was payable semi-annually. Such Debentures were not exchanged into cash as part of an exchange offer in 2011. Based on the payment schedule prior to the offer to exchange, we had not remitted the December 1, 2009, 2010 and 2011 sinking fund payments of $106,000 each, the June 1, 2010, 2011 and 2012 and the December 1, 2010 and 2011 semi-annual interest payments of $50,000 each and the December 1, 2012 semi-annual interest and principal payment of $790,000 to the trustee. The non-payments constituted an event of default under the indenture governing the Debentures. The trustee, by notice to the Company, or the holders of 25% of the principal amount of the Debentures outstanding, by notice to the Company and the trustee, may declare the outstanding principal plus interest due and payable immediately. The Debentures are subordinate to the Company s senior secured indebtedness to CNH pursuant to the Credit Agreement. The Credit Agreement contains financial and other covenant requirements, including, but not limited to, financial covenants that require the Borrowers to maintain a fixed charge coverage ratio and a loan turnover rate. In connection with the Forbearance Agreement to Credit and Security Agreement dated as of November 7, 2018, CNH waived the Company s anticipated non-compliance with these financial covenants through February 28, 2019. At September 30, 2018, the total amount outstanding under the Debentures is reflected under Current portion of long-term debt in our consolidated balance sheet.

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We have received waivers, subject to certain conditions, of the 2009, 2010 and 2012 minimum funding standards for our defined benefit pension plan, which, if we fail to fulfill the required conditions for, may result in the termination of the plan or require us to make the unpaid contributions.

In March 2010, 2011 and 2013, the Company submitted to the IRS requests for waivers of the 2009, 2010 and 2012 minimum funding standards for its defined benefit pension plan. As of December 31, 2017, the Company has fully repaid the amounts deferred for each of these waivers. In 2017, we made $298,000 of the $444,000 of minimum required contributions to the plan. Our obligations under our pension plan exceeded plan assets by $4.1 million at September 30, 2018, including $817,000 of minimum required contributions due over the next 12 months. Subsequent to September 30, 2018, the Company contributed $421,000 to the pension plan (including the balance of $146,000 remaining to be paid toward our 2017 contribution obligations), leaving $171,000 that still remains to be paid to the plan for our 2018 fiscal year. There is no assurance that we will be able to make any or all of the 2018 payments or other future remaining payments owed under the pension plan.

We have significant debt, which could impair our financial condition.

As of September 30, 2018, we had outstanding debt of approximately $4.8 million (including $650,000 of a forgivable loan), $3.1 million of which was reflected under current portion of long-term debt in our consolidated balance sheet. Such amount includes an aggregate of $607,000 of Notes and Debentures for which we are in default. Our ability to satisfy our obligations will be dependent upon our future performance, which is subject to prevailing economic conditions and financial, business and other factors, including factors beyond our control. There can be no assurance that our operating cash flows will be sufficient to meet our long-term debt service requirements or that we will be able to refinance indebtedness at maturity.

Our indebtedness could adversely affect our financial health.

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

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

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

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

Our success is dependent upon our ability to obtain the renewal of existing leases or enter into new leases as our current leases expire, which may not be feasible. The inability to renew or replace our leases would negatively affect our operations.

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

We are dependent on our President and Chief Executive Officer and other key personnel.

We believe that our President and Chief Executive Officer, Alberto Shaio, plays a significant role in our success and the loss of his services could have an adverse effect on the Company. There can be no assurance that we would be able to find a suitable replacement for Mr. Shaio. We have an employment agreement with Mr. Shaio that expires on October 1, 2020. The Company believes that in addition to Mr. Shaio, there is a core group of executives that also plays a significant role in the success of the Company.

Our international operations subject us to potential fluctuations in exchange rates between the U.S. 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, inclu