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TRANS LUX CORP
Form PRER14A
October 06, 2010

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. 2)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

- [X] Preliminary Proxy Statement
- [] Confidential, For Use of the Commission Only
(as permitted by Rule 14a-6(e) (2))
- [] Definitive Proxy Statement
- [] Definitive Additional Materials
- [] Soliciting Material Pursuant to Section 240.14a-12.

TRANS-LUX CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
- [] Fee computed on table below per Exchange Act Rules 14a-6(i) and 0-11.

- (1) Title of each class of securities to which transaction applies:

- (2) Aggregate number of securities to which transaction applies:

- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

- (4) Proposed maximum aggregate value of transaction:

- (5) Total fee paid:

[] Fee paid previously with preliminary materials.

[] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:

- (2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

(4) Date Filed:

TRANS-LUX CORPORATION
26 Pearl Street
Norwalk, Connecticut 06850

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD DECEMBER 16, 2010

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of TRANS-LUX CORPORATION will be held at the Norwalk Community College, East Campus, 188 Richards Avenue, Norwalk, Connecticut, on Thursday, December 16, 2010 at 10:00 A.M. local time for the following purposes:

1. To consider and act upon a proposal for a 1-for-50 reverse stock split of the outstanding Common Stock followed immediately by a 50-for-1 forward stock split;
2. To consider and act upon a proposal to amend the Corporation's Restated Certificate of Incorporation to remove Class B Stock from authorized capital stock;
3. To consider and act upon a proposal to amend the Corporation's Restated Certificate of Incorporation to (a) modify provisions relating to Class A Stock and (b) increase authorized Common Stock;
4. To consider and act upon a proposal to approve the adoption of the 2010 Long-Term Incentive Plan;
5. To elect two directors to serve for a term of three years, in each case until their successors shall be elected and shall have qualified;
6. To consider and act upon a proposal to ratify the retention of BDO USA, LLP, as the Corporation's independent registered public accounting firm for the ensuing year; and
7. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The close of business on October 22, 2010 has been fixed as the record date for the determination of the stockholders entitled to notice of and to vote at the Meeting.

By Order of the Board of Directors,

Angela D. Toppi
Corporate Secretary

Dated: Norwalk, Connecticut

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September 22, 2010

Please mark, date, sign and return promptly the enclosed proxy so that your shares may be represented at the Meeting. A return envelope, which requires no postage, if mailed in the United States, is enclosed for your convenience.

PRELIMINARY
PROXY STATEMENT

of

TRANS-LUX CORPORATION

for the Annual Meeting of Shareholders
To Be Held on December 16, 2010

This statement is furnished in connection with the solicitation by the Board of Directors of TRANS-LUX CORPORATION (hereinafter called the "Corporation") of proxies in the accompanying form to be used at the Annual Meeting of the Stockholders of the Corporation to be held on Thursday, December 16, 2010, and at any adjournment thereof, for the purposes set forth in the accompanying notice of the Meeting. It is intended that this Statement and the proxies solicited hereby be mailed to stockholders no later than November 15, 2010. A stockholder who shall sign and return a proxy in the form enclosed with this statement has the power to revoke it at any time before it is exercised by giving written notice of revocation or a proxy of later date and returning it to the Corporation, Attention: Corporate Secretary, or by voting in person at the Meeting. Proxies properly executed and received in time for the Meeting will be voted.

The close of business on October 22, 2010 has been fixed as the record date for the determination of the stockholders entitled to notice of and to vote at the Meeting. There were outstanding as of the close of business on October 22, 2010 and entitled to notice of and to vote at the Meeting 2,442,923 shares of Common Stock. Each outstanding share of Common Stock is entitled to one vote on all matters voted on at the Meeting.

Unless otherwise specified, the proxies in the accompanying form will be voted in favor of all of the proposals set forth in the Notice of Annual Meeting. In the discretion of the proxyholders, the proxies will also be voted for or against such other matters as may properly come before the Meeting. The Board of Directors is not aware that any other matters are to be presented for action at the Meeting.

PROPOSAL TO APPROVE
A 1-FOR-50 REVERSE STOCK SPLIT
OF THE OUTSTANDING COMMON STOCK
FOLLOWED IMMEDIATELY BY
A 50-FOR-1 FORWARD STOCK SPLIT
Proposal No. 1 (Item 1 on Proxy Card)

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The Board of Directors is recommending to the stockholders that they approve a 1-for-50 reverse stock split of our outstanding shares of Common Stock, which would be followed immediately by a 50-for-1 forward stock split. The following is a summary of the material terms of the proposed Reverse Stock Split and Forward Stock Split. The remaining information in this Proxy Statement contains a more detailed description of the terms of the proposed Reverse Stock Split and Forward Stock Split. We encourage you to read carefully the entire Proxy Statement.

Summary of Reverse Stock Split and Forward Stock Split Proposal

- * The Board of Directors has reviewed, authorized and recommends the proposed reverse stock split of our outstanding shares of Common Stock. The proposal, if approved, would result in each share of our Common Stock held by a stockholder owning less than 50 shares at the effective time of the reverse stock split being converted into the right to receive cash in the amount of our average closing price for the five (5) trading days preceding the date of our Annual Meeting on which sales took place, while each share of Common Stock held by a stockholder owning 50 or more shares will continue to represent one share of our Common Stock without any payment. Immediately after the reverse stock split is effective, it would be followed by a forward stock split of 50-for-1. The reverse stock split and forward stock split are voted on as one proposal and are sometimes referred collectively to as the reverse stock split or "going dark." See "Special Factors - Purposes of the Reverse Stock Split," "Background of the Reverse Stock Split," "Reasons for the Reverse Stock Split" and "Fairness of the Reverse Stock Split" in this Proxy Statement.
- * The approval of a majority of the outstanding shares of Common Stock is required to approve the reverse stock split. If approved, such reverse stock split will become effective upon the filing of an amendment to our Restated Certificate of Incorporation, as amended, which is intended to be filed with the Delaware Secretary of State promptly following the approval at the Annual Meeting as set forth in Appendix A to this Proxy Statement, unless the Board of Directors decides to abandon the reverse stock split. See "Fairness of the Reverse Stock Split - Reservation of Rights."
- * No persons have been retained to solicit votes or make recommendation for the approval of the reverse stock split proposal.
- * The reverse stock split followed by the forward stock split is intended to enable us to avoid the costly expenses of remaining a publicly held corporation required to file reports with the Securities and Exchange Commission ("SEC"), particularly the internal control requirements being imposed by the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"). See "Special Factors - Purposes of the Reverse Stock Split" and "Background of the Reverse Stock Split."
- * Present holders of more than 50 shares of Common Stock will still retain an equity interest in the Corporation, while holders who would otherwise receive fractional shares will instead receive cash in lieu of the fractional shares on the basis of the average closing market price of the Common Stock for the five (5) trading days preceding the Annual Meeting, but in no event will a stockholder receive less than \$0.50 per share. For example, if the Common Stock closed at \$0.54, \$0.50, \$0.47, \$0.43 and \$0.43 for the five (5) trading days immediately preceding the date of the 2010 Annual Meeting, for an average of \$0.474 per share, a stockholder owning ten (10) shares of Common Stock will receive \$5.00 because the five-day average closing market price is below the minimum of \$0.50 per share.

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- * Of the 630 stockholders of record who currently hold shares of Common Stock, approximately 450 stockholders hold less than 50 shares and will receive payment in lieu of shares.
- * All stockholders who own less than 50 shares will be required to surrender their current certificate and will receive a letter of transmittal to accompany their certificate(s) in order to receive payment for fractional shares.
- * All stockholders who own in the aggregate more than 50 shares but hold them in multiple accounts or record holder names (in brokerage accounts) will need to consolidate their accounts prior to the reverse stock split in order to avoid being cashed out.
- * Of the Corporation's 12 officers and directors, 10 hold more than 50 shares and will remain stockholders. Two of the directors do not own any shares.
- * The outstanding stock options held by officers, directors and a consultant will not have to be adjusted to reflect the reverse stock split because it is followed by the forward stock split.
- * In addition to this Proxy Statement, the Corporation filed a Schedule 13e-3 in accordance with Rule 13e-3 under the Securities Exchange Act of 1934.
- * The Board of Directors has determined that the reverse stock split is fair to and in the best interest of all the Corporation's unaffiliated stockholders and has unanimously approved the reverse stock split and actions implementing the reverse stock split, if approved. See also "Fairness of the Reverse Stock Split - Recommendation of the Corporation's Board of Directors."
- * Directors and officers currently beneficially own approximately 4.26% of the outstanding Common Stock. After the reverse stock split, directors and officers would own approximately 4.27% of the outstanding Common Stock. All directors and officers have indicated they will vote "For" the reverse stock split proposal. See also "Vote Required for Approval" and "Effects of the Reverse Stock Split."
- * The reverse stock split is not expected to affect the Corporation's operations except for the anticipated cost and management time savings associated with termination of the Corporation's public corporation obligations and cash spent on payment for fractional shares. The proposal will likely result in a delisting of the Common Stock on the NYSE Amex ("NYSE Amex") or ("Exchange") and give rise to a Repurchase Event under the Corporation's indenture ("Indenture") governing our 8 1/4% Limited Convertible Senior Subordinated Notes due 2012 ("Notes"). The Corporation does not have the cash to repurchase any Notes issued under such Indenture and the Corporation already is in default under such Indenture for failure to make interest payments, but the terms of our bank loan ("Senior Indebtedness") and such Indenture will prohibit the holders from collecting payment under the Subordination provisions so long as the Senior Indebtedness is outstanding. See "Special Factors - Background of the Reverse Stock Split."
- * If the reverse stock split is approved, the Corporation will be eligible to cease filing periodic public reports with the SEC, which the Corporation intends to do. This may result in the Corporation's Common Stock being

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quoted only in the over-the-counter ("OTC") pink sheets. See "Terms of the Reverse Stock Split - Resale of Securities."

- * The Corporation did not approve a special committee of independent directors to review this proposal. A majority of the Board of Directors is considered independent and the proposal was unanimously approved by all directors.
- * Stockholders who receive payment for fractional shares will realize a gain or loss for Federal income tax purposes for the difference between the payment for fractional shares and their tax basis in their shares. See "Effects of the Reverse Stock Split - Federal Income Tax Consequences of the Reverse Stock Split." Stockholders are urged to consult with their own tax advisor for the tax consequences of the reverse stock split in light of each stockholder's own particular circumstances.
- * Stockholders are not entitled to appraisal rights under the Corporation's Restated Certificate of Incorporation or the Delaware General Corporation Law. See "Terms of the Reverse Stock Split - Dissenter's Rights."

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- * The purchase of the fractional shares by us will be considered a purchase and retirement of our own Common Stock. Such purchase will be treated as a reduction of stockholders' equity. We have no present plans to resell or dispose of the fractional shares acquired in this transaction. See "Effects of the Reverse Stock Split - Federal Income Tax Consequences of the Reverse Stock Split."

QUESTIONS AND ANSWERS CONCERNING THE REVERSE STOCK SPLIT

The following questions and answers address some commonly asked questions about this proposal that may not be addressed in the above summary. They may not include all information you deem important and we urge you to read the entire proposal carefully.

Question: What are some of the advantages of the 1-for-50 reverse stock split?

Answer: The Board believes that the reverse stock split will have the following advantages, among others.

Terminating the registration of our Common Stock under the Exchange Act will eliminate the costs of being a public reporting corporation, with estimated annual cost savings of approximately \$275,000 before taxes excluding the cost of management time.

Terminating the registration will eliminate the cost of complying with Sarbanes-Oxley which implementation is estimated at \$100,000.

Providing liquidity for stockholders holding less than 50 shares of Common Stock by having their fractional shares purchased without paying any commission.

Eliminating our obligation to publicly disclose sensitive business information.

Reducing our exposure for filings that would have been made under the Exchange Act.

Question: What are some of the disadvantages of the reverse stock split?

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Answer: Stockholders owning less than 50 shares of Common Stock will be forced to cash out their shares at this time and not have the opportunity to participate in or benefit from any possible future appreciation in the Corporation's value and will recognize a gain or loss on the transaction unless they purchase additional shares prior to the effective date of the reverse stock split so that they own an aggregate of 50 or more shares.

Stockholders remaining after the reverse stock split will no longer have available all of the information currently available in the Corporation's filings at the SEC under the Exchange Act. They will also lose the ability to seek damages for filings which might be claimed to violate the provisions of the Exchange Act for documents filed with the SEC and will not have the protection of certification required of the Chief Executive Officer and Chief Financial Officer in such filings. While we plan to make information available that complies with Rule 15c2-11 under the Exchange Act to enable brokers to trade the Common Stock in the OTC pink sheets, such information will be less comprehensive than that filed with the SEC.

Stockholders who remain will have less liquidity for their shares because of delisting on the NYSE Amex and uncertain opportunity of trading in the OTC pink sheets to the extent market makers are willing to quote the Corporation's stock in the pink sheets. The Corporation may find it more difficult to attract new officers and employees if the Common Stock is not readily traded and quoted.

The Corporation will be less likely to be able to use its Common Stock in acquisitions of assets or companies although no such acquisition had been previously made utilizing Common Stock.

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It will be more difficult for the Corporation to publicly sell equity securities unless it agrees to again be a public reporting corporation with the SEC.

Question: What is the difference between a stockholder of record and a beneficial stockholder and will the stockholders of record and beneficial stockholders be treated the same?

Answer: A stockholder of record is a stockholder whose name is registered on the books of the Company. A beneficial stockholder is a stockholder who owns the common stock in a brokerage account. Yes, the stockholders of record and beneficial stockholders will be treated the same.

Question: Why is the Corporation seeking to "go dark" now?

Answer: The Corporation has sustained losses for several years and the cost of compliance of being a public reporting corporation diverts its cash resources from research, sales and other business activity. In addition, the Corporation has often had a thin trading market for its securities and there is limited liquidity for stockholders. A disproportionate number, 450, of its 630 holders of record own less than 50 shares of Common Stock and an aggregate of approximately only 5,700 shares.

Question: What are some of the factors supporting the Board's decision to recommend the reverse stock split?

Answer: The Board based its decision primarily on the expensive cost of complying as a public reporting corporation filing reports with the SEC and considered both advantages and disadvantages discussed above. Nevertheless, the Board reserves the right to modify or abandon the reverse stock split even if approved. See "Fairness of the Reverse Stock Split - Reservation of Rights."

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Question: What are the interests of the officers and directors in the reverse stock split?

Answer: The primary interest is avoiding the costs of being a public reporting corporation filing reports with the SEC, complying with Sarbanes-Oxley and the potential liability and diversion of management time for responding to lawsuits and cost of defending them which diminishes the cash available for operations, projects and incentives. The officers and directors do not own a relatively large percentage of the current outstanding stock (4.26%) in aggregate and such amount will not significantly increase (aggregate of 4.27% if approved).

Question: Why is the reverse stock split followed by the forward stock split?

Answer: The forward stock split avoids time, inconvenience and expense of exchanging any certificates held by holders of 50 or more shares, as they will retain the same number of shares and not have to trade in their stock certificates for new certificates.

Question: What is the estimated total cost of the reverse stock split to the Corporation?

Answer: The Corporation estimates the total cost of the reverse stock split will approximate \$70,000 of which approximately \$5,000 is to cash out fractional interests of holders with less than 50 shares of Common Stock, \$55,000 in legal and accounting fees to review the transaction and other costs such as the transfer agent's handling of exchanging certificates for payment of fractional shares.

Question: Why didn't the Board of Directors establish a committee of independent directors to approve the reverse stock split?

Answer: A majority of the Board of Directors consists of independent directors who approved and recommended unanimously that the proposal be submitted to stockholders so there was no need to establish a separate committee. The holdings of such outside directors is also rather small, less than 2.0% in aggregate, so there is no perceived material financial benefit to them if the proposal is approved by stockholders.

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SPECIAL FACTORS

Purposes of the Reverse Stock Split

The primary purpose of the reverse stock split is to enable a "going dark transaction." This will enable us to save money being spent because of our status as a public reporting corporation filing reports with the SEC and avoid what will be a prohibitive expense to us of complying with Sarbanes-Oxley based on our constrained cash flow. The reverse stock split is intended to decrease our total stockholders of record below 300, to approximately 180 from our present 630 holders of records. We will then be able to file a Form 15 with the SEC and a Form 25 with the NYSE Amex terminating the registration of our Common Stock and our reporting obligations under the Exchange Act. Unless we comply with Rule 15c2-11 under the Exchange Act, which we intend to do, market makers are not permitted to quote our Common Stock in the OTC pink sheets if we are not current in our filings with the SEC. Upon filing of Form 15 and Form 25 we expect our Common Stock and our Notes described below to be delisted from trading on the NYSE Amex which will also result in a savings of the annual fee of such Exchange, currently \$27,500. It is quite conceivable such Exchange will move to delist us in any event. On July 2, 2010, the Corporation received a

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letter from the Exchange advising that the Corporation is not in compliance with two of the Exchange's continued listing standards and in order to maintain its listing, the Corporation must submit a plan addressing how it intends to regain compliance; if the plan is not submitted or not accepted, the Corporation will be subject to delisting proceedings. The plan that was submitted was not accepted by the NYSE and the Company may be delisted.

Background of the Reverse Stock Split

The cost of compliance of being a public reporting corporation has increased dramatically since passage of Sarbanes-Oxley and required compliance with its provisions. While the SEC has exempt small companies from the external auditor's report on internal controls, the eventual cost of compliance will drain us of valuable cash resources. Our Common Stock has had sparse trading activity from time to time. We do not realize many benefits associated with being a public reporting corporation such as enhanced stockholder value, due to limited liquidity and the market price of our Common Stock. We have not been able to seriously consider "going dark" because of provisions in our Notes which enable the holders of such Notes to demand we repurchase their Notes if such a proposal is filed with the SEC. However, since we already have an event of default under the Indenture for the Notes for failure to pay interest on such Notes, the holders of such Notes are entitled to demand repurchase of their Notes at this time in any event. The holder of our Senior Indebtedness, People's United Bank, by notice to the trustee under the Indenture governing the Notes can cause the implementation of the Notes' subordination provisions to the People's United Bank's Senior Indebtedness which provide they cannot receive payment on the Notes until such Senior Indebtedness is paid in full or the event of default is cured. While there can be no assurance we can refinance these Notes and eliminate the event of default and repurchase obligation, we perceive no greater harm in going forward with the "going dark" proposal since we have not paid the \$835,600 of interest payments on the Notes currently in default. Accordingly, the reverse stock split proposal was approved at our March 26, 2010 Board of Directors Meeting.

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REASONS FOR THE REVERSE STOCK SPLIT

Small Public Corporation

The Corporation is a smaller reporting corporation as defined by SEC Rules and small by other measures, such as gross assets, market value, gross receipts, employees, etc. Our stockholder base is small and we have a disproportionate number of stockholders owning a small number of shares. Of our 630 stockholders or record, 492 stockholders own less than 100 shares and 450 stockholders own less than 50, the reverse stock split divider. These 450 stockholders only own an aggregate of approximately 5,700 shares.

Negative Aspects of Remaining Public

The Board believes the Corporation and its stockholders currently derive no material benefit from continued registration under the Exchange Act. In recent years the global economic crisis has adversely affected many of our customers and our businesses. As a result we have incurred significant operating losses and been unsuccessful in increasing stockholder value or attracting investor interest despite operating as a publicly held corporation for over 84 years with the oldest listing on the American Stock Exchange at the time of its merger with the New York Stock Exchange. With our present inability to provide increased value to our stockholders as a public reporting corporation filing reports with the SEC and especially in light of the significantly increased burdens

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associated with being such a public reporting corporation following passage of Sarbanes-Oxley, our Board of Directors and management do not believe remaining a public reporting corporation is in the best interest of the Corporation or its stockholders. The costs and burdens imposed on us as a result of being a public reporting corporation are likely to increase significantly as a result of such legislation and implementation of related corporate governance reforms.

The tangible and intangible costs of being a public reporting corporation filing reports with the SEC are not justified because we are unable to realize many of the benefits that publicly traded companies sometimes realize. The Board does not believe we are in a position at this time to use our status as a public reporting corporation to raise equity capital through sales of our securities in a public offering or otherwise access the public markets to raise capital. A tender offer is expensive and requires printing and mailing of a separate Offer to Purchase resulting in additional expense with no guaranty of success, as many stockholders will ignore because of amounts to purchase the common stock are de minimus. Our small public float and limited trading volume often limits the ability of our stockholders to sell their shares without reducing the trading price of our Common Stock. During the past 12 months, the average monthly trading volume of our Common Stock on the NYSE Amex was approximately 8,000 shares.

Continuing as a public reporting corporation filing reports with the SEC provides certain benefits, namely a broader public market for sale and exchange of shares, stockholder liquidity and readily accessible financial, business and management information about us. The reason for substantially limiting these benefits is that they are expensive and of limited effect for small public companies like us. Our small market capitalization and operating losses do not attract substantial investment activity or analyst interest, and our largest stockholder has substantially reduced the amount of shares held in various funds. As a result, the Board has determined that the costs of remaining a publicly reporting traded entity outweigh the benefits for us.

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Termination of Registration and Reporting Requirements:

Reduction of Expenses

The reason for the reverse stock split is to qualify the Corporation for deregistration of its securities under SEC Rules 12d2-2(c) and 12g-4(a)(1) and (b). The first rule allows a corporation to withdraw its registration from listing on a national securities exchange while the second rule allows a corporation with a class of securities held by less than 300 persons to terminate registration and reporting requirements with respect to such class of securities. We feel it is our duty in fairness to all of our stockholders and an exercise of good business judgment to accomplish this reverse stock split as soon as possible.

The reverse stock split will terminate the equity interests of approximately 450 holders of our Common Stock who hold fewer than 50 shares. The reverse stock split is expected to relieve us of the administrative burden, cost and competitive disadvantage associated with filing reports and otherwise complying with the requirements of registration under the Federal securities laws by deregistering our Common Stock and Notes under the Exchange Act. Additionally, the reverse stock split would provide small stockholders a beneficial medium to liquidate their equity interests at what we deem a fair price without having to pay brokerage commission, which could be disproportionate in relation to the price and small number of shares (average of approximately only 12 shares).

We are preparing this termination at this time as part of our ongoing effort to

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control unnecessary expenses and to cut general and administrative costs associated with independent registered public accounting firm fees, Sarbanes-Oxley compliance and other miscellaneous fees associated with being a public reporting corporation, which we estimate amount to be approximately \$225,000 annually.

The costs and burdens imposed on us as a result of remaining a public corporation are expensive. We estimate the cost of complying with implementing internal controls required by Sarbanes-Oxley to be \$100,000. These indirect costs and time drain can be substantial. These expenses and management time incurred will be avoided if we "go dark," although under Delaware law, we are still required to hold an Annual Meeting of Stockholders or a stockholder could bring suit in Delaware demanding a meeting if more than 13 months passes from our last meeting. However, the time otherwise currently devoted to public corporation reporting obligations can be devoted to other purposes such as sales, marketing and/or operational projects to further promote our business.

Alternatives to Reverse Stock Split

The Board did not consider various alternatives to a reverse stock split because they were not feasible or desirable. For example, a freeze out merger where a majority of stockholders approve a merger transaction resulting in most unaffiliated stockholders being eliminated and receiving cash would require payment beyond our ability and likely give rise to litigation. Likewise, a tender offer would require a greater cash expenditure to reduce the number of stockholders below 300 and would not necessarily be successful.

In addition, we have not received any serious proposals to buy or merge us, and any informal unsolicited contacts sometimes requesting financial information under nondisclosure agreements if nonpublic information was requested, did not advance into any oral or written indication of any serious price offer for the Board to consider that would be acceptable to recommend to stockholders to sell or merge us.

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EFFECTS OF THE REVERSE STOCK SPLIT

Any stockholder who owns less than 50 shares of Common Stock will be paid cash equal to the average closing trading price of the Common Stock for the five (5) trading days immediately preceding the date of the 2010 Annual Meeting on which sales took place for the fractional shares resulting from the reverse stock split, but in no event will a stockholder receive less than \$0.50 per share. For example, if the Common Stock closed at \$0.54, \$0.50, \$0.47, \$0.43 and \$0.43 for the five (5) trading days immediately preceding the date of the 2010 Annual Meeting, for an average of \$0.474 per share, a stockholder owning ten (10) shares of Common Stock will receive \$5.00 because the five-day average closing market price is below the minimum of \$0.50 per share. Such holders of Common Stock will cease to be stockholders and not be able to participate in our potential future growth and earnings. These stockholders will obtain liquidity for their shares without incurring transaction costs, but will be eliminated as stockholders unless they purchase additional shares prior to the effective date of the reverse stock split so that they own an aggregate of 50 or more shares of Common Stock. Stockholders who own 50 or more shares of Common Stock prior to the reverse stock split will remain stockholders of the Corporation after the reverse stock split followed by the forward stock split, owning full shares of our Common Stock, without receiving cash for fractional shares, and thus remain eligible to participate in potential future growth and earnings by us.

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The primary benefit of the reverse stock split followed by the forward stock split and "going private transaction" of the Corporation and remaining stockholders is the opportunity to benefit from value created from reduction in expenses associated with being a publicly traded reporting corporation. Costs associated with independent registered public accounting firm fees, attorney's fees, transfer agent fees and miscellaneous fees amounted to approximately \$295,000 in 2009 before taking into account internal payroll costs associated with compliance and reporting activities or any costs associated with potential stockholder litigation. Additionally we estimate we will avoid over \$100,000 of annual costs in compliance with internal control implementation and approximately \$50,000 costs annually thereafter for not having to comply with Sarbanes-Oxley.

It is estimated that officers and directors who currently own approximately 4.26% of the outstanding Common Stock (excluding stock options) will hold approximately 4.27% after the reverse stock split.

Potential Detriments of the Reverse Stock Split to Stockholders

The detriments associated with the reverse stock split and "going dark transaction" are primarily eliminating the Corporation's access to public capital markets, unless we were willing to again file reports with the SEC, and reduced liquidity for remaining stockholders. The officers, directors and remaining stockholders will benefit from financial transparency of our compliance with Rule 15c2-11 under the Exchange Act making certain information available on our website to market makers as well as stockholders, including financial results as follows:

- i. Our exact name.
- ii. Our address of our principal executive offices.
- iii. Our state of incorporation.
- iv. The exact title and class of the security.
- v. The par or stated value of the security.
- vi. The number of shares of our Common Stock outstanding as of the end of our most recent fiscal year.
- vii. The name and address of our transfer agent.
- viii. The nature of our business.
- ix. The nature of our products or services offered.
- x. The nature and extent of our facilities.
- xi. The name of our chief executive officer and members of the Board of Directors.
- xii. Our most recent balance sheet and profit and loss and retained earnings statements.
- xiii. Similar financial information for our 2 preceding fiscal years.

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While we intend to make such information available on our website, and comply with Delaware law by holding annual meetings, there will be no access to the SEC's Edgar site for information after we "go dark" and less information available than required of a public reporting corporation.

Only stockholders holding less than 50 shares of Common Stock will be forced to liquidate their shares and receive cash for fractional shares when they surrender their stock certificate(s) to the transfer agent. Such former stockholders will lose the opportunity to participate in any possible future growth and earnings by us.

It is expected approximately 450 stockholders of our current 630 stockholders of record will be cashed out of their approximate aggregate of 5,700 shares, leaving 180 stockholders of record which are less than 300 stockholders,

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enabling us to cease filing reports with the SEC under the Exchange Act. It is estimated that officers and directors who currently own approximately 4.26% of the outstanding Common Stock (excluding stock options) will hold approximately 4.27% after the reverse stock split.

Since we will terminate our reporting obligations, the remaining stockholders will not have the protection of officers' certification required of reports filed with the SEC and will receive less information than currently available.

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FINANCIAL EFFECT OF THE REVERSE STOCK SPLIT

Completion of the reverse stock split will require approximately \$70,000 of cash, which includes the cost of purchasing the fractional shares that remain after the reverse stock split, the legal costs, accountant's costs and other expenses related to the transaction. As a result, we will have decreased working capital following the reverse stock split which could have some adverse effect on our liquidity, results of operations and cash flow. The payments to holders of fewer than 50 shares of Common Stock will be paid out of working capital. See "Financing of the Reverse Stock Split." The forward stock split does not result in additional expense because holders of 50 or more shares will retain the same number of shares and not have to trade in their stock certificates for new certificates.

The impact of the Reverse Stock Split on: (i) the weighted average common shares outstanding; (ii) the earnings per share; (iii) the shares of common stock issued and outstanding; (iv) the net book value per share; and (v) the liquidation value per share for the years ended December 31, 2009 and December 31, 2008 and for the three and six months ended June 30, 2010 and June 30, 2009 are set forth in the tables below (in thousands, except per share amounts).

Income Statement Data

	For the Year Ended December 31					
	2009			2008		
	As Reported	Adjustments (1)	As Adjusted	As Reported	Adjustments (1)	As Adjusted
Revenues	\$28,548	-	\$28,548	\$36,683	-	-
Loss from continuing operations	(\$8,795)	-	(\$8,795)	(\$4,616)	-	(\$65)
Loss from discontinued operations	-	-	-	(\$3,426)	-	-
Net loss	(\$8,795)	-	(\$8,795)	(\$8,042)	-	(\$65)
Loss per share from continuing operations	(\$3.81)	-	(\$3.81)	(\$2.00)	-	(\$0.03)
Loss per share from discontinued operations	-	-	-	(\$1.49)	-	-
Net loss per share - basic and diluted	(\$3.81)	-	(\$3.81)	(\$3.49)	-	(\$0.03)
Weighted average common shares outstanding - basic and diluted	2,311	(6)	2,305	2,307	(6)	(6)

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Balance Sheet Data

	As of December 31					
	2009			2008		
	As Reported	Adjustments (1)	As Adjusted	As Reported	Adjustments (1)	
Total stockholders' equity	\$7,293	(\$70)	\$7,223	\$14,447		(\$70)
Common shares issued and outstanding	2,393	(6)	2,387	2,307		(6)
Book value per share	\$3.05	(\$0.02)	\$3.03	\$6.26		(\$0.01)
Liquidation value per share (2)	-	-	-	-		-
Ratio of earnings to fixed charges (3)	-	-	-	-		-

Income Statement Data

	For the Three Months Ended March 31					
	2010			2009		
	As Reported	Adjustments (1)	As Adjusted	As Reported	Adjustments (1)	
Revenues	\$5,386	-	\$5,386	\$7,769		-
Net loss	(\$1,420)	-	(\$1,420)	(\$1,154)		-
Net loss per share - basic and diluted	(\$0.59)	-	(\$0.59)	(\$0.50)		-
Weighted average common shares outstanding - basic and diluted	2,393	(6)	2,387	2,307		(6)

Income Statement Data

For the Six Months Ended June 30

2010

2009

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	As Reported	Adjustments (1)	As Adjusted	As Reported	Adjustments (1)
Revenues	\$11,659	-	\$11,659	\$15,212	-
Net loss	(\$4,025)		(\$4,025)	(\$4,959)	
Net loss per share - basic and diluted	(\$1.66)	-	(\$1.66)	(\$2.15)	-
Weighted average common shares outstanding - basic and diluted	2,430	(6)	2,424	2,307	(6)

Balance Sheet Data

	As of June 30					
	2010			2009		
	As Reported	Adjustments (1)	As Adjusted	As Reported	Adjustments (1)	
Total stockholders' equity	\$3,234	(\$70)	\$3,164	\$9,634	(\$70)	
Common shares issued and outstanding	2,443	(6)	2,437	2,307	(6)	
Book value per share	\$1.32	(\$0.02)	\$1.30	\$4.18	(\$0.02)	
Liquidation value per share (2)	-	-	-	-	-	
Ratio of earnings to fixed charges (3)	-	-	-	-	-	

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FEDERAL INCOME TAX CONSEQUENCES OF THE REVERSE STOCK SPLIT

A summary of the federal income tax consequences of the reverse stock split is set forth below. The discussion is based on present federal income tax law. The discussion is not, and should not be relied on as, a comprehensive analysis of the tax issues arising from or relating to the reverse stock split. This summary does not purport to deal with all aspects of federal income taxation that may be relevant to a particular stockholder in light of such stockholder's personal investment circumstances or to certain types of stockholders subject to special treatment under the Internal Revenue Code of 1986, as amended. Accordingly, stockholders are urged to consult their personal tax advisors for an analysis of the effect of the reverse stock split based on their own tax situations, including consequences under applicable state, local or foreign tax laws.

The Corporation believes that the receipt of cash for fractional shares will be deemed a sale of the fractional shares for income tax purposes and the difference between the amount of cash received for the fractional shares and the

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stockholder's tax basis in such shares will be the gain or loss to be recognized. The gain or loss will generally be a capital gain or loss, with treatment being short term if owned less than one (1) year and long term if owned for a year or more.

The Corporation believes the transactions consisting of a reverse stock split followed by a forward stock split will qualify as a recapitalization under Section 368 of the Internal Revenue Code. Therefore, such transactions will result in no material Federal income tax consequences to us.

The shares of Common Stock held by remaining stockholders will have an aggregate basis, for computing gain or loss, equal to the same aggregate basis of the shares of existing Common Stock held by such stockholder immediately prior to the reverse stock split and forward stock split. Such stockholders' holding period for their shares will include the same holding period for their shares of Common Stock prior to the transaction, provided that such outstanding shares of existing Common Stock were held by the stockholder as capital assets on the effective date of the reverse stock split.

The purchase of the fractional shares by us will be considered a purchase and retirement of our own stock. Such purchase will be treated as a reduction of stockholders' equity. We have no present plans to resell or dispose of the fractional shares acquired in this transaction.

FAIRNESS OF THE REVERSE STOCK SPLIT

Recommendation of the Corporation's Board of Directors

Our Board of Directors ("Board") believe that the reverse stock split followed by the forward stock split is fair to the unaffiliated stockholders of the Corporation, including those being redeemed pursuant to the reverse stock split and those who will retain an equity interest in the Corporation subsequent to the consummation of the reverse stock split and forward stock split. The discussion below summarizes some of the material factors, both positive and negative, considered by the Board in reaching their fairness determinations, in addition to the detailed discussion in "Special Factors - Background of the Reverse Stock Split," "Reasons for the Reverse Stock Split," and "Effects of the Reverse Stock Split." For the reasons described below and under "Fairness of the Reverse Stock Split - Procedural Fairness to Unaffiliated Stockholders," the Board also believes that the process by which the transaction is to be approved is fair to unaffiliated stockholders, including those being redeemed pursuant to the reverse stock split and those who will retain an equity interest in the Corporation subsequent to the consummation of the reverse stock split including:

- * Director and officer participation in the reverse stock split. No director or officer of the Corporation will be cashed out of their investment in the Corporation as a result of the reverse stock split and each will remain stockholders in the Corporation along with the unaffiliated

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stockholders who are not cashed out as a result of the reverse stock split, holding the same number of shares of Common Stock as a result of the forward stock split.

- * Sales or transfers to discontinue stock ownership. Stockholders who would otherwise retain an equity interest in the Corporation after the consummation of the reverse stock split have some control as to whether

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they will retain an interest in the Corporation by selling or transferring shares of Common Stock prior to the effective date of the reverse stock split to bring their equity interest to below 50 shares, and, therefore, be cashed out pursuant to the reverse stock split.

- * The Board recognizes that stockholders who own less than 50 shares will not know the actual amount they will receive based on the calculation of the average closing price of our Common Stock on the five (5) trading days preceding the 2010 Annual Meeting and could receive pennies per share due to the thin trading market of the securities and has therefore determined that in no event will a stockholder receive less than \$0.50 per share. A stockholder owning ten (10) shares of Common Stock will receive a minimum of \$5.00. The actual amount stockholders will receive will vary from this minimum if the average closing price of our Common Stock on the five (5) days preceding the 2010 Annual Meeting is greater than \$0.50 per share.

In consideration of these factors, and without assigning any particular weight to the specific factors, our Board has unanimously determined that the reverse stock split is fair to, and in the best interest of, all of our unaffiliated stockholders, and we should submit the reverse stock split to a vote of our stockholders, and recommend that they vote to approve the reverse stock split.

We anticipate that each member of the Board and each officer of our Corporation who owns, or controls directly or indirectly, shares of Common Stock will vote his or her shares, or cause any controlled shares to be voted, in favor of the reverse stock split.

Reservation of Rights

Although the Board requests stockholder approval of the reverse stock split, the Board reserves the right to decide, in its discretion, to withdraw the reverse stock split from the agenda of the Annual Meeting of Stockholders prior to any stockholder vote thereon, to abandon the reverse stock split even if the proposal is approved, or to modify the terms of the reverse stock split to be submitted for stockholder approval. The Board presently believes that the reverse stock split is in our best interests, that of our stockholders being redeemed pursuant to the reverse stock split, and that of our stockholders who will retain an equity interest in the Corporation subsequent to the consummation of the reverse stock split, and thus has recommended a vote for the proposed amendment to the Restated Certificate of Incorporation of the Corporation. However, the Board nonetheless believes that it is prudent to recognize that, between the date of this Proxy Statement and the date of the Annual Meeting of Stockholders, factual circumstances could possibly change such that it might not be appropriate or desirable to effect the reverse stock split and forward stock split at that time or on the terms currently proposed. Such factual circumstances could include an offer from a third party to acquire the Company that represents a superior offer to our stockholders, a material change in the Corporation's business or litigation is initiated affecting our ability to proceed with the reverse stock split and forward stock split, which the Board in its discretion determines to be significant enough to withdraw the reverse stock split from the agenda of the Annual Meeting of Stockholders prior to any stockholder vote thereon, to abandon the reverse stock split even if the proposal is approved, or to modify the terms of the reverse stock split to be submitted for stockholder approval. If the Board decides to withdraw or modify the reverse stock split, we will file a Current Report on Form 8-K and issue a press release announcing the Board's decision.

Fairness; Factors Considered

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In considering whether the cash payment of the average closing price for five (5) trading days immediately preceding the date of the Annual Meeting for pre-split share of Common Stock payable to unaffiliated stockholders whose shares will be redeemed in connection with the reverse stock split is substantively fair from a financial point of our unaffiliated stockholders, our Board considered various factors set forth below:

Current Market Prices. During the last twelve (12) months, the average daily closing price of the Corporation's Common Stock was \$0.76 per share. Trading has been sporadic, and on several days in 2009 and 2010, no trading activity took place. The last sale price per share for our Common Stock as reported on the NYSE Amex on September 10, 2010 was \$0.44. During the twelve (12) month period from September 1, 2009 to August 31, 2010 the closing price per share for the Common Stock has been in the range of \$0.30 to \$3.50. The average daily closing price of the Common Stock for the past 30, 60 and 90 days prior to September 10, 2010 has been:

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September 10, 2010	\$0.44
30 days prior (August 11, 2010)	\$0.45
60 days prior (July 12, 2010)	\$0.48
90 days prior (June 12, 2010)	\$0.61

The Board considered the current market price to be consistent with our opportunities and risks on a going concern basis, and considered this factor as rather significant in determining the overall fairness of the transaction to unaffiliated stockholders due to the low trading volume.

Liquidation Value. Our Board determined that the liquidation value of our assets was not a significant factor because it concluded that such action would not maximize stockholder value due to our lack of material tangible assets and the difficulty that would be encountered in attempting to sell our stock or our assets at a fair and adequate price.

Purchase Prices Paid in Recent Repurchases of Common Stock. This factor was not considered because there have been no repurchases of our Common Stock by us in the last twelve (12) months.

Firm Offers to Acquire Control of the Corporation. We have not received, during the past two (2) years, any firm offers for our merger or consolidation with or into another corporation, or vice versa, or the sale or transfer of all or substantially all of our assets to another corporation, or a purchase of our securities by another person that would involve a change in our control. We did sell substantially all the assets of our Entertainment Division in 2008 to an unaffiliated purchaser, which resulted in litigation described in our Proxy Statement for our December 11, 2009 Annual Meeting of Stockholders.

Purchases to Continue Stock Ownership. Stockholders may elect to remain stockholders of the Corporation by acquiring sufficient shares so that they hold at least 50 shares of Common Stock in their account immediately prior to the reverse stock split. Therefore they can control the decision as to whether to remain stockholders in the Corporation after the reverse stock split is consummated or receive cash consideration offered for fractional shares in connection with the reverse stock split.

Stockholder Information and Financial Transparency. Officers, directors and unaffiliated stockholders who continue to hold an equity interest in the Corporation following the reverse stock split will not have available to them the same detailed information regarding our operations and results that is currently available to them in our filings with the SEC and will lose some

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financial transparency that is currently available to them.

Sarbanes-Oxley Act of 2002. We will no longer be subject to the reporting provisions of Sarbanes-Oxley or the Exchange Act and our officers will no longer be required to certify the accuracy of our financial statements.

Future Cost Savings. Stockholders who continue to hold an equity interest in the Corporation will benefit from the future cost savings expected to be realized by terminating our public corporation reporting status.

Director and Officer Participation in the Reverse Stock Split. None of our directors or officers will be cashed out of their investment in the Corporation as a result of the reverse stock split. Accordingly, such directors and officers will continue to benefit from their equity ownership in the Corporation after the reverse stock split.

Sales or Transfers to Discontinue Stock Ownership. Stockholders who would otherwise retain an equity interest in the Corporation after the consummation of the reverse stock split have some control as to whether they will retain an interest in the Corporation by selling or transferring shares of Common Stock prior to the effective date of the reverse stock split, to sell their entire interest, or bring their equity interest to below 50 shares of Common Stock, and, therefore, be cashed out pursuant to the reverse stock split.

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Alternative Plans

As indicated herein, our directors and officers, who collectively hold approximately 4.26% of our outstanding Common Stock, have orally advised us that they intend to vote for the proposal. Accordingly, approval of the matter is not assured without the affirmative vote of additional stockholders. In the event that we do not receive enough votes to approve the proposal set forth herein, we will continue to operate as a public corporation filing reports with the SEC.

Procedural Fairness to Unaffiliated Stockholders

Our Board determined that the reverse stock split is procedurally fair to unaffiliated stockholders. We have not and do not intend to retain an unaffiliated representative to act solely on behalf of unaffiliated security holders for purposes of negotiation of the terms of the transaction described herein or preparing a report concerning the fairness of the reverse stock split which would be an expense we cannot afford. The terms and conditions of the reverse stock split proposal were proposed by our Board which unanimously concluded that the reverse stock split is in our best interest and all of our stockholders, including unaffiliated stockholders. The "going private transaction" pursuant to Rule 13e-3 was approved by all six (6) directors who are deemed independent directors out of a total of nine (9) directors then on our Board.

Our Board also determined that the reverse stock split is procedurally fair to the unaffiliated stockholders because unaffiliated stockholders are generally in a position to either disapprove the transaction or control whether or not they remain stockholders after the reverse stock split by acquiring sufficient shares so that they hold at least 50 shares of Common Stock immediately prior to the reverse stock split or selling or transferring sufficient shares so that they hold less than 50 shares of Common Stock immediately prior to the reverse stock split. Since there are approximately only 5,700 shares involved in this transaction, it is not in the best interest of the stockholders to expend thousands of dollars for opinions and studies when it is obvious that the cost

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of compliance is too burdensome to the Company.

We reasonably believe that the 1-for-50 reverse stock split followed by the 50-for-1 forward stock split and the related "going dark transaction" are procedurally and substantively fair to unaffiliated stockholders. This decision was unanimously reached by the Board on March 26, 2010.

TERMS OF THE REVERSE STOCK SPLIT

General

If our stockholders approve the reverse stock split followed by the forward stock split and the Amendment to the Corporation's Restated Certificate of Incorporation, the reverse stock split will become effective upon the filing of the Amendment with the Delaware Secretary of State and the forward stock split immediately thereafter. On the effective date of the reverse stock split each 50 shares of existing Common Stock issued and outstanding will be automatically converted into one (1) share of new Common Stock and then converted back to 50 shares of Common Stock. To the extent such holders would also have fractional shares as a result of the reverse stock split, such fractions are converted back to full shares as a result of the forward stock split.

We will not issue fractional shares or scrip resulting from the reverse stock split. Instead, we will purchase all shares eliminated for cash, based on the average closing price of our Common Stock on the five (5) trading days preceding the 2010 Annual Meeting of Stockholders but in no event will a stockholder receive less than \$0.50 per share. For example, if the Common Stock closed at \$0.54, \$0.50, \$0.47, \$0.43 and \$0.43 for the five (5) trading days immediately preceding the date of the 2010 Annual Meeting, for an average of \$0.474 per share, a stockholder owning ten (10) shares of Common Stock will receive \$5.00 because the five-day average closing market price is below the minimum of \$0.50 per share. The actual amount stockholders receive will likely vary from this example. This is the same formula we used last year in cashing out fractional shares when each share of our Class B Stock was automatically converted into 1.3 shares of Common Stock as approved by the stockholders.

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While it is the Board's present intention to effect the reverse stock split and forward stock split, the Board may, at any time prior to the effective date of the reverse stock split, abandon the filing of the Amendment to the Corporation's Restated Certificate of Incorporation and the reverse stock split without further action by the stockholders.

Exchange of Certificates; No Fractional Shares

After the effective date, we will authorize the payment for certificates representing less than 50 shares of Common Stock presently outstanding on the effective date upon surrender of an existing certificate evidencing such outstanding shares of existing Common Stock.

Our transfer agent, Continental Stock Transfer and Trust Corporation, will represent us as exchange agent in connection with the reverse stock split. As soon as practicable after the effective date, the holders of the Common Stock owning less than 50 shares will be notified that the reverse stock split has been effected and should surrender to the exchange agent any certificate(s) representing outstanding shares of our Common Stock in exchange for cash for any

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fractional shares. It is anticipated that the payment in cash for any fractional shares will be paid by us within thirty (30) days after such shares are surrendered to us for payment. No interest will be paid to any cashed out stockholders on the cash payments to be made from the effective date of the reverse stock split.

Registered stockholders who hold physical stock certificates representing less than 50 shares of Common Stock in the aggregate will be instructed to surrender their current certificate(s) and will receive a letter of transmittal to accompany their current certificate(s) to the exchange agent in order to receive their fractional share payment. Stockholders who hold their shares in book entry form will automatically receive payment by check. Stockholders who hold their shares in a brokerage account will have the relevant account automatically credited by the broker. In the event that any certificate representing shares of Common Stock is not presented for cash upon request by us, the cash payment will be administered in accordance with the relevant state abandoned property laws. Until the cash payments have been delivered to the public official pursuant to the abandoned property laws, such payments will be paid to the holder thereof or his or her designee at such time as the cashed out shares have been properly presented for exchange.

Stockholders who own 50 or more shares of Common Stock do not have to exchange certificates as they will continue to hold the same number of shares after the reverse stock split and forward stock split are effected by the Amendment filed with the State of Delaware Secretary of State.

Resale of Securities

Concurrently with the consummation of the reverse stock split, we expect to make a filing with the SEC to eliminate our ongoing reporting obligations, and expect to make a filing with the NYSE Amex to discontinue trading in our Common Stock and Notes. We will put on our website the information required by Rule 15c2-11 under the Exchange Act so market makers who wish to do so will have the requisite information to transact trades in the OTC pink sheets. We cannot guaranty the extent of any public market for our Common Stock in the pink sheets. The fractional shares of the Common Stock acquired by us in the reverse stock split will be considered a purchase and retirement of our Common Stock. The purchase will be treated as a reduction of our stockholders' equity. We have no present plans to resell or dispose of the fractional shares acquired in the transaction, except as may be used under the proposed 2010 Long-Term Incentive Plan.

Dissenter's Rights

Stockholders who dissent from a reverse stock split have no appraisal rights under Delaware law or under the Corporation's Restated Certificate of Incorporation or By-Laws in connection with the reverse stock split. Our Board did not grant unaffiliated stockholders access to our corporate files, nor extend the right to retain counsel or appraisal services at our expense. Retaining an unaffiliated representative would be an added expense of the reverse stock split. There may exist other rights or actions under state law for stockholders who are aggrieved

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by reverse stock splits generally. Although the nature and extent of such rights or actions are uncertain and may vary depending upon facts or circumstances, stockholder challenges to corporate action in general are related to the fiduciary responsibilities of corporate officers and directors and to the fairness of corporate transactions. For example, stockholders could, if they deemed such to be applicable, despite the small aggregate number of shares

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involved being cashed out, i.e. 5,700 shares, take appropriate legal action against us and our Board, and claim that the reverse stock split was unfair to the unaffiliated stockholders, and/or that there was no justifiable or reasonable business purpose for the reverse stock split.

FINANCING OF THE REVERSE STOCK SPLIT

The Board estimates that the total cost to us of the reverse stock split for payment of the fractional share interests and the estimated transactional fees and expenses will be approximately \$70,000. We intend to finance the reverse stock split out of working capital.

COSTS OF THE REVERSE STOCK SPLIT

The Corporation estimates of the costs incurred or expected to be incurred in connection with the reverse stock split to be approximately \$70,000. Actual costs of the transaction may be more or less than this estimate. We will be responsible for paying these costs.

Fractional Shares Payment (1)	\$ 5,000
Legal Fees	40,000
Accounting Fees	15,000
SEC Filing Fees	10
Transfer Agent Fees	3,500
Printing and Mailing Costs	3,000
Miscellaneous	3,490

Total	\$70,000
	=====

- (1) Assumes a per share price of \$0.80, which will likely vary from actual amount shareholders will receive.

CONDUCT OF THE CORPORATION'S BUSINESS AFTER THE REVERSE STOCK SPLIT

We expect our business and operations to continue as they are currently being conducted and, except as disclosed in this Proxy Statement, the reverse stock split is not anticipated to have any effect upon the conduct of our business. We expect to realize time and cost savings as a result of terminating our public corporation reporting status. If the reverse stock split is consummated, all persons beneficially owning fewer than 50 shares of Common Stock at the effective time of the reverse stock split will no longer have any equity interest in, and will not be stockholders of, the Corporation and therefore will not participate in any future potential earnings and growth by us.

As a result of the reverse stock split the registration of our Common Stock under the Exchange Act may be terminated and trading of our Common Stock may be limited depending on broker interest and our continued provision of information to satisfy Rule 15c2-11 under the Exchange Act. In addition, because our Common Stock will no longer be subject to the reporting requirements of the Exchange Act, we will be relieved of our obligation to comply with the proxy rules of Regulation 14A under Section 14 of the Exchange Act, and our officers and directors and stockholders owning more than ten percent (10%) of Common Stock will be relieved of

the stock ownership reporting requirements and "short swing" trading restrictions under Section 16 of the Exchange Act. Further, we will cease being subject to the liability provision of the Exchange Act, and will cease filing information with the SEC. Among other things the effect of this change will be a savings to us in not having to comply with the requirements of the Exchange Act. However, we will still be subject to Delaware law requirements of holding an annual meeting and compliance will require a simplified proxy statement not subject to Section 14 of the Exchange Act, although potentially subject to lawsuits claiming the information was false or misleading.

As stated throughout this Proxy Statement, we believe that there are significant advantages in effecting the reverse stock split, and "going dark transaction" and we plan to avail ourselves of any opportunities we may have as a non-reporting publicly held corporation, including, but not limited to, improving our ability to compete in the marketplace, making ourselves a more viable candidate with respect to a merger or acquisition transaction with any one of our competitors or entering into some type of joint venture or other arrangement. Although management currently is not pursuing any negotiations with respect to any sale or merger transaction, there is always a possibility that we may enter into an arrangement in the future and our remaining stockholders may receive payment for their shares in any transaction in excess of payment made for cashed out fractional shares.

Other than as described in this Proxy Statement as to the proposals to amend provisions of Class A Stock and increase authorized Common Stock plus Class A shares to be issued to a partner to a joint venture, neither we nor our management has any current plans or proposals to effect any extraordinary corporate transaction, such as a merger, reorganization or liquidation, to sell or transfer any material amount of its assets, to change our Board or management; or change materially our capitalization, or otherwise to effect any material change in our corporate structure or business, although we are constantly seeking ways to refinance our indebtedness. There are no plans to change any material term of any severance agreement or retention bonus plan agreement with any of our executive officers.

PRICE RANGE OF COMMON STOCK; DIVIDENDS; TRADING VOLUME

Our Common Stock is traded on the NYSE Amex under the symbol TLX. The following table sets forth for the periods indicated the high and low sale prices of our Common Stock on such Exchange and the American Stock Exchange each quarter during the past two (2) years and during 2010 prior to the initial public announcement related to the reverse stock split proposal on and for the period between the date of that announcement and up to the issuance of this Proxy Statement to our stockholders.

	High	Low
	----	---
Year ending December 31, 2010		

First Quarter.....	\$1.90	\$0.57
Second Quarter.....	0.88	0.40
Third Quarter through September 10, 2010...	0.75	0.31
Year ended December 31, 2009		

First Quarter.....	\$0.90	\$0.20
Second Quarter.....	2.31	0.24

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Third Quarter.....	3.50	0.78
Fourth Quarter.....	1.49	0.30
Year ended December 31, 2008		

First Quarter.....	\$6.70	\$3.00
Second Quarter.....	4.15	3.15
Third Quarter.....	6.10	1.80
Fourth Quarter.....	2.65	0.50

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As of August 31, 2010, we had approximately 630 holders of our Common Stock.

No dividends have been declared or paid by us on our Common Stock to the date of this Proxy Statement since May 2, 2006.

During the twelve (12) month period prior to the announcement of the proposed reverse stock split, the average monthly trading volume on the NYSE Amex of our Common Stock was approximately 8,000 shares.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act, and file annual, quarterly and current reports, proxy statements and other information with the SEC. You can read our SEC filings, including the proxy statement, through the Internet at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facility at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room.

You may obtain any of the documents we file with the SEC, without charge, by requesting them in writing or by telephone from us at the following address:

Trans-Lux Corporation
26 Pearl Street
Norwalk, Connecticut 06850
Attn: Investor Relations
Phone: (203) 853-4321

You can also read the proxy statement and the 2009 annual report through the Internet at our website at www.trans-lux.com/about/investor-information.

We are "incorporating by reference" information into this proxy statement, meaning that we are disclosing important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this proxy statement, except to the extent that the information is superseded by information in this proxy statement.

The following documents contain important information about us and our financial condition and operating results, and are hereby incorporated by reference:

- * our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed with the SEC on April 15, 2010;
- * our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, filed with the SEC on May 20, 2010; and

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* our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed with the SEC on August 18, 2010.

With respect to this proxy statement but not with respect to any corresponding Schedule 13E-3, we also incorporate by reference any documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement and prior to the date of the annual meeting. The information contained in any of these documents will be considered part of this proxy statement from the date these documents are filed.

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VOTE REQUIRED FOR APPROVAL

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE 1-FOR-50 REVERSE STOCK SPLIT FOLLOWED BY A 50-FOR-1 FORWARD STOCK SPLIT. THE AFFIRMATIVE VOTE OF A MAJORITY VOTE OF OUR SHARES OUTSTANDING OF OUR COMMON STOCK IS REQUIRED TO APPROVE THE 1-FOR-50 REVERSE STOCK SPLIT FOLLOWED BY A FORWARD STOCK SPLIT OF 50-FOR-1 OF THE SHARES OF THE REMAINING STOCKHOLDERS. IT IS INTENDED THAT PROXIES SOLICITED HEREBY WILL BE VOTED "FOR" SUCH PROPOSAL UNLESS THE STOCKHOLDER SPECIFIES OTHERWISE.

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PROPOSAL TO AMEND

THE CORPORATION'S RESTATED CERTIFICATE OF INCORPORATION TO REMOVE CLASS B STOCK FROM AUTHORIZED CAPITAL STOCK
Proposal No. 2 (Item 2 on Proxy Card)

The Corporation presently has authorized 5,500,000 shares of Common Stock, \$1.00 par value, 3,000,000 shares of Class A Stock, \$1.00 par value, 1,000,000 shares of Class B Stock, \$1.00 par value and 500,000 shares of Preferred Stock, \$1.00 par value. On December 11, 2009, the stockholders approved the automatic conversion of all Class B Stock into Common Stock in a ratio of 1.3 shares of Common Stock for each share of Class B Stock in accordance with a Settlement Agreement approved by the United States District Court. A Certificate of Amendment was filed December 14, 2009 and as a result, all shares of Class B Stock were converted into Common Stock and none are outstanding.

The Class B Stock is a supervoting stock with ten votes per share on all matters including the election of directors, but votes separately as a class on certain amendments to the Corporation's Restated Certificate of Incorporation and mergers, consolidations and other extraordinary transactions. The Class B Stock is entitled to receive cash dividends that are lower than cash dividends that may be paid on the Common Stock and Class A Stock. No cash dividends are currently being paid. No further shares of Class B Stock can be issued without the approval of the holders of Common Stock. In addition the Class B Stock has a "sunset provision" which means if the outstanding Class B Stock is less than 5% of combined Common Stock and Class B Stock outstanding, the Class B Stock would automatically convert into Common Stock.

The Board of Directors has no intention of asking stockholders to authorize Class B Stock in the future and is of the opinion that it should be permanently removed consistent with the sunset provision. The affirmative vote of a majority of the shares outstanding of the Common Stock is required to approve the proposed amendment to the Corporation's Restated Certificate of

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Incorporation removing the Class B Stock.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE PROPOSED AMENDMENT TO THE CORPORATION'S RESTATED CERTIFICATE OF INCORPORATION TO REMOVE CLASS B STOCK FROM AUTHORIZED CAPITAL STOCK. IT IS INTENDED THAT PROXIES SOLICITED HEREBY WILL BE VOTED "FOR" SUCH AMENDMENT TO THE CORPORATION'S RESTATED CERTIFICATE OF INCORPORATION UNLESS THE STOCKHOLDER SPECIFIES OTHERWISE.

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PROPOSAL TO AMEND
THE CORPORATION'S RESTATED CERTIFICATE OF INCORPORATION TO
(a) MODIFY PROVISIONS RELATING TO CLASS A STOCK AND
(b) INCREASE AUTHORIZED COMMON STOCK.
Proposal No. 3 (Item 3 (a) and (b) on Proxy Card)

At the present time the Corporation has authorized capital of 10,000,000 shares consisting of 5,500,000 shares of Common Stock, \$1.00 par value, 3,000,000 shares of Class A Stock, \$1.00 par value, 1,000,000 shares of Class B Stock, \$1.00 par value and 500,000 shares of Preferred Stock, \$1.00 par value. Of the Common Stock, 2,674,000 are authorized, but unissued. Of such unissued shares, 39,000 are reserved for Stock Option Plans. There are no shares of Class B Stock, Class A Stock or Preferred Stock outstanding and it is intended to (i) remove the Class B Stock from the Corporation's Restated Certificate of Incorporation as set forth in Proposal No. 2 and (ii) (a) modify the provisions of Class A Stock and (b) increase authorized Common Stock from 5,500,000 shares to 8,500,000 shares under this Proposal No. 3.

As set forth above, the Corporation presently has authorized 3,000,000 shares of non-voting Class A Stock, none of which are outstanding and none have ever been issued. An additional 3,000,000 shares of Class A Stock were approved by stockholders at the 1998 Annual Meeting of Stockholders, but as permitted in the Proxy Statement covering such proposal, a Certificate of Amendment was never filed to authorize the additional number of shares. The provisions of the Class A Stock provide that the Class A Stock will automatically convert into Common Stock at such time as the Class B Stock is converted into Common Stock. Since the Class B Stock converted into Common Stock as described in this Proxy Statement, no shares of Class A Stock may be issued based on such "sunset provision." In addition, the Corporation's Restated Certificate of Incorporation provides the Board can retire (remove) the Class A Stock from the Corporation's Restated Certificate of Incorporation if no shares were outstanding five years from the date of original authorization in 1995.

The Board of Directors is recommending that instead of removing the Class A Stock, the provisions governing such Class A Stock be amended in order to eliminate the provisions requiring the conversion of the Class A Stock into Common Stock, specifically provide such Class A Stock is non-convertible, and extending the sunset provision to provide that the Board of Directors may retire such Class A Stock if no shares of Class A Stock are outstanding five years from the date of the 2010 Annual Meeting of Stockholders. In all other respects, there are no material changes to the Class A Stock and a copy of Article FOURTH as proposed to be amended by eliminating the Class B Stock, amending the provisions of Class A Stock, and increasing authorized Common Stock by 3,000,000 shares as set forth in Appendix B to this Proxy Statement to which reference is made for the full details of such Amendment to the Corporation's Restated Certificate of Incorporation.

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The purpose of the (a) amendments to the Class A Stock to keep it authorized and eliminate the provisions requiring the conversion of Class A Stock into Common Stock and (b) authorization of additional Common Stock is to provide greater flexibility in the capitalization of the Corporation to meet the constantly changing needs of the Corporation and the market place. The existing authorized shares of Class A Stock and existing and additional authorized Common Stock may be issued from time to time in connection with equity capital offerings, acquisitions, payment of debt by offering shares in exchange, availability for employee stock option plans, as set forth in a separate proposal in this Proxy Statement, stock dividends, potential issuing of shares in connection with a joint venture, and other corporate purposes. If the proposed amendments are authorized, the Board of Directors may be in a position to issue such shares without further approval of the stockholders, although certain employee stock options or similar plans may still require stockholders' approval. Although the Corporation is continually alert to acquisitions and other investment opportunities, there have been no previous acquisitions for stock and none are presently contemplated except for potential issuance to a joint venture partner of 300,000 shares of Class A Stock, where the other party is making a substantial cash contribution of \$2.0 million to the joint venture. There can be no assurance that any such other transactions will be effected.

The Common Stock and Class A Stock have substantially identical rights, except that the holders of the Class A Stock have a 10% higher dividend right than the Common Stock and generally are not entitled to vote on any

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matter except as otherwise required by law. It is not intended that an application for listing the Class A Stock on any stock exchange will be filed. If shares are issued, there may be no public market.

If the stockholders approve the proposals to (a) amend the Class A Stock and (b) increase authorized Common Stock, it is expected that an Amendment to the Corporation's Restated Certificate of Incorporation reflecting the changes resulting from the proposals on the Class B Stock, Class A Stock and Common Stock will subsequently be filed with the State of Delaware Secretary of State and become effective on the respective filing thereof.

Description of Capital Stock. Following is a summary of the rights, preferences, powers and limitations of the Common Stock and Class A Stock after giving effect to the amendments contemplated by this Proxy Statement.

Voting. The shares of Common Stock are entitled to one vote per share on all matters submitted to stockholders. Holders of Common Stock and Class A Stock do not have preemptive rights or cumulative voting rights. Each share of Class A Stock has no voting right except as otherwise required by law. Under the Delaware General Corporation Law, holders of the Class A Stock are entitled to vote on proposals to increase or decrease the number of authorized shares of Class A Stock, change the par value of the Class A Stock or to alter or change the powers, preferences or special rights of the shares of Class A Stock which may affect them adversely.

Dividends and Other Distributions. Dividends on the Common Stock will be paid if and when declared. Stock dividends on and stock splits of Common Stock will only be payable or made in shares of Common Stock. Each outstanding share of Class A Stock will be entitled to receive such dividends and other distributions in cash, stock or property as may be declared by the Board of Directors of the Corporation, provided that, if at any time a cash dividend is paid on the Common Stock, a cash dividend will also be paid on the Class A Stock in an amount 10% higher than the amount per share paid on the Common Stock. In no event shall

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dividends and other distributions be paid on any of the Common Stock or Class A Stock unless the other such class of stock also receives dividends subject to the above provisions for the requirement of the respective higher cash dividends for Class A Stock. Dividends or other distributions payable in shares of stock shall be made to holders of Class A Stock in shares of Class A Stock. The Corporation's Restated Certificate of Incorporation provides that the Board of Directors can authorize a distribution of Class A Stock proportionately to holders of Common Stock and Class A Stock. In no event will either Common Stock or Class A Stock be split, divided or combined unless the other is also proportionately split, divided or combined. The Corporation does not currently pay cash dividends and payment of such dividends is not contemplated in the foreseeable future.

Convertibility. The Class A Stock is not convertible into any other class of stock.

Other Distributions. The holders of Common Stock and Class A Stock are each entitled to receive the same consideration per share in the event of any liquidation, dissolution or winding-up of the Corporation.

Mergers and Acquisitions. The holders of Common Stock and Class A Stock are each entitled to receive the same per share consideration, if any, received in a merger or consolidation of the Corporation (whether or not the Corporation is the surviving corporation).

The affirmative vote of a majority of the shares outstanding of the Common Stock is required to approve the proposed amendments to the Corporation's Restated Certificate of Incorporation on (a) amending the Class A Stock and (b) increasing authorized Common Stock. If the proposal on Class A Stock is not approved, it will be deemed authorization of filing of an amendment retiring the Class A Stock since no further shares may be issued in absence of such approval of the amendment and may require us to issue Common Stock to the joint venture partner instead.

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THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT
THE STOCKHOLDERS VOTE "FOR" THE PROPOSED AMENDMENT
TO THE CORPORATION'S RESTATED CERTIFICATE OF
INCORPORATION TO (a) MODIFY PROVISIONS RELATING TO CLASS A
STOCK AND (b) INCREASE AUTHORIZED COMMON STOCK.
IT IS INTENDED THAT PROXIES SOLICITED HEREBY
WILL BE VOTED "FOR" BOTH SUCH AMENDMENTS TO THE
CORPORATION'S RESTATED CERTIFICATE OF INCORPORATION
UNLESS THE STOCKHOLDER SPECIFIES OTHERWISE.

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PROPOSAL TO APPROVE
THE ADOPTION OF THE 2010 LONG-TERM INCENTIVE PLAN
PROPOSAL NO. 4 (Item 4 on Proxy Card)

We are asking the Corporation's stockholders to approve the adoption of the Corporation's 2010 Long-Term Incentive Plan (the "Long-Term Incentive Plan" or "Plan") to allow for an aggregate of 1,200,000 shares of Class A Stock and/or Common Stock that we may issue under the Long-Term Incentive Plan. The Long-Term Incentive Plan was adopted by the Corporation's Board of Directors on July 2, 2010.

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Our Board of Directors has adopted, subject to stockholder approval, the Long-Term Incentive Plan to provide us the ability to grant a variety of equity awards as a valuable tool to help attract, motivate, and retain eligible employees and directors of the Corporation. The Board of Directors has determined that we should authorize 1,200,000 shares of the Corporation's Class A Stock and/or Common Stock as available under the Long-Term Incentive Plan to enable the Corporation to grant equity incentive awards at levels deemed appropriate by the Compensation Committee and the Board of Directors. Currently, the Corporation has no stock incentive plans for employees as the Corporation's previous plans expired. The ability to grant options and awards involving Class A Stock is subject to approval of the proposal in this Proxy Statement to amend such Class A Stock. Awards of Stock under the Plan may be less attractive to employees if the stockholders approve the "going dark" proposal to be voted on at this meeting.

If our stockholders fail to approve the Long-Term Incentive Plan, no awards or options may be granted to employees under the rules of the NYSE Amex corporate governance provisions.

Introduction

The objectives of the Long-Term Incentive Plan are to (a) optimize the profitability and growth of the Corporation through long-term incentives that are consistent with the Corporation's goals and that link the interests of participants to those of the Corporation's stockholders; (b) provide participants with incentives for excellence in individual performance; (c) provide flexibility to the Corporation in its ability to motivate, attract, and retain the services of participants who make significant contributions to the Corporation's success; and (d) allow participants to share in the success of the Corporation. The Long-Term Incentive Plan is a broad-based incentive plan that provides for granting stock options, restricted stock units, restricted stock and other awards. There are no cash awards under the Plan.

The Board of Directors believes that the Corporation's long-term success is dependent upon motivating, attracting, and retaining its key employees and directors, and aligning the interests of such individuals with those of the Corporation's stockholders. The adoption of the Long-Term Incentive Plan provides the Compensation Committee the flexibility to continue to make competitive grants to its key employees and directors as part of the Corporation's overall compensation program.

As of June 30, 2010, we had an aggregate of 39,000 shares of Common Stock subject to outstanding options under our previous stock option plans, consisting of 7,500 shares of Common Stock subject to outstanding options under the expired 1995 Stock Option Plan, 8,500 shares of Common Stock subject to outstanding options and 13,000 shares of Common Stock available for future awards under the Corporation's Non-Employee Director Stock Option Plan and 10,000 shares of Common Stock subject to outstanding options under a Non-Statutory Stock Option Agreement for the former Chairman of the Board.

The closing sale price of the Corporation's Common Stock on the NYSE Amex on September 10, 2010 was \$0.44 per share.

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Key Features of the Plan

Limitation on shares authorized. The aggregate maximum number of shares of Class A Stock and Common Stock that awards may be granted under the Long-Term Incentive Plan is 1,200,000 shares.

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Limitation on term of stock option awards. The term of each stock option will not exceed ten years.

There may be no repricing or grant of discounted stock options. The Long-Term Incentive Plan does not permit the repricing of stock options either by amending an existing award agreement or by substituting a new award at a lower price. The Plan prohibits the granting of stock options with an exercise price less than the fair market value of the Corporation's respective class of Common Stock, as applicable, on the date of grant.

Plan Summary

The material provisions of the Long-Term Incentive Plan, as proposed to be adopted pursuant to this Proposal No. 4, are summarized below. This summary does not purport to be complete, and is qualified in its entirety by reference to the full text of the Long-Term Incentive Plan attached as Appendix C to this Proxy Statement.

General. The Long-Term Incentive Plan permits the grant to eligible participants of equity-based incentive compensation opportunities, including stock options, restricted stock units, restricted stock, and other awards. Each award will be evidenced by an award agreement.

Duration of the Plan. The Long-Term Incentive Plan, as proposed to be adopted pursuant to this Proposal No. 4, will be effective on the date that the Long-Term Incentive Plan is approved by our stockholders, and, generally, will terminate on the ten-year anniversary thereof.

Administration. The Long-Term Incentive Plan is administered by the Compensation Committee; provided, that, the Board of Directors may, in its sole discretion, make awards under the Plan. Subject to the terms of the Plan, the Compensation Committee has authority to (a) select the individuals who may participate in the Plan; (b) determine the sizes and types of awards that are granted under the Plan; (c) determine the terms and conditions of awards in a manner consistent with the Plan; (d) construe and interpret the Plan and any award agreement or other agreement or instrument entered into or issued under the Plan; (e) establish, amend, or waive rules and regulations for the Plan's administration; (f) amend the terms and conditions of any outstanding award; and (g) make all other determinations that may be necessary or advisable for the administration of the Plan. The Compensation Committee may delegate certain of its responsibilities and authority to other persons, subject to applicable law.

Shares Covered by the Plan. Under the Plan, the Corporation may issue a total of 1,200,000 shares of Class A Stock and/or Common Stock, subject to adjustments as provided in the Plan. The following shares are not taken into account in applying these limitations: (a) shares covered by the unexercised portion of an option that terminates, expires or is canceled, (b) shares forfeited or repurchased under the Plan, (c) shares covered by awards that are forfeited, canceled, or terminated, and (d) shares used or withheld in order to pay the exercise or purchase price under an award or to satisfy the tax withholding obligations associated with the exercise, vesting, or settlement of an award.

Individual Award Limitations. The maximum aggregate number of shares that may be granted to any one participant in any one year under the Plan is 300,000 with respect to stock options and 300,000 with respect to restricted stock or restricted stock units.

Eligibility. Awards may be made under the Plan to any employee or director of the Corporation or its subsidiaries. Currently, there are approximately 179 individuals eligible to participate in the Plan. For purposes of the Plan, a subsidiary is any entity in which the Corporation has a direct or indirect ownership interest of at least 50% and any entity in which the Corporation holds

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a direct or indirect ownership interest of less

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than 50%, but which, in the discretion of the Compensation Committee, is treated as a subsidiary for purposes of the Plan.

Forms of Awards. Stock Options. The Corporation may grant stock options that qualify as "incentive stock options" ("ISOs") under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as stock options that do not qualify as ISOs. Only employees of the Corporation or a subsidiary may be granted ISOs. Generally, the term of a stock option is ten years; provided, however, different limitations apply to ISOs granted to ten-percent stockholders, in such case, the term may not be greater than five years and the exercise price may not be less than 110% of the fair market value of the respective class of our Common Stock on the date the option is granted.

The Compensation Committee may impose such exercise, forfeiture and other terms and conditions as it deems appropriate with respect to stock options. The exercise price of stock options may be paid (a) in cash or its equivalent, (b) at the discretion of the Compensation Committee, in shares of Class A Stock and/or Common Stock having a fair market value equal to the aggregate exercise price for the shares being purchased and satisfying such other requirements as may be imposed by the Compensation Committee (which shares may be previously owned or may be shares that would otherwise have been issuable upon exercise of the option if the exercise price had been paid in cash), (c) at the discretion of the Compensation Committee, partly in cash (or its equivalent) and partly in shares of Class A Stock and/or Common Stock, (d) through the delivery of irrevocable instructions to a broker to deliver promptly to the Corporation an amount equal to the aggregate exercise price for the shares being purchased, or (e) through such other means as shall be prescribed in the award agreement or by the Compensation Committee or the Board of Directors.

The Compensation Committee may establish such exercise and other conditions applicable to a stock option following the termination of the participant's employment or other service with the Corporation and its subsidiaries as the Compensation Committee deems appropriate on a grant-by-grant basis.

Restricted Stock and Restricted Stock Units. The Compensation Committee may grant participants restricted stock awards under the Plan. The Compensation Committee shall impose such conditions and/or restrictions on any shares of restricted stock as the Compensation Committee may determine including, without limitation, a requirement that participants pay a stipulated purchase price for each share of restricted stock, transfer restrictions, restrictions based upon the achievement of specific performance goals, time-based restrictions, or restrictions under applicable federal or state securities laws. Subject to such conditions as the Compensation Committee may impose, the recipient of a restricted stock award may be given the rights to vote and receive dividends on shares covered by the award pending the vesting or forfeiture of the shares.

The Compensation Committee may grant participants restricted stock units under the Plan, which generally consist of the right to receive shares of Common Stock as determined by the Compensation Committee in the future. Each restricted stock unit shall have the value of one respective share of Class A Stock and/or Common Stock, as applicable. Grants of restricted stock units will be subject to the terms and conditions as the Compensation Committee may impose, including without limitation, continuing employment or service for a specified period of time or satisfaction of specified performance criteria.

Unless the Compensation Committee determines otherwise in its discretion, the holder of restricted stock units will not have any rights of a shareholder

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(including, without limitation, dividend rights and voting rights) with respect to shares of Class A Stock and/or Common Stock covered by the restricted stock units.

Unless the Compensation Committee determines otherwise, shares of non-vested restricted stock and non-vested restricted stock unit awards will be forfeited upon the recipient's termination of employment or other service with the Corporation and its subsidiaries.

Other Awards. The Plan gives the Compensation Committee broad discretion to grant other types of equity-based awards and the payment of Class A Stock and/or Common Stock in lieu of cash under any Corporation

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incentive bonus plan or program. Subject to the terms of the Plan, the Compensation Committee, in its sole discretion, shall determine the terms and conditions of such other awards.

Performance-Based Awards. The Compensation Committee may also grant performance-based awards under the Plan. In general, performance-based awards provide for the payment of shares of Class A Stock and/or Common Stock upon the achievement of predetermined performance objectives established by the Compensation Committee. Performance objectives may be based upon any one or more of the following business criteria:

- income measures (including, but not limited to, gross profit, operating income, earnings before or after taxes, profits before or after taxes, net income or earnings per share);
- return measures (including, but not limited to, return on assets, investment, equity, or sales or pre-tax margin);
- cash flow thresholds;
- gross revenues;
- sales results;
- market share results;
- economic value added;
- share price (including, but not limited to, growth measures and total stockholder return).

The above performance objectives may be applied to an individual, a business unit or division, the Corporation and any one or more of its subsidiaries, or such other operating units as the Compensation Committee may designate. The above performance objectives may be expressed in absolute or relative terms.

The Compensation Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established performance objective; provided that awards that are designed to qualify for the "performance-based compensation" exemption from the deduction limitation provisions of Section 162(m) of the Code may not be adjusted upward (although the Compensation Committee shall retain the discretion to adjust such awards downward). In the case of any award that is granted subject to the condition that a specified performance objective be achieved, no payment under such award shall be made prior to the time that the Compensation Committee certifies in writing that the performance objective has been achieved.

Deferrals. The Compensation Committee may permit or require a participant to defer receipt of the payment of cash or the delivery of shares of Class A Stock and/or Common Stock that would otherwise be due under an award, provided that the deferral arrangement satisfies the applicable election, distribution timing and other requirements of Section 409A of the Code.

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No Right to Employment or Participation. The Plan shall not interfere with or limit in any way the right of the Corporation or of any subsidiary to terminate any employee's employment or service at any time, and the Plan shall not confer upon any employee the right to continue in the employ of the Corporation or of any subsidiary. No employee shall have the right to be selected to receive an award or, having been so selected, to be selected to receive a future award.

Adjustments of Awards. Generally, in the event of a change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Corporation, any reorganization or any partial or complete liquidation of the Corporation, the Corporation will adjust (a) the number of shares of Class A Stock and/or Common Stock that may be issued under the Plan, (b) the number of shares of Class A Stock and/or Common Stock that may be covered by awards made to an individual in any calendar year, and (c) the number and price of shares of Class A Stock and/or Common Stock subject to outstanding awards, as may be determined to be appropriate and equitable by the Compensation Committee, in its discretion, to prevent dilution and enlargement of the benefits available under the Plan and the rights of participants.

Change of Control. In the event of a change of control of the Corporation, the Board of Directors may in its sole discretion direct that (a) all option holders shall be permitted to exercise their outstanding options in

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whole or in part (whether or not otherwise exercisable) immediately prior to such change of control; or (b) if, as part of a change of control transaction, the shareholders of the Corporation receive capital stock of another corporation ("Exchange Stock") in exchange for their shares of Class A Stock and/or Common Stock (whether or not such Exchange Stock is the sole consideration), the Board of Directors may direct that all options for shares of Class A Stock and/or Common Stock that are outstanding at the time of the change of control transaction shall be converted into options for shares of Exchange Stock, such that the vesting and other terms and conditions of the converted options shall be substantially the same as the vesting and corresponding other terms and conditions of the original options. The Board of Directors, acting in its discretion, may accelerate vesting of other non-vested awards, and cause cash settlements and/or other adjustments to be made to any outstanding awards (including, without limitation, options as it deems appropriate in the context of a change of control transaction, taking into account with respect to other awards the manner in which outstanding options are being treated. Generally, any outstanding options that are not exercised prior to certain transactions, including a merger where the Corporation is not the surviving entity, a liquidation or a sale of all or substantially all of the Corporation's assets, will thereupon terminate.

For purposes of the Long-Term Incentive Plan, a change of control, unless otherwise defined by the Compensation Committee, means:

The Corporation's stockholders approve a merger or consolidation of the Corporation with any other corporation, other than a merger or consolidation that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the total voting power represented by the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation; or

The Corporation's stockholders approve a plan of complete liquidation of the

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Corporation or an agreement of sale or disposition of all or substantially all of the Corporation's assets.

Amendment and Termination of the Plan. Subject to the terms of the Plan, the Compensation Committee may at any time and from time to time, alter, amend, suspend, or terminate the Plan in whole or in part; provided that, unless the Compensation Committee specifically provides otherwise, any revision or amendment that would cause the Plan to fail to comply with any requirement of applicable law, regulation, or rule if such amendment were not approved by the stockholders of the Corporation, shall not be effective unless and until stockholder approval is obtained.

U.S. Federal Income Tax Consequences

Stock Options. The grant of a stock option under the Long-Term Incentive Plan is not a taxable event to the participant for federal income tax purposes. In general, ordinary income is realized upon the exercise of a stock option (other than an ISO) in an amount equal to the excess of the fair market value on the exercise date of the shares acquired pursuant to the exercise over the option exercise price paid for the shares. The Corporation generally will be entitled to a deduction equal to the amount of ordinary income realized by a participant upon the exercise of an option. The tax basis of shares acquired upon the exercise of a stock option (other than an ISO) is equal to the value of the shares on the date of exercise. Upon a subsequent sale of the shares, capital gain or loss (long-term or short-term, depending on the holding period of the shares sold) will be realized in an amount equal to the difference between the selling price and the basis of the shares.

No income is realized upon the exercise of an ISO other than for purposes of the alternative minimum tax. Income or loss is realized upon a disposition of shares acquired pursuant to the exercise of an ISO. If the disposition occurs more than one year after the ISO exercise date and more than two years after the ISO grant date, then gain or loss on the disposition, measured by the difference between the selling price and the option exercise price for the shares, will be long-term capital gain or loss. If the disposition occurs within one year of the exercise date or within two years of the grant date, then the gain realized on the disposition will be taxable as ordinary income to the extent such gain is not more than the difference between the value of

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the shares on the date of exercise and the exercise price, and the balance of the gain, if any, will be capital gain. The Corporation is not entitled to a deduction with respect to the exercise of an ISO; however, in general, it is entitled to a deduction corresponding to the ordinary income realized by a participant upon a disposition of shares acquired pursuant to the exercise of an ISO before the satisfaction of the applicable one and two-year holding period requirements described above.

Restricted Stock Awards and Restricted Stock Units. In general, a participant will realize ordinary income with respect to Common Stock received pursuant to a restricted stock award at the time the shares become vested in accordance with the terms of the award in an amount equal to the fair market value of the shares at the time they become vested, and except as discussed below, the Corporation is generally entitled to a corresponding deduction. The participant's tax basis in the shares will be equal to the ordinary income recognized. Upon subsequent disposition of the shares, the participant will realize long-term or short-term capital gain or loss, depending on the holding period of the shares sold.

A participant may make an "early income election" within 30 days of the receipt of restricted shares of Class A Stock and/or Common Stock, in which case the

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participant will realize ordinary income on the date the restricted shares are received equal to the difference between the value of the shares on that date and the amount, if any, paid for the shares. In such event, any appreciation in the value of the shares after the date of the award will be taxable as capital gain upon a subsequent disposition of the shares. The Corporation's deduction is limited to the amount of ordinary income realized by the participant as a result of the early income election.

A participant who receives restricted stock unit awards will be taxed at ordinary income tax rates on the then fair market value of the shares of the respective class of Class A Stock and/or Common Stock distributed at the time of settlement of the restricted stock unit awards and, except as discussed below, the Corporation will generally be entitled to a tax deduction at that time. The participant's tax basis in the shares will equal the amount taxed as ordinary income, and on subsequent disposition, the participant will realize long-term or short-term capital gain or loss.

Other Awards. Other awards will generally result in ordinary income to the participant at the later of the time of delivery of shares, or other awards, or the time that either the risk of forfeiture or restriction on transferability lapses on previously delivered shares, or other awards. Except as discussed below, the Corporation generally will be entitled to a tax deduction equal to the amount recognized as ordinary income by the participant in connection with an award, but will not be entitled to a tax deduction relating to amounts that represent a capital gain to a participant.

Section 162(m) of the Code. Section 162(m) of the Code ("Section 162(m)") generally allows the Corporation to obtain tax deductions without limit for performance-based compensation. The Corporation intends that options, and contingent performance awards granted under the Long-Term Incentive Plan will qualify as performance-based compensation not subject to the \$1 million deductibility limitations under Section 162(m).

THE ABOVE SUMMARY PERTAINS SOLELY TO CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES ASSOCIATED WITH AWARDS MADE UNDER THE LONG-TERM INCENTIVE PLAN AND DOES NOT PURPORT TO BE COMPLETE. THE SUMMARY DOES NOT ADDRESS ALL FEDERAL INCOME TAX CONSEQUENCES AND IT DOES NOT ADDRESS STATE, LOCAL, AND NON-U.S. TAX CONSIDERATIONS.

Legal Limitations:

The issuance of any shares under the Long-Term Incentive Plan may be subject to prior listing thereof on any exchange on which such shares are traded. The shares will be held by the participant for investment unless the Corporation registers the shares under the Securities Act of 1933, as amended.

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The affirmative vote as a majority of the shares of Common Stock voted at the meeting is required to approve the proposal to adopt the Long-Term Incentive Plan.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE PROPOSED 2010 LONG-TERM INCENTIVE PLAN. IT IS INTENDED THAT PROXIES SOLICITED HEREBY WILL BE VOTED "FOR" SUCH PLAN UNLESS THE STOCKHOLDER SPECIFIES OTHERWISE.

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ELECTION OF DIRECTORS Proposal No. 5 (Item 5 on Proxy Card)

The Board of Directors of Trans-Lux Corporation is divided into three classes with the term of office of one of the three classes of directors expiring each year and with each class being elected for a three-year term. The Board of Directors currently consists of eight members. If elected at the Annual Meeting, the nominees listed below will serve until the Annual Meeting of Stockholders in 2013, or until their successors are duly elected and qualified. All other directors will continue as such for the term to which they were elected. Mr. Gene Jankowski, who was Chairman and Mr. Victor Liss, who was Vice Chairman, whose terms would have expired at the 2010 Annual Meeting, have decided not to stand for re-election and resigned on June 10, 2010 and August 20, 2010, respectively.

Management has no reason to believe that any nominee will not be available or will not serve if elected, but if a nominee should not become available to serve as a director, full discretion is reserved to the persons named as proxies to vote for such other persons as may be nominated. Proxies will be voted "FOR" the nominees unless the stockholder specifies otherwise.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL
OF THE NOMINEES STANDING FOR ELECTION LISTED BELOW.

Nominees Standing for Election

Name	Age	Since	Expiration of Proposed Term
Jean-Marc (J.M.) Allain....	40	-	2013
Jean Firstenberg.....	74	1989	2013

Directors Whose Term Continues

Name	Age	Since	Expiration of Current Term
Glenn J. Angiolillo.....	56	2009	2012
Angela D. Toppi.....	54	2009	2012
Salvatore J. Zizza.....	64	2009	2012
Howard S. Modlin.....	79	1975	2011
Michael R. Mulcahy.....	62	2002	2011
George W. Schiele.....	78	2009	2011

Directors Whose Term Will Expire at the 2010 Annual Meeting and Have Resigned

Name	Age	Since	Expiration of Current Term
Gene Jankowski*.....	76	1994	2010
Victor Liss**.....	73	1988	2010

* Resigned on June 10, 2010.

** Resigned on August 20, 2010.

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Set forth below is biographic information for the individuals nominated to serve as directors and each director. The members of the Nominating Committee have recommended, and the independent members of the Board of Directors have nominated, the persons listed below as nominees for the Board of Directors. Ms. Firstenberg presently serves as a director; Mr. Allain will be standing for his first election.

NOMINEES - Three-Year Term Expiring 2013

J.M. Allain became the President and Chief Executive Officer of Trans-Lux Corporation on February 16, 2010. Mr. Allain most recently served as President of Panasonic Solutions Company from July 2008 through October 2009; Vice President of Duos Technologies from August 2007 through June 2008; General Manager of Netversant Solutions from October 2004 through June 2005; and Vice President of Adesta, LLC from May 2002 through September 2004. Mr. Allain has familiarity with the operational requirements of complex organizations and has experience dealing with reorganizations and turnarounds. His employment agreement provides that if consistent with duties and obligations under Delaware law, the Corporation will recommend his nomination to the Board as and when a seat becomes available. It is anticipated that with his experience he will become an important contributor to our Board. If Mr. Allain's employment is terminated, he has agreed to immediately resign as a director.

Jean Firstenberg has served as a director since 1989 when she was elected an independent director. Ms. Firstenberg is President Emerita and a member of the Board of Trustees of the American Film Institute. She was President and Chief Executive Officer of the American Film Institute from 1980 to 2007. She is Chairperson of the Citizen's Stamp Advisory Committee; a member of the Board of Trustees of Women's Sports Foundation; and was formerly a Trustee of Boston University. As President and Chief Executive Officer of the American Film Institute for 27 years, Ms. Firstenberg brings valuable insight into the operational requirements and strategic planning process of a company. In addition, Ms. Firstenberg's more than 20 years of experience as a director of Trans-Lux Corporation and her prior role as Chairperson of the Audit Committee gives her a deep understanding of the Corporation and its operations.

CONTINUING DIRECTORS - Term Expiring 2012

Glenn J. Angiolillo has served as a director since 2009 when he was elected an independent director. He served as Chairman of the Board (a non-executive position) of Trans-Lux Corporation from June 10, 2010 to August 31, 2010. Mr. Angiolillo is currently President of GJA Corp., a consulting and advisory firm specializing in wealth management, since 1998; a Director of LICT Corp., formerly known as Lynch Interactive Corp.; Director of NYMagic, Inc.; and a Director of Gaylord Entertainment Co. Previously, Mr. Angiolillo was a partner and member of the Management Committee in the law firm of Cummings & Lockwood where he concentrated in the areas of corporate law, mergers and acquisitions and banking and finance. Mr. Angiolillo was elected a director in accordance with a Settlement Agreement approved by the United States District Court for the Southern District of New York described in the Corporation's proxy statement for the December 11, 2009 Annual Meeting of Stockholders. It is anticipated that Mr. A