

TRANS LUX CORP  
Form DEF 14A  
May 18, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- 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 Under Rule 14a-12

Trans-Lux Corporation  
(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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(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):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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.. Fee paid previously with preliminary materials:

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.. 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.

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(1) Amount previously paid:

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

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(3) Filing Party:

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(4) Date Filed:

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TRANS-LUX CORPORATION  
26 Pearl Street  
Norwalk, Connecticut 06850

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD JUNE 26, 2012

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NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of TRANS-LUX CORPORATION (the "Corporation" or the "Company") will be held at the Norwalk Public Library, Chess Room – 2nd Floor, 1 Belden Avenue, Norwalk, Connecticut, on June 26, 2012 at 10:00 A.M. local time for the following purposes:

1. To consider and act upon proposals to amend the Corporation's Restated Certificate of Incorporation, as amended, to (a) increase authorized shares and reduce the par value of the Corporation's Common Stock, par value \$1.00 and reduce the par value of the Corporation's Preferred Stock, par value \$1.00, (b) remove Class A Stock, par value \$1.00, from authorized capital stock, (c) remove Class B Stock, par value \$1.00, from authorized capital stock, (d) conform other provisions of Article Fourth of the Corporation's Restated Certificate of Incorporation, as amended, to reflect items (b) and (c) above, update certain provisions of Article Fourth and set the voting power of the Common Stock, (e) update certain provisions of the Corporation's Restated Certificate of Incorporation, as amended (including replacing Article Third thereof with a one-sentence statement of the Company's purpose and replacing Article Fifth thereof with certain provisions relating to the Company's directors) and (f) update certain provisions of Article Eighth of the Corporation's Restated Certificate of Incorporation, as amended;
2. To consider and act upon proposals to amend the Corporation's Restated Certificate of Incorporation, as amended, to repeal the super-majority voting requirements contained in (a) Articles Ninth and Tenth thereof, (b) Article Fourth thereof and (c) Article Twelfth thereof;
3. To consider and act upon a proposal to approve the adoption of the 2012 Long-Term Incentive Plan; approval of this Proposal No. 3 is conditioned upon the approval of Proposal No. 1(a); if Proposal No. 1(a) is not approved, then Proposal No. 3 will not pass;
4. To elect one director to serve for a term of three years and until his successor shall have been duly elected and qualified;
5. To ratify the appointment of BDO USA, LLP, as the Corporation's independent registered public accounting firm for the ensuing fiscal year; and
6. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The close of business on May 4, 2012 has been fixed as the record date for the determination of the stockholders entitled to notice of and to vote at the Annual Meeting.

By Order of the Board of Directors,

Angela D. Toppi  
Corporate Assistant Secretary

Dated and Mailed:

Norwalk, Connecticut  
May 18, 2012

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The Company has decided to call this Annual Meeting of Stockholders in part to implement certain proposals for which the Company did not secure a sufficient vote at the Company's Annual Meeting of Stockholders held on March 6, 2012. Specifically, the Company did not secure sufficient votes as required pursuant to Delaware law in order to effectuate (a) an increase in the Corporation's authorized Common Stock from 5,500,000 shares to 60,000,000 shares and a corresponding reduction in the par value of the Common Stock from \$1.00 to \$0.001, (b) the removal of the Company's Class A and Class B Stock from the Corporation's Restated Certificate of Incorporation, as amended and (c) the amendment and restatement of the Certificate to remove the super-majority voting requirements from Articles Ninth, Tenth and Twelfth. The number of votes required for the passage of these proposals is outlined in the section of the Proxy Statement entitled "Voting Required." In addition, because the proposal to increase the Corporation's authorized Common Stock did not receive sufficient votes, the proposal to approve the 2012 Long-Term Incentive Plan was also not approved since its passage was contingent on the passage of an increase in authorized Common Stock and the Company is again asking for stockholder approval of the 2012 Long-Term Incentive Plan. The Company believes that passage of these proposals will benefit the Company and ultimately you, our stockholders.

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

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PROXY STATEMENT  
of  
TRANS-LUX CORPORATION

for the Annual Meeting of Stockholders  
To Be Held on June 26, 2012

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#### Introduction

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of TRANS-LUX CORPORATION (the “Corporation” or the “Company”) of proxies in the accompanying form to be used at the Annual Meeting of the Stockholders of the Corporation to be held on Tuesday, June 26, 2012 (the “Meeting”), and at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting. This Proxy Statement and the proxies solicited hereby are being mailed to stockholders on May 18, 2012. The shares represented by the proxies timely received and properly executed pursuant to the solicitation made hereby and not revoked will be voted at the Meeting.

#### Meeting of Stockholders

The Meeting will be held at the Norwalk Public Library, Chess Room – 2nd Floor, 1 Belden Avenue, Norwalk, Connecticut, on June 26, 2012 at 10:00 A.M. local time.

#### Purposes of the Meeting

The purposes of the Meeting are to vote upon: (1)(a) the increase in authorized shares and reduction in the par value of the Company’s Common Stock, par value \$1.00 (the “Common Stock”) and reduction in the par value of the Company’s Preferred Stock, par value \$1.00 (the “Preferred Stock”), (b) the removal of the Class A Stock, par value \$1.00 (the “Class A Stock”) from authorized capital stock, (c) the removal of the Class B Stock, par value \$1.00 (the “Class B Stock”) from authorized capital stock, (d) amending other provisions of Article Fourth of the Company’s Restated Certificate of Incorporation (as amended, the “Certificate”) to reflect items (b) and (c) above, to update certain provisions thereof and to set the voting power of the Common Stock, (e) updating certain provisions of the Certificate and (f) updating Article Eighth of the Certificate; (2) the repeal of the super-majority voting requirements contained in (a) Articles Ninth and Tenth of the Certificate, (b) Article Fourth of the Certificate and (c) Article Twelfth of the Certificate; (3) the approval of the adoption of the Corporation’s 2012 Long-Term Incentive Plan; (4) the election of one director to serve for a term of three years, or until his successor shall have been duly elected and qualified; (5) the ratification of the appointment of BDO USA, LLP, as the Corporation’s independent registered public accounting firm for the fiscal year ending December 31, 2012; and (6) to transact such other business as may properly come before the Meeting or any adjournment of postponement thereof.

The Company has decided to call the Meeting in part to implement certain proposals for which the Company did not secure a sufficient vote at the Company’s Annual Meeting of Stockholders held on March 6, 2012. Specifically, the Company did not secure sufficient votes as required pursuant to Delaware law in order to effectuate (a) an increase in the authorized Common Stock from 5,500,000 shares to 60,000,000 shares and a corresponding reduction in the par value of the Common Stock from \$1.00 to \$0.001, (b) the removal of the Company’s Class A and Class B Stock from the Certificate, and (c) the amendment and restatement of the Certificate to remove the super-majority voting requirements from Articles Ninth, Tenth and Twelfth. The number of votes required for the passage of these proposals is outlined in the section of this Proxy Statement entitled “Voting Required.” In addition, because the proposal to increase the Corporation’s authorized Common Stock did not receive sufficient votes, the proposal to approve the

2012 Long-Term Incentive Plan was also not approved since its passage was contingent on the passage of the proposal to increase the authorized Common Stock; thus, the Company is again asking for stockholder approval of the 2012 Long-Term Incentive Plan. The Company believes that passage of these proposals will benefit the Company and ultimately you, our stockholders.

## Record Date and Voting

The close of business on May 4, 2012 has been fixed as the record date (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 May 4, 2012 and entitled to notice of and to vote at the Meeting, approximately 4,686,923 shares of Common Stock and 416,500 shares of the Series A Convertible Preferred Stock (the “Series A Preferred Stock”) of the Corporation. Each outstanding share of Common Stock is entitled to one vote on all matters voted on at the Meeting and each outstanding share of Series A Preferred Stock is entitled to fifty votes on all matters voted on at the Meeting for an aggregate of 25,511,923 votes. Except with respect to the requirement of Proposal Numbers 1(a) – 1(d) and 2(b) that the holders of the Common Stock vote as a separate class, and the requirement of Proposal No. 1(a) that the holders of the Series A Preferred Stock vote as a separate class, the holders of Common Stock and Series A Preferred Stock vote together as a single class on all the proposals.

## Voting Required

Only stockholders of record of the Common Stock and the Series A Preferred Stock as of the close of business on the Record Date will be entitled to vote at the Meeting.

A majority of the voting power of all shares of the Common Stock and Series A Preferred Stock outstanding must be present or represented by proxy at the Meeting to constitute a quorum; however, (i) with respect to the requirement of Proposal Numbers 1(b), 1(c), 1(d) and 2(b) that the holders of the Common Stock vote as a separate class, a majority of the outstanding shares of the Common Stock, present in person or represented by proxy, constitutes a quorum and (ii) with respect to the requirements of Proposal No. 1(a) that the holders of the Common Stock vote as a separate class and the holders of the Series A Preferred Stock vote as a separate class, a majority of the outstanding shares of the Common Stock as a separate class and a majority of the outstanding shares of the Series A Preferred Stock as a separate class, in each case present in person or represented by proxy, constitutes a quorum. Abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business at the Meeting. If a quorum is not present (including a quorum with respect to the class vote requirements of Proposal Numbers 1(a) – 1(d) and 2(b)), the Meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum.

Proposal Numbers 1(a), 1(b), 1(c) and 1(d) require the affirmative vote of a majority of the shares of Common Stock outstanding voting as a separate and distinct class, whether in person or by proxy, as well as the affirmative vote of a majority of the voting power of all outstanding Common Stock and Series A Preferred Stock voting together as one class and on an as-converted basis. In addition, Proposal No. 1(a) requires the affirmative vote of a majority of the shares of Series A Preferred Stock outstanding voting as a separate and distinct class. Proposal No. 1(e) requires the affirmative vote of a majority of the voting power of all outstanding Common Stock and Series A Preferred Stock voting together as one class and on an as-converted basis. Proposal Numbers 1(f) and 2(a) require the affirmative vote of at least four-fifths of the voting power of all outstanding Common Stock and Series A Preferred Stock voting together as one class and on an as-converted basis. Proposal Numbers 2(b) and 2(c) require both the affirmative vote of at least four-fifths of the voting power of all outstanding Common Stock and Series A Preferred Stock voting together as one class and on an as-converted basis excluding shares held by Gabelli Funds, LLC and related entities, and Henry Hackel, and the affirmative vote of a majority of the voting power of all outstanding Common Stock and Series A Preferred Stock voting together as one class and on an as-converted basis. In addition, Proposal No. 2(b) requires the affirmative vote of a majority of the shares of Common Stock outstanding voting as a separate and distinct class. Proposal Numbers 3 and 5 require the affirmative vote of a majority of the votes cast affirmatively or negatively of the Common Stock and Series A Preferred Stock voting together as one class and on an as-converted basis. Proposal No. 4 requires a plurality vote.





On May 3, 2012, the Board of Directors of the Corporation unanimously adopted resolutions approving, declaring advisable and recommending to the Corporation's stockholders the adoption of the Certificate amendments in each of Proposal Numbers 1(a) – 1(f) and 2(a) – 2(c). The amendments to the Certificate set out in these Proposals are being submitted to stockholders in nine separate proposals (collectively, the "Certificate Proposals"), rather than as a single, unified proposal, in large part because different stockholder votes are required for the approval of each of such Certificate Proposals. A marked copy of the Certificate is attached to this proxy statement as Appendix A. It shows all of the proposed changes to the Certificate approved by the Board of Directors, with footnotes to identify the changes to the Certificate within each Certificate Proposal. Each Certificate Proposal that is approved by the stockholders will be effected by filing an Amended and Restated Certificate of Incorporation that includes the changes constituting that Certificate Proposal with the Office of the Secretary of State of the State of Delaware without regard to whether any of the other Certificate Proposals are approved. Thus, for example, if all of the Certificate Proposals other than Proposal Numbers 1(a) and 2(b) are approved by the stockholders, an Amended and Restated Certificate of Incorporation reflecting all Certificate Proposals but those contained in Proposal Numbers 1(a) and 2(b) will be filed with the Office of the Secretary of State of the State of Delaware.

With respect to Proposal Numbers 1(a) – 1(f) and 2(a) – 2(c), an abstention will have the same effect as a vote AGAINST the proposal; however, an abstention will have no effect on Proposal Numbers 3-5. The votes entitled to be cast by stockholders who are not present in person or represented by proxy at the Annual Meeting will also effectively be counted as votes AGAINST Proposal Numbers 1(a) – 1(f) and 2(a) – 2(c), but will have no effect on Proposal Numbers 3 – 5.

#### Broker Non-Votes

If stockholders do not give their brokers instructions as to how to vote shares held in street name, the brokers have discretionary authority to vote those shares on 'routine' matters, such as the ratification of the independent registered public accounting firm, but not on 'non-routine' proposals, such as the changes to the capitalization of the Company, the removal of the super-majority voting provisions of the Certificate, the approval of the 2012 Long-Term Incentive Plan, and the election of directors. As a result, if you hold your shares in street name and do not provide voting instructions to your broker, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote. Shares held by brokers who do not have discretionary authority to vote on a particular matter and who have not received voting instructions from their customers will be counted as present for the purpose of determining whether there is a quorum at the Meeting, will be treated as a vote AGAINST any Proposal requiring the affirmative vote of a percentage of outstanding stock or outstanding voting power and will have no effect for the purpose of determining whether our stockholders have approved a matter requiring a majority of votes cast affirmatively or negatively or a plurality vote.

## How to Vote

You may vote in person at the Meeting or by proxy. We recommend that you vote by proxy even if you plan to attend the Meeting. You can always change your vote at the Meeting.

## Proxies

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 Assistant Secretary, or by voting in person 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 proxy holders, 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.

## Revoking a Proxy

A proxy may be revoked by delivery of a written statement to the Corporate Assistant Secretary stating that the proxy is revoked, by a subsequent proxy executed by the person executing the prior proxy and presented at the Meeting, or by voting in person at the Meeting.

## Proxy Solicitation and Expenses

The Company will pay for the entire cost of soliciting proxies on its behalf. We will also reimburse brokerage firms, banks and other agents for the cost of forwarding the Company's proxy materials to beneficial owners. In addition, our directors and employees may solicit proxies in person, by mail, by telephone, via the internet, press releases or advertisements. Directors and employees will not be paid any additional compensation for soliciting proxies, but Regan and Associates, Inc. ("Regan"), our proxy solicitor, will be paid a fee, estimated to be about \$8,000, for rendering solicitation services.

PROPOSALS TO AMEND THE CORPORATION'S RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED, TO (a) INCREASE AUTHORIZED SHARES AND REDUCE THE PAR VALUE OF COMMON STOCK AND REDUCE THE PAR VALUE OF PREFERRED STOCK, (b) REMOVE CLASS A STOCK FROM AUTHORIZED CAPITAL STOCK, (c) REMOVE CLASS B STOCK FROM AUTHORIZED CAPITAL STOCK, (d) CONFORM OTHER PROVISIONS OF ARTICLE FOURTH TO REFLECT ITEMS (b) and (c) ABOVE, UPDATE CERTAIN PROVISIONS OF ARTICLE FOURTH AND SET THE VOTING POWER OF THE COMMON STOCK, (e) UPDATE CERTAIN PROVISIONS OF THE CORPORATION'S RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED AND (f) UPDATE ARTICLE EIGHTH OF THE CORPORATION'S RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED

Proposal Numbers 1(a), 1(b), 1(c), 1(d), 1(e) and 1(f)  
(Items 1(a), 1(b), 1(c), 1(d) 1(e) and 1(f) on Proxy Card)

The Company is proposing to amend the Certificate, in order to (a) increase authorized Common Stock from 5,500,000 shares to 60,000,000 shares and reduce the par value of Common Stock from \$1.00 to \$0.001 and reduce the par value of Preferred Stock from \$1.00 to \$0.001, (b) remove the Class A Stock from authorized capital stock (and thus from the Certificate), (c) remove the Class B Stock from authorized capital stock (and thus from the Certificate), (d) conform other provisions of Article Fourth of the Certificate to reflect items (b) and (c) above, update certain provisions of Article Fourth and set the voting power of the Common Stock, (e) update certain provisions of the Certificate and (f) update Article Eighth of the Certificate.

Authorized Shares and Par Value of Common Stock and Par Value of Preferred Stock [Proposal No. 1(a)]

The purpose of the authorization of additional Common Stock and reduction in the par value of Common Stock and Preferred Stock is to provide greater flexibility in the capitalization of the Corporation to meet the constantly changing needs of the Corporation and the marketplace. The Corporation is currently authorized to issue up to 5,500,000 shares of Common Stock and up to 500,000 shares of Preferred Stock. In connection with the Company's Restructuring Plan (as defined on Page 36 of this Proxy Statement), the conversion of the Series A Preferred Stock would result in an additional 20,825,000 shares of Common Stock outstanding, and the exercise of the A Warrants (as hereinafter defined), B Warrants (as hereinafter defined), the Placement Agent Warrants (as hereinafter defined) and the warrants held by Hackel Family Associates LLC would result in an additional 11,010,000 shares of Common Stock outstanding. As a result, upon such conversion and exercise we would have 36,521,923 shares of Common Stock outstanding. As such, we will be unable to issue the Common Stock underlying the Series A Preferred Stock, the A Warrants, the B Warrants, the Placement Agent Warrants and the warrants held by Hackel Family Associates LLC (and such A Warrants, B Warrants, Placement Agent Warrants and warrants held by Hackel Family Associates LLC will not be exercisable) unless and until we receive stockholder approval of Proposal No. 1(a).

The Corporation has issued 4,165,000 one-year Warrants (the "A Warrants"). Each A Warrant entitles the holder to purchase (a) one share of the Corporation's Common Stock and (b) a three-year warrant (the "B Warrants"), at an exercise price of \$1.00 per share. In connection with the Restructuring Plan (as defined on Page 36 of this Proxy Statement), at such time as the Certificate is amended to reduce the par value of the Common Stock to an amount equal to or less than \$0.10, the exercise price of the A Warrants shall be reduced to \$0.20 per share, subject to such other or further adjustments as may be provided in the A Warrants. As described above, we will be unable to issue the Common Stock underlying the A Warrants, and such A Warrants will not be exercisable, until Proposal No. 1(a) is approved by stockholders.

The Corporation will issue 4,165,000 three-year Warrants (the “B Warrants”) upon the exercise of A Warrants. Each B Warrant shall entitle the holder to purchase one share of Common Stock at an exercise price of \$1.00 per share. At such time as the Certificate is amended to reduce the par value of the Common Stock to an amount equal to or less than \$0.10, the exercise price of the B Warrants shall be reduced to \$0.50 per share, subject to such other or further adjustments as may be provided in the B Warrants. As described above, we will be unable to issue the Common Stock underlying the B Warrants, and such B Warrants will not be exercisable, until Proposal No. 1(a) is approved by stockholders.

The existing and additional authorized shares of Common Stock may be issued from time to time in connection with equity capital offerings, acquisitions, payments of debt by offering shares in exchange, employee stock option plans or similar plans as set forth in Proposal No. 3 of this Proxy Statement, stock dividends, potential issuance of shares in connection with a joint venture and other corporate purposes. If Proposal No. 1(a) is approved, 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 stockholder 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. There can be no assurance that any such other transactions will ever be consummated.

#### Changes Related to the Removal of the Class A Stock and Class B Stock and Voting Power of Common Stock [Proposal Numbers 1(b) – 1(d)]

The Corporation presently has authorized 3,000,000 shares of non-voting Class A Stock, none of which are outstanding or 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 no Certificate of Amendment was ever 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 all of the Class B Stock has previously been converted into Common Stock, no additional shares of Class A Stock may be issued pursuant to the “sunset provision.” In addition, the Certificate provides that the Board can retire (remove) the Class A Stock from the Certificate if no shares are outstanding five years from the date of original authorization in 1995. Therefore, the Board of Directors is recommending the removal of the Class A Stock from the Certificate.

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 for the Southern District of New York. 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 super-voting stock, carrying the right to ten votes per share on all matters, including the election of directors. However, the Class B Stock must vote separately as a class on certain amendments to the Certificate and with respect to mergers, consolidations and other extraordinary transactions. The Class B Stock is entitled to receive cash dividends that are lower than any cash dividends that may be paid on the Common Stock and Class A Stock. No cash dividends are currently being paid by the Corporation. No further shares of Class B Stock can be issued without the approval of the holders of Common Stock. Because all of the Class B Stock has already been converted into Common Stock and no Class B Stock remains outstanding, the Board of Directors is recommending the removal of the Class B Stock from the Certificate.

As part of the removal of the Class A Stock and the Class B Stock from the Certificate, the Corporation proposes that Article Fourth be amended to remove all references to the Class A Stock and Class B Stock. Specifically, the Corporation proposes the following amendments under Proposal No. 1(d), among others, to Article Fourth with regard to voting requirements pertaining to Class A Stock and Class B Stock:

- That Article Fourth be amended to remove the requirement that a majority of the shares of the Class B Stock, voting as a separate class, approve any amendment to Article Fourth;
- That Article Fourth be amended to remove the requirement that a majority of the shares of the Class B Stock, voting as a separate class, approve (i) any merger or consolidation of the Corporation with or into any other corporation other than a subsidiary of the Corporation, (ii) any sale, lease, exchange or other disposition of all or substantially all of the assets of the Corporation to or with any other person other than a subsidiary of the Corporation or (iii) any dissolution of the Corporation; and
- That Article Fourth be amended to remove the requirement that a majority of the shares of the Class B Stock, voting as a separate class, approve any issuance of additional shares of Class B Stock following the initial issuance of the Class B Stock.

If Proposal No. 1(d) is adopted, each holder of Common Stock generally will continue to be entitled to one vote for each share of Common Stock held by such holder. However, if Proposal No. 1(d) is adopted, then except as otherwise required by law, holders of Common Stock will not be entitled to vote on any amendment to the Certificate that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled to vote thereon pursuant to the Certificate.

The amendments contemplated by Proposal No. 1(d) also eliminate certain unnecessary provisions relating to the Board's authority to designate series of Preferred Stock, which elimination is not intended to have any substantive effects.

Updates to Certificate [Proposal Numbers 1(e) and 1(f)]

The Corporation proposes to amend the Certificate, originally adopted in 1920, to modernize and clarify certain provisions therein, including eliminating certain unnecessary provisions that are duplicative of the Delaware General Corporation Law. Among other things, the Corporation proposes to:

- Replace the list of corporate purposes in Article Third with a general statement, authorized by Delaware law, that the purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under Delaware law;
- Replace Article Fifth, which currently lists the initial subscribers of stock of the Company, with a statement of directors' authority and a statement that the election of directors need not be by written ballot; and
- Eliminate certain provisions dealing with the formation of an executive committee of the Board of Directors, the inspection of the Company's books and records and the place of stockholder meetings.

Such modernizations and clarifications will be effected if Proposal No. 1(e) is adopted. In addition, certain modernizations and clarifications to Article Eighth will be effected if Proposal No. 1(f) is adopted. Proposal No. 1(f) is separated from Proposal No. 1(e) because Article Eighth of the Certificate requires (pursuant to current Article Tenth of the Certificate) a super-majority vote for its amendment.



The foregoing summary of Proposal Numbers 1(a) – 1(f) does not purport to be complete and is qualified in its entirety by the markup to the Certificate attached hereto as Appendix A.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE “FOR” THE PROPOSED AMENDMENT OF THE CORPORATION’S RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED, TO (a) INCREASE AUTHORIZED SHARES AND REDUCE THE PAR VALUE OF THE COMMON STOCK AND REDUCE THE PAR VALUE OF THE PREFERRED STOCK, (b) REMOVE CLASS A STOCK FROM AUTHORIZED CAPITAL STOCK, (c) REMOVE CLASS B STOCK FROM AUTHORIZED CAPITAL STOCK, (d) CONFORM OTHER PROVISIONS OF ARTICLE FOURTH TO REFLECT ITEMS (b) and (c) ABOVE, UPDATE CERTAIN PROVISIONS OF ARTICLE FOURTH AND SET THE VOTING POWER OF THE COMMON STOCK, (e) UPDATE CERTAIN PROVISIONS OF THE CERTIFICATE AND (f) UPDATE ARTICLE EIGHTH OF THE CERTIFICATE.

IT IS INTENDED THAT PROXIES SOLICITED HEREBY WILL BE VOTED “FOR” ALL SUCH AMENDMENTS TO THE CORPORATION’S RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED, UNLESS THE STOCKHOLDER SPECIFIES OTHERWISE.



PROPOSALS TO REPEAL THE SUPER-MAJORITY VOTING REQUIREMENTS OF ARTICLES (a) NINTH AND TENTH, (b) FOURTH AND (c) TWELFTH OF THE CORPORATION'S RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED

Proposal Numbers 2(a), 2(b) and 2(c) (Items 2(a), 2(b) and 2(c) on Proxy Card)

The Corporation is proposing to amend its Certificate by amending Articles Ninth and Tenth, Fourth and Twelfth (collectively, the "Super-Majority Articles"), with the central purpose of eliminating the super-majority voting requirements contained in the Super-Majority Articles.

Following the repeal of the Super-Majority Articles, all actions previously requiring a four-fifths super-majority vote of stockholders under the Certificate (excluding, for purposes of certain super-majority requirements in Article Fourth and the super-majority requirements in Article Twelfth, shares held by Acquiring Persons (as defined in Article Twelfth)) will thereafter require only the affirmative vote of a simple majority of the voting power of all stockholders voting together as a single class for approval, unless a different vote is required pursuant to law. Such transactions and other corporate actions include:

- Amending or repealing any portion of Articles Eighth, Ninth, Tenth and Twelfth of the Certificate;
- Mergers or consolidations of the Corporation with or into any other corporation other than a subsidiary of the Corporation;
- Business Combinations with Acquiring Persons (as those terms are defined in Article Twelfth of the Certificate);
  - Any sale, lease, exchange or other disposition of all or substantially all of the Corporation's assets;
  - Any purchase or other acquisition of all or substantially all of the assets of an Interested Person (as defined in the Certificate); and
  - Any other transaction with an Interested Person (as defined in the Certificate) that requires stockholder approval pursuant to Delaware law.

The purpose of the elimination of the super-majority voting requirements contained in the Super-Majority Articles is to provide greater flexibility for the Corporation in terms of capitalization and to allow the Corporation's management team to maintain the financial viability of the Corporation by taking advantage of propitious opportunities that may arise in the marketplace.

In accordance with the provisions of the Certificate, the affirmative vote of at least four-fifths (4/5) of the voting power of all outstanding shares of the Common Stock and Series A Preferred Stock voting together as one class and on an as-converted basis, whether in person or by proxy, is required to approve Proposal No. 2(a).

In accordance with Delaware law, Proposal Numbers 2(b) and 2(c) require both the affirmative vote of at least four-fifths (4/5) of the voting power of all outstanding Common Stock and Series A Preferred Stock voting together as one class and on an as-converted basis excluding shares held by Gabelli Funds, LLC and related entities, and Henry Hackel, and the affirmative vote of a majority of the voting power of all outstanding Common Stock and Series A Preferred Stock voting together as one class and on an as-converted basis. In addition, in accordance with the provisions of the Certificate, Proposal No. 2(b) requires the affirmative vote of a majority of the shares of Common Stock outstanding voting as a separate and distinct class.



The description of all of the proposed amendments to the Certificate expounded herein are merely summaries, and thus are qualified in their entirety by reference to the markup to the Certificate, attached as Appendix A to this Proxy Statement.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE PROPOSALS TO REPEAL THE SUPER-MAJORITY VOTING REQUIREMENTS OF ARTICLES NINTH AND TENTH, FOURTH AND TWELFTH OF THE CORPORATION'S RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED.

IT IS INTENDED THAT PROXIES SOLICITED HEREBY WILL BE VOTED "FOR" ALL SUCH AMENDMENTS TO THE CORPORATION'S RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED, UNLESS THE STOCKHOLDER SPECIFIES OTHERWISE.

PROPOSAL TO APPROVE THE ADOPTION OF  
THE 2012 LONG-TERM INCENTIVE PLAN

Proposal No. 3 (Item 3 on Proxy Card)

APPROVAL OF THIS PROPOSAL NO. 3 IS CONDITIONED UPON THE  
APPROVAL OF PROPOSAL NO. 1(a); IF PROPOSAL NO. 1(a) IS NOT  
APPROVED, PROPOSAL NO. 3 WILL NOT PASS

The Board of Directors is asking the Corporation's stockholders to approve the adoption of the Corporation's 2012 Long-Term Incentive Plan (the "2012 Long-Term Incentive Plan" or the "Plan") to allow for an aggregate of 5,000,000 shares of Common Stock that may be issued under the 2012 Long-Term Incentive Plan. The 2012 Long-Term Incentive Plan was adopted by the Corporation's Board of Directors on July 2, 2010, with amendments adopted by the Corporation's Board of Directors on December 21, 2011.

The Board of Directors has adopted, subject to stockholder approval, the 2012 Long-Term Incentive Plan in order to provide the Corporation with 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 the Corporation should authorize 5,000,000 shares of Common Stock as available under the 2012 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 all of the Corporation's previous plans have expired.

#### Introduction

The objectives of the 2012 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 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. Because all awards under the Plan are to be made pursuant to the sole discretion of the Compensation Committee granted under Article 3.2 of the Plan, amounts for awards pertaining to past or future services to be made pursuant to the Plan are currently not determinable.

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 2012 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 May 4, 2012, we had an aggregate of 29,000 shares of Common Stock subject to options under the Corporation's previous stock option plans, consisting of 7,500 shares of Common Stock subject to outstanding options under the expired 1995 Stock Option Plan, 2,000 shares of Common Stock subject to outstanding options and 19,500 shares of Common Stock available for future awards under the Corporation's Non-Employee Director Stock Option Plan.



The closing sale price of the Common Stock on the Over-the-Counter Bulletin Board (the "OTCQB") on May 14, 2012 was \$0.46 per share.

#### Key Features of the Plan

**Limitation on shares authorized.** The aggregate maximum number of shares of Common Stock that awards may be granted to a participant under the 2012 Long-Term Incentive Plan is 3,000,000 shares.

**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 2012 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 Common Stock, as applicable, on the date of grant.

#### Plan Summary

The material provisions of the 2012 Long-Term Incentive Plan, as proposed to be adopted pursuant to this Proposal No. 3, 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 2012 Long-Term Incentive Plan attached as Appendix B to this Proxy Statement.

**General.** The 2012 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 2012 Long-Term Incentive Plan will be effective on the date that the 2012 Long-Term Incentive Plan is approved by our stockholders and will terminate on the ten-year anniversary thereof, unless extended.

**Administration.** The 2012 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 the 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 2012 Long-Term Incentive Plan, the Corporation may issue a total of 5,000,000 shares of 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 2,000,000 with respect to stock options, 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 140 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 a direct or indirect ownership interest of less 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; 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 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 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 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 consists 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 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 stockholder (including, without limitation, dividend rights and voting rights) with respect to shares of 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 Common Stock in lieu of cash under any Corporation 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 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; or
- 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 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.

**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 Common Stock that may be issued under the Plan, (b) the number of shares of 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 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 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 stockholders of the Corporation receive capital stock of another corporation (“Exchange Stock”) in exchange for their shares of Common Stock (whether or not such Exchange Stock is the sole consideration), the Board of Directors may direct that all options for shares of 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 2012 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 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 2012 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 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 Common Stock, in which case the 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 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 2012 Long-Term Incentive Plan will qualify as performance-based compensation not subject to the \$1.0 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 2012 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 2012 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 such shares under the Securities Act of 1933, as amended.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE  
STOCKHOLDERS VOTE “FOR” THE ADOPTION OF  
THE 2012 LONG-TERM INCENTIVE PLAN.

IT IS INTENDED THAT PROXIES SOLICITED HEREBY  
WILL BE VOTED “FOR” SUCH PLAN UNLESS THE  
STOCKHOLDER SPECIFIES OTHERWISE.

## ELECTION OF DIRECTOR

## Proposal No. 4 (Item 4 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 Bylaws of the Corporation allow for the Board of Directors to consist of a minimum of five and a maximum of fifteen members. If elected at the Annual Meeting of Stockholders to be held on June 26, 2012, the director listed under Class C below will serve until the Annual Meeting of Stockholders in 2015, or until his successor is duly elected and qualified, and the directors listed under Classes A and B below will continue to serve the terms to which they were elected until the Annual Meeting of Stockholders in 2014 or 2013, respectively, or until their successors are duly elected and qualified. All of the Directors (other than retired director Howard Modlin) attended the Company's last Annual Meeting of Stockholders held on March 6, 2012.

Management has no reason to believe that the director will not be available or will not serve if elected, but if the director should not become available to serve, 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 nominee unless the stockholder specifies otherwise.

## Director Standing for Election

Name	Age	Since	Expiration of Proposed Term
CLASS C			
Salvatore J. Zizza	66	2009	2015

## Directors Whose Term Continues

Name	Age	Since	Expiration of Term
CLASS A			
Jean-Marc (J.M.) Allain	42	2011	2014
George W. Schiele	80	2009	2014
CLASS B			
Jean Firstenberg	76	1989	2013
Richard Nummi	53	2012	2013
Elliot Sloyer	47	2012	2013

Set forth below is a summary of the business experience for each of the persons named above and the primary aspects of their experience, qualifications, attributes or skills that led to the conclusion that each individual is qualified to serve on the Board. The members of the Nominating Committee recommended to the Board that each of the directors listed below serve as members of the Board of Directors.





DIRECTOR STANDING FOR ELECTION – CLASS C: Three-Year Term Expiring 2015

Salvatore J. Zizza has served as a director since 2009 when he was elected an independent director. Mr. Zizza was elected Vice Chairman of the Board (a non-executive position) of Trans-Lux Corporation on September 29, 2010. Mr. Zizza is currently the Chairman of Zizza & Co. Ltd.; Chairman of Metropolitan Paper Recycling; Chairman of Bethlehem Advanced Materials; a Director of Hollis-Eden Pharmaceuticals; and a Director of several of the Gabelli open and closed-end funds, including The Gabelli Equity Trust, The Gabelli Asset Fund, The Gabelli Growth Fund, The Gabelli Convertible and Income Securities Fund, The Gabelli Utility Trust Fund, The Gabelli Global Multimedia Trust, The Gabelli Equity Series Fund, The Gabelli Dividend and Income Trust, The Gabelli Gold Fund, The Gabelli International Growth Fund, The Gabelli Global Gold & Natural Resources Fund, and the GAMCO Westwood Funds. Previously, Mr. Zizza was a Director of Earl Scheib, Inc. Mr. Zizza was elected in accordance with a Settlement Agreement approved by the United States District Court for the Southern District of New York described in the Corporation's proxy statement for the December 11, 2009 Annual Meeting of Stockholders. Mr. Zizza's extensive experience and service to numerous other boards of directors allows him to provide valuable contributions to the Board. In addition, Mr. Zizza also serves as Chairman of the Audit Committee and is the "audit committee financial expert" as required under the rules of the United States Securities and Exchange Commission (the "SEC").

DIRECTORS – CLASS A: Serving a Three-Year Term Expiring 2014

J.M. Allain has served as a director since June 22, 2011. Mr. Allain became the President and Chief Executive Officer of Trans-Lux Corporation on February 16, 2010. Previously, Mr. Allain was President of Panasonic, based in Secaucus, New Jersey and Vice President of Duos Technologies. Mr. Allain has spent his entire career in the high technology field, beginning in the telecommunications and datacom industry with an early adopter of voice over data network technology. The company was later acquired by telecom giant Alcatel where he took on key roles over several years, both domestically and internationally. Mr. Allain's experience in manufacturing spans multiple industries and regions. Mr. Allain is an expert in outsourcing and has managed operations, marketing and sales for enterprises ranging from start-ups to multi-national companies. Mr. Allain is also a recognized industry leader in the Electronic and Physical Security fields. Mr. Allain is an expert in anti-terrorism and the protection of high risk targets and has led deployments of leading-edge integrated systems in high-profile public and private projects. Mr. Allain's experience and deep understanding of the operations of the Corporation allow him to make valuable contributions to the Board.

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

DIRECTORS – CLASS B: Serving a Three-Year Term Expiring 2013

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. Ms. Firstenberg's more than twenty years of experience as a director of the Corporation and her prior role as Chairman of the Audit Committee gives her a deep understanding of the operations of the Corporation and allows her to make valuable contributions to the Board.

Richard Nummi has served as a director since March 6, 2012 when he was elected an independent director. Mr. Nummi is an attorney and is currently responsible for legal oversight and compliance with security industry rules and regulations as Managing Partner of Nummi & Associates, P.A. Previously, Mr. Nummi was Chief Compliance Officer at INVEST Financial Corporation; Chief Compliance Officer at Jefferson-Pilot Financial; President, Executive Vice President, Chief Compliance Officer, General Counsel and Business Analyst for several top wall street firms; a securities regulator with the U.S. Securities and Exchange Commission; and served in the U.S. Navy in Naval Aviation and Naval Intelligence for 12 years. Mr. Nummi's extensive experience in compliance allows him to make valuable contributions to the Board.

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

THE BOARD OF DIRECTORS RECOMMENDS A  
VOTE "FOR" THE APPROVAL OF THE DIRECTOR  
STANDING FOR ELECTION LISTED ABOVE.

IT IS INTENDED THAT PROXIES SOLICITED HEREBY WILL BE  
VOTED "FOR" THE DIRECTOR NOMINEE UNLESS  
THE STOCKHOLDER SPECIFIES OTHERWISE.

RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Proposal No. 5 (Item 5 on Proxy Card)

Ratification of Appointment of Independent Registered Public Accounting Firm

BDO USA, LLP, (“BDO”) has served as our independent registered public accounting firm since May 17, 2010, when the Audit Committee of the Corporation’s Board of Directors approved their engagement to audit the Corporation’s financial statements for the fiscal year ended December 31, 2010. The Audit Committee has appointed BDO as our independent registered public accounting firm for the year ending December 31, 2012.

The ratification of the appointment by our Audit Committee of BDO as our independent registered public accounting firm for the fiscal year ending December 31, 2012 requires the affirmative vote of a majority of the votes cast affirmatively or negatively of Common Stock and Series A Preferred Stock of the Corporation voting in person or by proxy, together as one class and on an as-converted basis. Although stockholder approval of the appointment is not required by law and is not binding on the Audit Committee, the Committee will take the appointment under advisement if such appointment is not approved by the affirmative vote of a majority of the votes cast at the Meeting.

Representatives of BDO may be present at the Annual Meeting to answer appropriate questions and to make a statement if they wish.

The Audit Committee is not aware of any disagreements between management and BDO regarding accounting principles and their application or otherwise.

Change in Auditors: UHY LLP (“UHY”) had served as our independent registered public accounting firm when the Audit Committee approved their engagement to audit the Corporation’s financial statements for the fiscal year ended December 31, 2008. On April 16, 2010, UHY merged its New England practice into Marcum, LLP. As a result of the merger, UHY declined reappointment as our independent registered public accountant firm for the fiscal year ended December 31, 2010. There were no disagreements with UHY on any matter of accounting principles and their application or otherwise. As a result of the aforementioned merger, UHY issued a letter dated April 20, 2010, addressed to the Securities and Exchange Commission, stating that UHY agrees that there were no disagreements on any matters of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

UHY reported on the Corporation’s financial statements for the year ended December 31, 2009. There were no disagreements with UHY on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to UHY’s satisfaction, would have caused them to make a reference to the subject matter in conjunction with their report on the Corporation’s consolidated financial statements or such year; and there were no reportable events, as listed in Item 304 (a) (1) (v) of Regulation S-K.

During the year ended December 31, 2009 and through the date of the Audit Committee’s decision to engage BDO, the Corporation did not consult BDO with respect to the application of accounting principles to a specified transaction, either completed or proposed, or type of audit opinion that might be rendered on the Corporation’s consolidated financial statements, or any other matter or reportable events listed in Item 304 (a) (2) (i) and (ii) of Regulation S-K.

Audit Committee Pre-Approval of Independent Auditor Services: All audit services provided by BDO for 2011 and 2010 were approved by the Audit Committee in advance of the work being performed.

Audit Fees: BDO audit fees were \$160,000 in 2011 and \$166,000 in 2010. BDO audit fees for both 2011 and 2010 included, but were not limited to, fees associated with the annual audit of the Corporation's financial statements, reviews of the Corporation's quarterly reports on Form 10-Q and reviews of the Corporation's proxy statements. UHY audit fees were \$5,000 in 2010. UHY audit fees for 2010 included fees associated with the review of the Corporation's 2010 Form 10-K.

Audit-Related Fees: There were no audit-related services provided by BDO in 2011 or in 2010.

Tax Fees: BDO did not provide any tax services during 2011 or in 2010.

All Other Fees: BDO did not provide any non-audit related services during 2011 or in 2010.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE  
PROPOSAL TO RATIFY THE APPOINTMENT OF BDO, AS  
THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
TO AUDIT THE FINANCIAL STATEMENTS OF THE  
CORPORATION FOR THE 2012 FISCAL YEAR.

IT IS INTENDED THAT PROXIES SOLICITED HEREBY WILL BE VOTED "FOR" THE  
RATIFICATION OF THE APPOINTMENT OF BDO USA, LLP, AS THE  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM TO AUDIT THE  
FINANCIAL STATEMENTS OF THE CORPORATION FOR  
THE 2012 FISCAL YEAR UNLESS THE STOCKHOLDER SPECIFIES OTHERWISE.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL  
OWNERS, DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information as of May 4, 2012 (or such other date specified) with respect to the beneficial ownership of Common Stock or shares acquirable within 60 days of such date by (i) each person known by the Corporation to own more than 5% of the Common Stock and who is deemed to be such beneficial owner of Common Stock under Rule 13d-3(a)(ii); (ii) each person who is a director of the Corporation; (iii) each named executive in the Summary Compensation Table and (iv) all persons as a group who are executive officers and directors of the Corporation, and as to the percentage of outstanding shares held by them on that date:

Name, Status and Mailing Address	Number of Shares Beneficially Owned	Percent of Class (%)
<b>5% Stockholders:</b>		
Gabelli Funds, LLC One Corporate Center Rye, NY 10580-1434	14,055,000(1)	75.2
Henry Hackel 80 Broad Street New York, NY 10004-3303	425,750 (2)	9.1
<b>Non-Employee Directors:</b>		
Jean Firstenberg	1,420 (3)	*
Richard Nummi	-	*
George W. Schiele	175,500 (4)	3.6
Elliot Sloyer	350,000 (5)	6.9
Salvatore J. Zizza	500 (6)	*
<b>Named Executive Officers:</b>		
J.M. Allain	52,000 (7)	1.1
Angela D. Toppi	6,000 (8)	*
Konstantinos (Kostas) Ktistakis	-	*
Andrew Aldrich	-	*
Kristin A. Kreuder	-	*
All directors and executive officers as a group	585,420 (9)	11.2

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

(1)Based on Schedule 13D dated November 21, 2011 by Mario J. Gabelli, GGCP, Inc., Gabelli Funds, LLC, Teton Advisors, Inc., Gamco Investors, Inc., GGCP, Inc., and Gamco Asset Management Inc., which companies are parent holding companies and/or registered investment advisers. All securities are held as agent for the account of various investment company fund accounts managed by such reporting person. Except under certain conditions, Gabelli Funds, LLC has sole voting power and sole dispositive power over such shares. The amount includes

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14,000,000 shares of Common Stock acquirable upon conversion of 200,000 shares of Series A Preferred Stock, 2,000,000 A Warrants and 2,000,000 B Warrants. In addition, on February 10, 2012, Gabelli Equity Series Funds, Inc. – The Gabelli Small Cap Growth Fund filed a Schedule 13G relating to the aforementioned 14,055,000 shares.

- (2) Based on Schedule 13D dated February 6, 2012 by Henry Hackel. All securities included herein are held by Mr. Hackel individually in accounts managed by Mr. Hackel. This table does not include a warrant to purchase 24 Units (each Unit consisting of (a) 50,000 shares of Common Stock, par value \$1.00 per share, and (b) 10,000 warrants to purchase (i) one fully paid and nonassessable share of the Company's Common Stock, and (ii) one warrant to purchase one fully paid and nonassessable share of the Common Stock) issued to R.F. Lafferty & Co., of which Mr. Hackel is President. This table also does not include a warrant to purchase 1,000,000 shares of Common Stock at an exercise price of \$1.00 per share issued to Hackel Family Associates LLC. Mr. Hackel has voting and dispositive power over all shares held by R.F. Lafferty & Co. and Hackel Family Associates LLC.
- (3) The amount includes 1,000 shares of Common Stock acquirable upon exercises of stock options.
- (4) The amount includes 175,000 shares of Common Stock acquirable upon conversion of 2,500 shares of Series A Preferred Stock, 25,000 A Warrants and 25,000 B Warrants and 500 shares of Common Stock acquirable upon exercise of stock options.
- (5) The amount includes 350,000 shares of Common Stock acquirable upon conversion of 5,000 shares of Series A Preferred Stock, 50,000 A Warrants and 50,000 B Warrants, which are owned by WestLane Equity Income Fund LP, of which Mr. Sloyer exercises voting and investment control as fund manager and investor.
- (6) Mr. Zizza disclaims any interest in the shares set forth in footnote 1 above. The amount includes 500 shares of Common Stock acquirable on the exercise of stock options.
- (7) The amount includes 50,000 shares of restricted stock granted on February 16, 2010 which vested on the two-year anniversary date of grant.
- (8) The amount includes 5,000 shares of Common Stock acquirable upon exercise of stock options.
- (9) The amount includes 7,000 shares of Common Stock, as set forth in footnotes above, which members of the group have the right to acquire by exercise of stock options (including director stock options).

#### MEETINGS OF THE BOARD OF DIRECTORS AND CERTAIN COMMITTEES

The Board of Directors held five meetings during 2011. All directors attended 75% or more of such meetings and of the committee meetings for which they were members. The Corporation does not have a formal policy regarding directors' attendance at annual stockholders meetings, but strongly encourages and prefers that directors attend regular and special Board meetings as well as the Annual Meeting of Stockholders in person, although attendance by teleconference is considered adequate. The Corporation recognizes that attendance of the board members at all meetings may not be possible and excuses absences for good cause.

Non-employee directors are due to receive an annual fee of \$10,000, as well as \$1,000 for each meeting of the Board attended and \$500 for telephonic meetings, while employee directors are not entitled to receive any fees. Mr. George Schiele and Mr. Salvatore Zizza, the Chairman and Vice Chairman, respectively, receive an annual fee of \$15,000 each as well as \$1,500 for each meeting of the Board attended and \$750 for telephonic meetings. Fees for members of the Board and Committees are determined annually by the entire Board of Directors based on review of compensation paid by other similar size companies, the amounts currently paid by the Company, the overall policy for determining compensation paid to officers and employees of the Company and the general financial condition of the Company. During 2010 and 2011, certain board members deferred payment of their fees. In lieu of a cash payment, certain board members and former board members have agreed to receive restricted shares of Common Stock which shall contain a legend under the Securities Act of 1933 and which shall not be transferable unless and until registered.





## Corporate Governance Policies and Procedures

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

## Corporate Leadership Structure

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

## Risk Management

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

## Communication with the Board of Directors

Security holders are permitted to communicate with the members of the Board by forwarding written communications to the Corporation’s Corporate Secretary at the Corporation’s headquarters in Norwalk, Connecticut. The Corporate Secretary will present all communications, as received and without screening, to the Board at its next regularly scheduled meeting.

## Committees of the Board of Directors

The Board of Directors has appointed a Compensation Committee, an Audit Committee and a Nominating Committee.

## Compensation Committee

The members of the Compensation Committee of the Board of Directors are Ms. Firstenberg and Messrs. Sloyer and Zizza. The Compensation Committee operates under a formal written charter approved by the Compensation Committee and adopted by the Board of Directors. The Compensation Committee reviews compensation and other benefits. The Compensation Committee held one meeting in 2011. None of the members of the Compensation Committee is or has been an officer or employee of the Corporation. There are no Compensation Committee interlock relationships with respect to the Corporation. Members of said Committee receive a fee of \$320 for each meeting of the Committee they attend and the Chairperson, Ms. Firstenberg, receives an annual fee of \$1,600.

#### Audit Committee

The members of the Audit Committee of the Board of Directors are Messrs. Zizza, Nummi and Sloyer. The Audit Committee operates under a formal written charter approved by the Committee and adopted by the Board of Directors, a copy of which is available on the Corporation's website at <http://www.trans-lux.com/about/investor-information>. The Board of Directors had determined that Mr. Zizza meets the definition of "audit committee financial expert" set forth in Item 407 of Regulation S-K, as promulgated by the SEC. The Audit Committee held three meetings in 2011. The responsibilities of the Audit Committee include the appointment of the independent registered public accounting firm, review of the audit function and material aspects thereof with the Corporation's independent registered public accounting firm, and compliance with the Corporation's policies and applicable laws and regulations. Members of said Committee receive a fee of \$400 for each meeting of the Committee they attend and the Chairman, Mr. Zizza, receives an annual fee of \$2,400 and \$100 for each quarterly telephonic meeting with the independent auditors.

#### Nominating Committee

The members of the Nominating Committee of the Board of Directors are Ms. Firstenberg and Mr. Zizza, each of who is independent in accordance with the Section 952 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Nominating Committee operates under a formal written charter approved by the Committee and adopted by the Board of Directors. The Nominating Committee recommends for consideration by the Board of Directors, nominees for election of directors at the Corporation's Annual Meeting of Stockholders. Director nominees are considered on the basis of, among other things, experience, expertise, skills, knowledge, integrity, understanding the Corporation's business and willingness to devote time and effort to Board responsibilities. The Nominating Committee had one meeting in 2011 to discuss, among other things, nominating the directors for election by our stockholders at the Annual Meeting of Stockholders held March 6, 2012.

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

#### Corporate Governance Committee

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

## Independence of Non-Employee Directors

A director is considered independent if the Board of Directors determines that the director does not have any direct or indirect material relationship with the Corporation. Mr. Allain is an employee of the Corporation and, therefore, has been determined by the Board to fall outside the definition of “independent director.” Messrs. Nummi, Schiele, Sloyer and Zizza and Ms. Firstenberg are non-employee directors of the Corporation. The Board of Directors has determined that Messrs. Nummi, Schiele, Sloyer and Zizza and Ms. Firstenberg are “independent directors” since they had no relationship with the Corporation other than their status and payment as non-employee directors, and as stockholders. The Board of Directors has determined that Messrs. Nummi, Sloyer and Zizza are independent under the SEC’s audit committee independence standards.

## Non-Employee Director Stock Option Plan

The Board of Directors has previously established a Non-Employee Director Stock Option Plan which, as amended, covers a maximum of 30,000 shares for grant. Such options are granted for a term of six years and are priced at fair market value on the grant date. The determination as to the amount of options to be granted to directors is based on years of service, and are calculated on a yearly basis as follows: a minimum of 500 stock options are granted for each director; an additional 500 stock options are granted if a director has served for five years or more; an additional 500 stock options are granted if a director has served for ten years or more; and an additional 1,000 stock options are granted if a director has served for twenty years or more. Such options are exercisable at any time upon the first anniversary of the grant date. The Corporation grants additional stock options upon the expiration or exercise of any such option if such exercise or expiration occurs no earlier than four years after date of grant, in an amount equal to the number of options that have been exercised or that have expired.

## Compensation of Directors

The following table represents director compensation for 2011:

Name	Year	Fees Earned (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Nonqualified		All Other Compensation (\$)	Total (\$)
					Incentive Plan Compensation (\$)	Deferred Earnings (\$)		
J.M. Allain (1)	2011	640	-	-	-	-	-	640
Glenn Angiolillo (2)	2011	4,000	-	-	-	-	-	4,000
Jean Firstenberg	2011	4,320	-	-	-	-	-	4,320
Howard S. Modlin (3)	2011	6,000	-	-	-	-	-	6,000
Michael R. Mulcahy (4)	2011	4,400	-	-	-	-	25,094	29,494
George W. Schiele	2011	34,720	-	-	-	-	-	34,720
Angela D. Toppi (5)	2011	2,400	-	-	-	-	-	2,400

Salvatore J.

Zizza	2011	36,700	-	-	-	-	-	36,700
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- (1) Mr. Allain was appointed a director by the Board of Directors on June 22, 2011.
  - (2) Mr. Angiolillo resigned from the Board of Directors on November 28, 2011.
  - (3) Mr. Modlin retired from the Board of Directors on March 6, 2012.
  - (4) All other compensation consists of medical insurance premiums paid and cash surrender value of all life insurance policy transferred to Mr. Mulcahy. Mr. Mulcahy retired from the Board of Directors on March 6, 2012.
  - (5) Ms. Toppi resigned from the Board of Directors on March 6, 2012.

## Audit Committee Report

The information contained in this Proxy Statement shall not be deemed to be “soliciting material” or “filed with the SEC” or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that it is specifically incorporated by reference into a document filed under the Securities Act of 1933 (“Securities Act”) or Exchange Act.

The following is a report of the Audit Committee of the Board of Directors:

The three members of the Audit Committee of the Board of Directors listed below are independent directors as defined by Section 952 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Board of Directors has adopted a written charter for the Audit Committee.

The responsibilities of the Audit Committee include recommending to the Board of Directors an accounting firm to be engaged as the Corporation’s independent registered public accounting firm. Management is responsible for the preparation of the Corporation’s financial statements and the financial reporting process, including the system of internal controls. The independent registered public accountants are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States of America. The Audit Committee’s responsibility is to oversee these processes.

The Audit Committee has met and held discussions with management and the independent registered public accountants. The Audit Committee has reviewed and discussed the matters required to be discussed by Statement on Auditing Standards No. 61, “Communication with Audit Committees,” as amended. The Corporation’s independent registered public accountants have provided to the Audit Committee the written disclosures and the letter required under Independence Standards of the Public Company Accounting Oversight Board (PCAOB) Rule 3526, “Communication with Audit Committees Concerning Independence.” The Audit Committee also considered the compatibilities of non-audit services with the accountants’ independence.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed with management the Corporation’s audited consolidated financial statements contained in the Corporation’s Annual Report on Form 10-K for the year ended December 31 2011. The Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on April 16, 2012.

The Audit Committee has discussed the overall scope and plans for the audit with the independent registered public accountants. The Audit Committee will meet with the independent accountants, with and without management present, to discuss the results of their examination and the overall quality of the Corporation’s financial reporting.

### Independent Registered Public Accounting Firms’ Fees

During the year ended December 31, 2011, audit fees of \$160,000 were paid or accrued to BDO, the Corporation’s independent registered public accounting firm. Audit fees for 2011 were for the annual audit of the Corporation’s financial statements, reviews of the Corporation’s quarterly reports on Form 10-Q and a review of the Corporation’s proxy statement.

As described above in Proposal No. 5, the Corporation changed auditors from UHY to BDO during the year 2010. During the year ended December 31, 2010, audit fees of \$166,000 were paid to BDO, and audit fees of \$5,000 were paid to UHY. BDO audit fees for 2010 included fees associated with the annual audit of the Corporation’s financial statements, reviews of the Corporation’s quarterly reports on Form 10-Q and review of the Corporation’s proxy statement. UHY audit fees for 2010 included fees associated with the review of the Corporation’s 2010 Form

10-K.

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The Audit Committee of the Board of Directors has considered the absence of non-audit services by the auditors for financial information systems design and implementation and absence of all other non-audit services as compatible with maintaining the auditor's independence.

This report is submitted by the Audit Committee. Its members are:

Salvatore J. Zizza, Chairman  
Richard Nummi  
Elliot Sloyer

## COMPENSATION OF EXECUTIVE OFFICERS AND TRANSACTIONS WITH MANAGEMENT

### Compensation Discussion and Analysis

All matters concerning executive compensation for the Chief Executive Officer and other executive officers whose annual base salaries are over \$200,000 per year are considered by the Corporation's Compensation Committee. Our compensation structure for our executives is designed to attract individuals with the skills necessary for us to achieve our business plan, to reward those individuals for successful performance over time, and to retain those executives who continue to perform at or above our expectations, without incurring risk-taking incentives that may adversely affect the Corporation. Our executives' compensation has three primary components: a base salary and stock option/restricted stock awards.

**Base Salary.** We fix the base salary of each of our executives at a level we believe enables us to hire and retain individuals in a competitive environment and rewards satisfactory individual performance and a satisfactory level of contribution to our overall business goals. We also take into account the base salaries paid by similarly sized companies and the base salaries of other companies with which we believe we compete for talent. To this end, we subscribe to certain executive compensation surveys and other databases and review them at least annually; but also when making crucial executive hiring decisions, or at the end of the term of any employment agreements into which we enter.

**Cash Incentive Bonus.** We design the cash incentive bonuses for our executives to focus the executive on achieving key financial and/or operational objectives within a yearly time horizon, as described in more detail below. Our President and Chief Executive Officer, J.M. Allain, receives a cash incentive bonus as a primary component of his compensation package.

**Stock Option/Restricted Stock Awards.** We occasionally grant stock options or restricted stock relating to employment agreements and/or to reward long-term performance. We believe that such compensation incentivizes each executive to create value for the Corporation, and ties executive performance directly to the financial performance of the Corporation as a whole. We take into consideration the executives tenure with the Corporation, as well as the availability of options, in addition to the executive's performance in determining grants of options and restricted stock awards.



We view the three primary components of our executive compensation as related but distinct. Although we review total compensation, we do not believe that significant compensation derived from one component of compensation should negate or reduce compensation from other components. We determine the appropriate level for each compensation component based in part, but not exclusively, on our view of internal equity and consistency, individual performance and other information we deem relevant, such as the survey data referred to above. We believe that salary and cash incentive bonuses are primary considerations and that stock options/restricted stock awards are secondary considerations. Except as described below, we have not adopted any formal policies or guidelines for allocating compensation between long-term and currently paid out compensation, between cash and non-cash compensation, or among different forms of compensation. This is due to the small size of our executive team, and our need to remain flexible and to tailor each executive's award to attract and retain that executive. For example, the Corporation, as an inducement to Mr. Allain to enter into his initial employment contract, granted him 50,000 restricted shares of Common Stock which vested 50% on the one year anniversary and the remaining 50% after two years; this sort of inducement granting of restricted stock was unprecedented at the time, but our flexible compensation structure allowed us to reach this mutually beneficial arrangement.

In addition to the three primary components of compensation described above, we provide our executives with benefits that are generally available to our salaried employees. These benefits include health and medical benefits, flexible spending plans, life insurance and short and long-term disability. We also may provide our executives with severance, as described in more detail below.

No stock options were awarded during 2011 to any employees, and therefore, the Corporation did not record any related compensation expense. There are no stock option plans currently in effect providing for the grant of new options to employees. For this reason, among the other reasons described in Proposal No. 3 above, the Corporation asks its stockholders to vote to approve Proposal No. 3 hereof to adopt a new 2012 Long-Term Incentive Plan for officers, directors and employees.

**Cash Incentive Bonus.** Cash incentive bonuses for our executives are established as part of their respective individual employment agreements, as applicable. Currently, J.M. Allain, our President and Chief Executive Officer, is the only executive officer of the Corporation entitled to a cash incentive bonus; his cash incentive bonus is determined in accordance with the terms of his employment agreement with the Company. As a general matter, the Compensation Committee is responsible for determining all criteria for the provision of any cash incentive bonuses awarded by the Corporation, and any such decisions by the Compensation Committee must be approved by the Board of Directors at the time any employment agreement contemplating a cash incentive bonus is entered into. Based on the financial standing of the Corporation, no cash incentive bonuses were paid for the year ended December 31, 2011.

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

**Other Benefits.** Our executives are eligible to participate in all of our employee benefit plans, such as medical, group life and disability insurance, and our 401(k) plan, in each case on the same basis as our other employees. There were no special benefits or perquisites provided to any executive officer in 2011.

**Compensation Consultants.** The Corporation has not engaged the services of any outside compensation consultant for 2011.

Compensation Committee Report

The information contained in this Proxy Statement shall not be deemed to be “soliciting material” or “filed with the SEC” or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or Exchange Act.

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management and, based on such review and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

This report is submitted by the Compensation Committee. Its members are:

Jean Firstenberg, Chairperson  
Elliot Sloyer  
Salvatore Zizza

Compensation of Executive Officers

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

Summary Compensation Table

Annual Compensation

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Plan Compensation (\$)	Change in Pension Value of Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Earnings (\$)	All Other Compensation (\$)	Total (\$)
J.M. Allain Pre	2011	254,808	-	-	-	-	-	-	18,640	273,448