证券代码：300232　　　　证券简称：洲明科技　　　　公告编号：2023-057

深圳市洲明科技股份有限公司

关于海外上市子公司Trans-Lux Corporation

发布2023年半年度报告的公告

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

深圳市洲明科技股份有限公司的子公司 Trans-Lux Corporation 于近日公布了2023 年半年度报告。

2023 年半年度 Trans-Lux Corporation 主要的财务数据列示如下：

项目	本报告期	上年同期	本报告期比上年同期增减
营业总收入（千美元）	7,335	10,967	-33.12%
净利润（千美元）	-1,733	1,023	-269.40%
经营活动产生的现金流量净额（千美元）	598	-1,106	154.07%
基本每股收益（美元/股）	-0.13	0.08	-262.50%
项目	**本报告期末**	**上年度末**	**本报告期末比上年度末增减**
总资产（千美元）	9,421	9,412	0.10%
净资产（千美元）	-11,939	-10,324	-15.64%

Trans-Lux Corporation 2023 年半年度报告的内容详见附录，并可于美国证券交易委员会网站（https://www.sec.gov/）查询。

特此公告，敬请投资者关注。

深圳市洲明科技股份有限公司董事会

2023 年 8 月 18 日

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2023

Commission file number 1-2257

TRANS-LUX CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	13-1394750
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

254 West 31st Street, 12th Floor, New York, New York	10001
(Address of principal executive offices)	(Zip code)

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

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to file such files). Yes X No ______________________________

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ___ Accelerated filer ___ Non-accelerated filer X Smaller reporting company X
Emerging growth company ___

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

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Date	Class	Shares Outstanding
8/10/23	Common Stock - $0.001 Par Value	13,496,276

TRANS-LUX CORPORATION AND SUBSIDIARIES

Table of Contents

Part I - Financial Information (unaudited)

Item 1.

TRANS-LUX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

In thousands, except share data	June 30 2023	December 31 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 198	$ 48
Receivables, net	1,660	2,832
Inventories	2,207	2,722
Prepaids and other assets	961	1,071
Total current assets	5,026	6,673
Long-term assets:		
Rental equipment, net	168	225
Property, plant and equipment, net	1,838	1,715
Right of use assets	2,155	765
Restricted cash	200	-
Other assets	34	34
Total long-term assets	4,395	2,739
TOTAL ASSETS	$ 9,421	$ 9,412
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 6,608	$ 6,339
Accrued liabilities	4,375	4,279
Current portion of long-term debt	3,768	3,768
Current lease liabilities	497	393
Customer deposits	1,009	1,183
Total current liabilities	16,257	15,962
Long-term liabilities:		
Long-term debt, less current portion	500	500
Long-term lease liabilities	1,689	412
Deferred pension liability and other	2,914	2,862
Total long-term liabilities	5,103	3,774
Total liabilities	21,360	19,736
Stockholders' deficit:		
Preferred Stock Series A - $20 stated value - 416,500 shares authorized; shares issued and outstanding: 0 in 2023 and 2022	-	-
Preferred Stock Series B - $200 stated value - 51,000 shares authorized; shares issued and outstanding: 0 in 2023 and 2022	-	-
Common Stock - $0.001 par value - 30,000,000 shares authorized; shares issued: 13,524,116 in 2023 and 13,474,116 in 2022 shares outstanding: 13,496,276 in 2023 and 13,446,276 in 2022	13	13
Additional paid-in-capital	41,508	41,444
Accumulated deficit	(44,385)	(42,652)
Accumulated other comprehensive loss	(6,012)	(6,066)
Treasury stock - at cost - 27,840 common shares in 2023 and 2022	(3,063)	(3,063)
Total stockholders' deficit	(11,939)	(10,324)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 9,421	$ 9,412

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

TRANS-LUX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

In thousands, except per share data	3 Months Ended June 30 2023	3 Months Ended June 30 2022	6 Months Ended June 30 2023	6 Months Ended June 30 2022
Revenues:				
Digital product sales	$2,767	$7,016	$ 6,888	$10,253
Digital product lease and maintenance	219	286	447	714
Total revenues	2,986	7,302	7,335	10,967
Cost of revenues:				
Cost of digital product sales	2,617	5,800	6,420	8,758
Cost of digital product lease and maintenance	115	142	220	307
Total cost of revenues	2,732	5,942	6,640	9,065
Gross income	254	1,360	695	1,902
General and administrative expenses	(816)	(822)	(1,894)	(1,584)
Operating (loss) income	(562)	538	(1,199)	318
Interest expense, net	(194)	(130)	(338)	(272)
(Loss) gain on foreign currency remeasurement	(51)	76	(59)	60
Gain on forgiveness of PPP loan	-	-	-	824
Pension (expense) benefit	(62)	52	(125)	105
(Loss) income before income taxes	(869)	536	(1,721)	1,035
Income tax expense	(6)	(6)	(12)	(12)
Net (loss) income	$ (875)	$ 530	$ (1,733)	$ 1,023

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

TRANS-LUX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(unaudited)

In thousands	3 Months Ended June 30 2023	3 Months Ended June 30 2022	6 Months Ended June 30 2023	6 Months Ended June 30 2022
Net (loss) income	$ (875)	$ 530	$ (1,733)	$ 1,023
Other comprehensive income:				
Unrealized foreign currency translation gain (loss)	47	(71)	54	(44)
Total other comprehensive income (loss), net of tax	47	(71)	54	(44)
Comprehensive (loss) income	$ (828)	$ 459	$ (1,679)	$ 979

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

TRANS-LUX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(unaudited)

	Preferred Stock								Accumulated		Total
	Series A		Series B		Common Stock		Add'l		Other		Stock-
In thousands, except share data	Shares	Amt	Shares	Amt	Shares	Amt	Paid-in Capital	Accumulated Deficit	Comprehensive Loss	Treasury Stock	holders' Deficit
For the 6 months ended June 30, 2023											
Balance January 1, 2023	-	$ -	-	$ -	13,474,116	$ 13	$ 41,444	$ (42,652)	$ (6,066)	$ (3,063)	$(10,324)
Net loss	-	-	-	-	-	-	-	(1,733)	-	-	(1,733)
Stock issued to directors/officers	-	-	-	-	50,000	-	26	-	-	-	26
Issuance of options	-	-	-	-	-	-	38	-	-	-	38
Other comprehensive income, net of tax:											
Unrealized foreign currency translation gain	-	-	-	-	-	-	-	-	54	-	54
Balance June 30, 2023	-	$ -	-	$-	13,524,116	$ 13	$ 41,508	$ (44,385)	$ (6,012)	$ (3,063)	$(11,939)
For the 3 months ended June 30, 2023											
Balance April 1, 2023	-	$ -	-	$ -	13,474,116	$ 13	$ 41,482	$ (43,510)	$ (6,059)	$ (3,063)	$(11,137)
Net loss	-	-	-	-	-	-	-	(875)	-	-	(875)
Stock issued to directors/officers	-	-	-	-	50,000	-	26	-	-	-	26
Other comprehensive income, net of tax:											
Unrealized foreign currency translation gain	-	-	-	-	-	-	-	-	47	-	47
Balance June 30, 2023	-	$ -	-	$-	13,524,116	$ 13	$ 41,508	$ (44,385)	$ (6,012)	$ (3,063)	$(11,939)
For the 6 months ended June 30, 2022											
Balance January 1, 2022	-	$ -	-	$ -	13,474,116	$ 13	$ 41,330	$ (42,975)	$ (6,253)	$ (3,063)	$(10,948)
Net income	-	-	-	-	-	-	-	1,023	-	-	1,023
Issuance of options	-	-	-	-	-	-	38	-	-	-	38
Other comprehensive loss, net of tax:											
Unrealized foreign currency translation loss	-	-	-	-	-	-	-	-	(44)	-	(44)
Balance June 30, 2022	-	$ -	-	$-	13,474,116	$ 13	$ 41,368	$ (41,952)	$ (6,297)	$ (3,063)	$ (9,931)
For the 3 months ended June 30, 2022											
Balance April 1, 2022	-	$ -	-	$ -	13,474,116	$ 13	$ 41,330	$ (42,482)	$ (6,226)	$ (3,063)	$(10,428)
Net income	-	-	-	-	-	-	-	530	-	-	530
Issuance of options	-	-	-	-	-	-	38	-	-	-	38
Other comprehensive loss, net of tax:											
Unrealized foreign currency translation loss		-	-	-	-	-	-	-	(71)	-	(71)
Balance June 30, 2022	-	$ -	-	$-	13,474,116	$ 13	$ 41,368	$ (41,952)	$ (6,297)	$ (3,063)	$ (9,931)

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

TRANS-LUX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

In thousands	6 Months Ended June 30 2023	6 Months Ended June 30 2022
Cash flows from operating activities		
Net (loss) income	$(1,733)	$ 1,023
Adjustment to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	182	219
Amortization of right of use assets	211	195
Gain on forgiveness of PPP loan	-	(824)
Amortization of deferred financing fees and debt discount	-	53
Loss on foreign currency remeasurement	59	(60)
Issuance of common stock for compensation	26	-
Amortization of stock options	38	38
Allowance for credit losses	(25)	14
Changes in operating assets and liabilities:		
Accounts receivable	1,197	(1,321)
Inventories	515	(1,509)
Prepaids and other assets	110	84
Accounts payable	269	(88)
Accrued liabilities	91	176
Operating lease liabilities	(220)	(188)
Customer deposits	(174)	1,187
Deferred pension liability and other	52	(105)
Net cash provided by (used in) operating activities	598	(1,106)
Cash flows from investing activities		
Purchases of property, plant and equipment	(248)	(12)
Net cash used in investing activities	(248)	(12)
Cash flows from financing activities		
Proceeds from long-term debt	200	703
Payments of long-term debt	(200)	-
Net cash provided by financing activities	-	703
Effect of exchange rate changes	-	(1)
Net increase (decrease) in cash, cash equivalents and restricted cash	350	(416)
Cash, cash equivalents and restricted cash at beginning of year	48	524
Cash, cash equivalents and restricted cash at end of period	**$ 398**	**$ 108**
Supplemental disclosure of cash flow information:		
Interest paid	$ 23	$ -
Income taxes paid	10	10
Reconciliation of cash, cash equivalents and restricted cash to amounts reported in the Condensed Consolidated Balance Sheets at end of period:		
Current assets		
Cash and cash equivalents	$ 198	$ 108
Long-term assets		
Restricted cash	200	-
Cash, cash equivalents and restricted cash at end of period	$ 398	$ 108

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

Note 1 – **Basis of Presentation**

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

Financial information included herein is unaudited, however, such information reflects all adjustments (of a normal and recurring nature), which are, in the opinion of management, necessary for the fair presentation of the Condensed Consolidated Financial Statements for the interim periods. The results for the interim periods are not necessarily indicative of the results to be expected for the full year. The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission (the "SEC") and therefore do not include all information and footnote disclosures required under accounting principles generally accepted in the United States of America ("GAAP"). The Condensed Consolidated Financial Statements included herein should be read in conjunction with the Consolidated Financial Statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. The Condensed Consolidated Balance Sheet at December 31, 2022 is derived from the December 31, 2022 audited financial statements.

Critical Accounting Policies and Estimates

Accounting policies used in the preparation of our financial statements may involve the use of management judgments and estimates. Certain of our accounting policies are considered critical as they are both important to the portrayal of our financial statements and require significant or complex judgments on the part of management. Our judgments and estimates are based on experience and assumptions that we believe are reasonable under the circumstances. Further, we evaluate our judgments and estimates from time to time as circumstances change. Actual financial results based on judgments or estimates may vary under different assumptions or circumstances. Our critical accounting policies are discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the Securities and Exchange Commission on March 31, 2023.

Restricted cash: The Company classifies cash as restricted when the cash is unavailable for withdrawal or usage for general operations. Restrictions may include legally restricted deposits, contracts entered into with others, or the Company's statements of intention with regard to particular deposits. As of June 30, 2023, the Company had $200,000 of Restricted cash. The Company had no Restricted cash as of December 31, 2022.

The following new accounting pronouncements were adopted in 2023:

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic

326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 requires that entities use a new forward looking "expected loss" model that generally will result in the earlier recognition of allowance for credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2022. The Company adopted the new guidance on January 1, 2023 and determined it did not have a material impact on its consolidated financial statements.

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

None.

Note 2 – **Liquidity and Going Concern**

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

The Company has incurred recurring operating losses and continues to have a working capital deficiency including being in default of several debt obligations. The Company recorded a loss of $1.7 million in the six months ended June 30, 2023, and had a working capital deficiency of $11.2 million as of June 30, 2023. As of December 31, 2022, the Company had a working capital deficiency of $9.3 million. The Company is dependent on future operating performance in order to generate sufficient cash flows in order to continue to run its businesses. Future operating performance is dependent on general economic conditions, as well as financial, competitive and other factors beyond our control, including the impact of the current economic environment, the spread of major epidemics (including coronavirus), increases in interest rates and other related uncertainties such as government-imposed travel restrictions, interruptions to supply chains, extended shut down of businesses and the impact of inflation. In order to more effectively manage its cash resources, the Company had, from time to time, increased the timetable of its payment of some of its payables, which delayed certain product deliveries from our vendors, which in turn delayed certain deliveries to our customers.

If we are unable to (i) obtain additional liquidity for working capital, (ii) make the required minimum funding contributions to the defined benefit pension plan, (iii) make the required principal and interest payments on our outstanding 8¼% Limited convertible senior subordinated notes due 2012 (the "Notes") and 9½% Subordinated debentures due 2012 (the "Debentures"), (iv) repay our obligations under our Loan Agreement (hereinafter defined) with Unilumin and/or (v) repay our obligations under our loan agreements with Carlisle, there would be a significant adverse impact on our financial position and operating results. The Company continually evaluates the need and availability of long-term capital in order to meet its cash requirements and fund potential new opportunities. Due to the above, there is substantial doubt as to whether we will have adequate liquidity, including access to the debt and equity capital markets, to continue as a going concern over the next 12 months from the date of issuance of this Form 10-Q.

Note 3 – Revenue Recognition

We recognize revenue in accordance with two different accounting standards: 1) Accounting Standards Codification ("ASC") Topic 606 and 2) ASC Topic 842. Under Topic 606, revenue from contracts with customers is measured based on the consideration specified in the contract with the customer, and excludes any sales incentives and amounts collected on behalf of third parties. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer, and is the unit of account under Topic 606. Our contracts with customers generally do not include multiple performance obligations. We recognize revenue when we satisfy a performance obligation by transferring control over a product or service to a customer. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for such products or services. None of the Company's contracts contained a significant financing component as of June 30, 2023. Revenue from the Company's digital product and maintenance service is recognized ratably over the lease term in accordance with ASC Topic 842.

Disaggregated Revenues

The following table represents a disaggregation of revenue from contracts with customers for the three and six months ended June 30, 2023 and 2022, along with the reportable segment for each category:

	Three months ended		Six months ended	
In thousands	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Digital product sales:				
Catalog and small customized products	$2,767	$7,016	$6,888	$10,253
Large customized products	-	-	-	-
Subtotal	2,767	7,016	6,888	10,253
Digital product lease and maintenance:				
Operating leases	117	140	248	311
Maintenance agreements `	102	146	199	403
Subtotal	219	286	447	714
Total	$2,986	$7,302	$7,335	$10,967

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

Digital Product Sales

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

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

Digital Product Lease and Maintenance

Digital product lease revenues represent revenues from leasing equipment that we own. We do not generally provide an option for the lessee to purchase the rented equipment at the end of the lease and do not generate material revenue from sales of equipment under such options. Our lease revenues do not include material amounts of variable payments. Digital product maintenance revenues represent revenues from maintenance agreements for equipment that we do not own. Lease and maintenance contracts generally run for periods of one month to 10 years. A contract entered into by the Company with a customer may contain both lease and maintenance services (either or both services may be agreed upon based on the individual customer contract). Maintenance services may consist of providing labor, parts and software maintenance as may be required to maintain the customer's equipment in proper operating condition at the customer's service location. The Company concluded the lease and maintenance services represent a series of distinct services and the most representative method for measuring progress towards satisfying the performance obligation of these services is the input method. Additionally, maintenance services require the Company to "stand ready" to provide support to the customer when and if needed. As there is no discernable pattern of efforts other than evenly over the lease and maintenance terms, the Company will recognize revenue straight-line over the lease and maintenance terms of service.

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

Revenues from equipment lease and maintenance contracts are recognized during the term of the respective agreements. At June 30, 2023, the future minimum lease payments due to the Company under operating leases that expire at varying dates through 2030 for its rental equipment and maintenance contracts, assuming no renewals of existing leases or any new leases, aggregating $1,421,000 are as follows: $247,000 – remainder of 2023, $391,000 – 2024, $305,000 – 2025, $235,000 – 2026, $176,000 – 2027 and $67,000 thereafter.

Contract Balances with Customers

Contract assets primarily relate to rights to consideration for goods or services transferred to the customer when the right is conditional on something other than the passage of time. The contract assets are transferred to the receivables when the rights become unconditional. As of June 30, 2023 and December 31, 2022, the Company had no contract assets. The contract liabilities primarily relate to the advance consideration received from customers for contracts prior to the transfer of control to the customer and therefore revenue is recognized on completion of delivery. Contract liabilities are classified as deferred revenue by the Company and are included in customer deposits and accrued liabilities in the Condensed Consolidated Balance Sheets.

The following table presents the balances in the Company's receivables and contract liabilities with customers:

In thousands	June 30, 2023	December 31, 2022
Gross receivables	$1,828	$3,123
Allowance for credit loss	168	291
Net receivables	1,660	2,832
Contract liabilities	1,109	1,229

During the three and six months ended June 30, 2023 and 2022, the Company recognized the following revenues as a result of changes in the contract asset and the contract liability balances in the respective periods:

In thousands	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue recognized in the period from:				
Amounts included in the contract liability at the beginning of the period	$570	$1,397	$951	$1,868
Performance obligations satisfied in previous periods (for example, due to changes in transaction price)	-	-	-	-

Transaction Price Allocated to Future Performance Obligations

As of June 30, 2023, the aggregate amount of the transaction price allocated to remaining performance obligations for digital product sales was $3.2 million and digital product lease and maintenance was $1.4 million. The Company expects to recognize revenue on approximately 80%, 13% and 7% of the remaining performance obligations over the next 12 months, 13 to 36 months and 37 or more months, respectively.

Costs to Obtain or Fulfill a Customer Contract

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

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

Note 4 – Inventories

Inventories consist of the following:

In thousands	June 30 2023	December 31 2022
Raw materials	$1,808	$2,535
Work-in-progress	-	-
Finished goods	399	187
	$2,207	$2,722

Note 5 – Rental Equipment, net

Rental equipment consists of the following:

In thousands	June 30 2023	December 31 2022
Rental equipment	$2,077	$2,077
Less accumulated depreciation	1,909	1,852
Net rental equipment	$ 168	$ 225

Depreciation expense for rental equipment for the six months ended June 30, 2023 and 2022 was $57,000 and $93,000, respectively. Depreciation expense for rental equipment for the three months ended June 30, 2023 and 2022 was $28,000 and $46,000, respectively.

Note 6 – Property, Plant and Equipment, net

Property, plant and equipment consists of the following:

In thousands	June 30 2023	December 31 2022
Machinery, fixtures and equipment	$3,104	$2,856
Leaseholds and improvements	23	23
	3,127	2,879
Less accumulated depreciation	1,289	1,164
Net property, plant and equipment	$1,838	$1,715

Machinery, fixtures and equipment having a net book value of $1.8 million and $1.7 million at June 30, 2023 and December 31, 2022, respectively, were pledged as collateral under various financing agreements.

Depreciation expense for property, plant and equipment for the six months ended June 30, 2023 and 2022 was $125,000 and $126,000, respectively. Depreciation expense for property, plant and equipment for the three months ended June 30, 2023 and 2022 was $62,000 and $63,000, respectively.

Note 7 − Long-Term Debt

Long-term debt consists of the following:

In thousands	June 30 2023	December 31 2022
8¼% Limited convertible senior subordinated notes due 2012	$ 302	$ 302
9½% Subordinated debentures due 2012	220	220
Revolving credit line – related party	2,246	2,246
Term loans – related party	1,000	1,000
Term loans	500	500
Total debt	4,268	4,268
Less deferred financing costs and debt discount	-	-
Net debt	4,268	4,268
Less portion due within one year	3,768	3,768
Net long-term debt	$ 500	$ 500

On September 16, 2019, the Company entered into a loan agreement (the "Loan Agreement") with MidCap, which was subsequently modified. On July 30, 2021, MidCap assigned the loan to Unilumin. On March 20, 2023, the Company and Unilumin entered into a modification agreement to the Loan Agreement effective December 31, 2022. The Loan Agreement matures on December 31, 2023. The Loan Agreement allows the Company to borrow up to an aggregate of $2.2 million at an interest rate of the Prime Rate as published in the Wall Street Journal plus 4.75% (13.00% at June 30, 2023) on a revolving credit loan based on accounts receivable, inventory and equipment for general working capital purposes. As of June 30, 2023, the balance outstanding under the Loan Agreement was $2.2 million. The Loan Agreement contains financial and other covenant requirements, including financial covenants that require the Company to attain certain EBITDA amounts for certain periods, including the year ended June 30, 2023. The Loan Agreement is secured by substantially all of the Company's assets.

The Company entered into a loan note (the "Loan Note") with the SBA ("Lender") as lender under their Economic Injury Disaster Loan ("EIDL") program, dated as of December 10, 2021. Under the Loan Note, the Company borrowed $500,000 from Lender under the EIDL Program. As of June 30, 2023, $500,000 was outstanding. The loan matures on December 10, 2051 and carries an interest rate of 3.75%. As of June 30, 2023 and December 31, 2022, the Company had accrued $29,000 and $20,000, respectively, of interest related to the Loan Note, which is included in Accrued liabilities in the Consolidated Balance Sheets.

On April 23, 2020, the Company entered into a loan note (the "Loan Note") with Enterprise Bank and Trust ("Lender") as lender under the CARES Act of the Small Business Administration of the United States of America ("SBA"), dated as of April 20, 2020. Under the Loan Note, the Company borrowed $811,000 from Lender under the Paycheck Protection Program ("PPP") included in the SBA's CARES Act. The Loan Note proceeds were forgivable as long as the Company uses the loan proceeds for eligible purposes including payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leave; rent; utilities; and maintains its payroll levels. In January 2022, the loan was forgiven in full and the payments that had previously been paid were refunded. Refund proceeds in the amount of $453,000 are included in proceeds from long-term debt in the accompanying condensed consolidated statements of Cash Flows for the six months ended June 30, 2022.

The Company has a $500,000 loan from Carlisle Investments Inc. ("Carlisle") at a fixed interest rate of 12.00%, which matured on April 27, 2019 with a bullet payment of all principal due at such time. Interest is payable monthly. Carlisle had agreed to not demand payment on the loan through at least December 31, 2020, and has not made any such demands as of the date of this filing. As of June 30, 2023, the entire amount was outstanding and is included in current portion of long-term debt in the Consolidated Balance Sheets. As of June 30, 2023 and December 31, 2022, the Company had accrued $330,000 and $300,000, respectively, of interest related to this loan, which are included in accrued liabilities in the Condensed Consolidated Balance Sheets. Marco Elser, a director of the Company, exercises voting and dispositive power as investment manager of Carlisle.

The Company has an additional $500,000 loan from Carlisle at a fixed interest rate of 12.00%, which matured on December 10, 2017 with a bullet payment of all principal due at such time (the "Second Carlisle Agreement"). Interest is payable monthly. Carlisle had agreed to not demand payment on the loan through at least December 31, 2020, and has not made any such demands as of the date of this filing. As of June 30, 2022, the entire amount was outstanding and is included in current portion of long-term debt Consolidated Balance Sheets. As of June 30, 2023 and December 31, 2022, the Company had accrued $330,000 and $300,000, respectively, of interest related to this loan, which are included in accrued liabilities in the Condensed Consolidated Balance Sheets. Under the Second Carlisle Agreement, the Company granted a security interest to Carlisle in accounts receivable, materials and intangibles relating to a certain purchase order for equipment issued in April 2017.

As of June 30, 2023 and December 31, 2022, the Company had outstanding $302,000 of Notes. The Notes matured as of March 1, 2012 and are currently in default. As of June 30, 2023 and December 31, 2022, the Company had accrued $345,000 and $332,000, respectively, of interest related to the Notes, which is included in Accrued liabilities in the Consolidated Balance Sheets. The trustee, by notice to the Company, or the holders of 25% of the principal amount of the Notes outstanding, by notice to the Company and the trustee, may declare the outstanding principal plus interest due and payable immediately.

As of June 30, 2023 and December 31, 2022, the Company had outstanding $220,000 of Debentures. The Debentures matured as of December 1, 2012 and are currently in default. As of June 30, 2023 and December 31, 2022, the Company had accrued $284,000 and $273,000, respectively, of interest related to the Debentures, which is included in Accrued liabilities in the Consolidated Balance Sheets. The trustee, by notice to the Company, or the holders of 25% of the principal amount of the Debentures outstanding, by notice to the Company and the trustee, may declare the outstanding principal plus interest due and payable immediately.

Note 8 − Pension Plan

As of December 31, 2003, the benefit service under the pension plan had been frozen and, accordingly, there is no service cost. As of April 30, 2009, the compensation increments had been frozen and, accordingly, no additional benefits are being accrued under the pension plan.

The following table presents the components of net periodic pension cost for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30		Six months ended June 30	
In thousands	2023	2022	2023	2022
Interest cost	$ 134	$ 76	$ 268	$ 152
Expected return on plan assets	(146)	(200)	(291)	(400)
Amortization of net actuarial loss	74	72	148	143
Net periodic pension expense (benefit)	$ 62	$ (52)	$ 125	$(105)

As of June 30, 2023, the Company had recorded a current pension liability of $73,000, which is included in accrued liabilities in the Condensed Consolidated Balance Sheets, and a long-term pension liability of $2.9 million, which is included in deferred pension liability and other in the Condensed Consolidated Balance Sheets. As of December 31, 2022, all pension contributions were due more than one year from the reporting date, so the Company did not record a current pension liability, and the Company had recorded a long-term pension liability of $2.9 million. There is not expected to be a minimum required contribution in 2023.

Note 9 − Leases

The Company leases administrative and manufacturing facilities through operating lease agreements. The Company has no finance leases as of June 30, 2023. Our leases include both lease (e.g., fixed payments including rent) and non-lease components (e.g., common area or other maintenance costs). The facility leases include one or more options to renew. The exercise of lease renewal options is typically at our sole discretion, therefore, the renewals to extend the lease terms are not included in our right of use ("ROU") assets or lease liabilities as they are not reasonably certain of exercise. We regularly evaluate the renewal options and, when they are reasonably certain of exercise, we include the renewal period in our lease term. In April 2023, the Company exercised its 5-year renewal option at its Hazelwood, MO facility. In connection with the renewal, the Company remeasured its lease liability, which increased the ROU asset and lease liability by $1.6 million on the remeasurement date.

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

Supplemental information regarding leases:

In thousands, unless otherwise noted	June 30 2023
Balance Sheet:	
ROU assets	$2,155
Current lease liabilities – operating	497
Non-current lease liabilities - operating	1,689
Total lease liabilities	2,186
Weighted average remaining lease term (years)	4.0
Weighted average discount rate	10.1%
Future minimum lease payments:	
Remainder of 2023	$ 223
2024	545
2025	560
2026	577
2027	451
Thereafter	414
Total	2,770
Less: Imputed interest	584
Total lease liabilities	2,186
Less: Current lease liabilities	497
Long-term lease liabilities	$1,689

Supplemental cash flow information regarding leases:

In thousands	For the three months ended June 30, 2023	For the six months ended June 30, 2023
Operating cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities	$ 124	$ 248
Non-cash activity:		
ROU assets obtained in exchange for lease liabilities	1,601	1,601

Total operating lease expense was $237,000 and $239,000 for the six months ended June 30, 2023 and 2022, respectively. Total operating lease expense was $118,000 and $109,000 for the three months ended June 30, 2023 and 2022, respectively. There was no short-term lease expense for the six months ended June 30, 2023 and 2022. There was no short-term lease expense for the three months ended June 30, 2023 and 2022.

Note 10 – Stockholders’ Deficit and (Loss) Income Per Share

The following table presents the calculation of (loss) income per share for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30		Six months ended June 30	
In thousands, except per share data	2023	2022	2023	2022
Numerator:				
Net (loss) income, as reported	$ (875)	$ 530	$ (1,733)	$ 1,023
Denominator:				
Weighted average shares outstanding - basic	13,491	13,446	13,469	13,446
Weighted average shares outstanding - diluted	13,491	13,489	13,469	13,489
(Loss) earnings per share – basic and diluted	$ (0.06)	$ 0.04	$ (0.13)	$ 0.08

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

On March 28, 2022, the Company issued stock options to purchase 280,000 shares to executives and employees at an exercise price of $0.40 per share, which vested on March 28, 2023. The options were valued at the grant date using the Black-Scholes model with the following inputs: expiration date March 28, 2026; risk-free rate of return 2.55%; and volatility 108%.

As of June 30, 2023, the Company excluded the effects of the outstanding stock options to purchase 235,000 shares in the calculation of diluted loss per share since their inclusion would have been anti-dilutive. As of June 30, 2023 and 2022, the Company had other warrants to purchase 1.6 million shares of Common Stock outstanding, which were excluded from the calculation of diluted income (loss) per share because their exercise price was greater than the average stock price for the period and their inclusion would have been anti-dilutive.

A summary of the status of the Company’s stock options as of June 30, 2023 and the changes during the six months then ended is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted average remaining contractual life (in years)	Average intrinsic value
Outstanding at December 31, 2022	280,000	$0.40	3.3	$0.19
Granted	-	-		
Expired	45,000	$0.40		$0.19
Outstanding at June 30, 2023	235,000	$0.40	2.8	$0.19
Exercisable at the end of the period	235,000	$0.40	2.8	$0.19

Equity based compensation was $38,000 for each of the six months ended June 30, 2023 and 2022. There was no equity based compensation for the three months ended June 30, 2023. Equity based compensation was $38,000 for the three months ended June 30, 2022. There is no more unrecognized equity based compensation cost related to unvested stock options as of June 30, 2023.

Note 11 – Contingencies

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

Note 12 – Related Party Transactions

The Company has the following related party transactions:

As of June 30, 2023, Unilumin USA ("Unilumin") owns 51.8% of the Company's Common Stock and beneficially owns 53.5% of the Company's Common Stock. Nicholas J. Fazio, Jie Feng and Yantao Yu, each directors of the Company, are each directors and/or officers of Unilumin. Mr. Fazio and Mr. Yu are both executive officers of the Company, but had not yet been added to the Company's payroll until January 2023 at annual rates of compensation of $125,000 and $26,000, respectively. In 2022 and prior, they had been compensated solely by Unilumin, with no charge to the Company. In 2023, they continue to receive some compensation directly from Unilumin. The Company purchased $1.1 million and $3.8 million of product from Unilumin in the six months ended June 30, 2023 and 2022, respectively, and purchased $587,000 and $2.7 million of product from Unilumin in the three months ended June 30, 2023 and 2022, respectively. The total amount payable by the Company to Unilumin, including accounts payable, accrued interest and long-term debt, was $8.2 million and $7.3 million as of June 30, 2023 and December 31, 2022, respectively. The Company occupies space at no cost in a New York office that is leased by Unilumin.

Marco Elser, a director of the Company, exercises voting and dispositive power as investment manager of Carlisle. The total amount payable by the Company to Carlisle, including accrued interest and long-term debt, was $1.7 million and $1.6 million as of June 30, 2023 and December 31, 2022, respectively.

Note 13 – Business Segment Data

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

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

Foreign revenues represent less than 10% of the Company's revenues in the six months ended June 30, 2023 and 2022. The Company's foreign operation does not manufacture its own equipment; the domestic operation provides the equipment that the foreign operation leases or sells. The foreign operation operates similarly to the domestic operation and has similar profit margins. Foreign assets are immaterial.

Information about the Company's operations in its two business segments for the three and six months ended June 30, 2023 and 2022 is as follows:

	Three months ended June 30		Six months ended June 30	
In thousands	2023	2022	2023	2022
Revenues:				
Digital product sales	$2,767	$7,016	$ 6,888	$10,253
Digital product lease and maintenance	219	286	447	714
Total revenues	$2,986	$7,302	$ 7,335	$10,967
Operating income (loss):				
Digital product sales	$ (181)	$ 831	$ (482)	$ 760
Digital product lease and maintenance	109	133	232	390
Corporate general and administrative expenses	(490)	(426)	(949)	(832)
Total operating (loss) income	(562)	538	(1,199)	318
Interest expense, net	(194)	(130)	(338)	(272)
(Loss) gain on foreign currency remeasurement	(51)	76	(59)	60
Gain on forgiveness of PPP loan	-	-	-	824
Pension (expense) benefit	(62)	52	(125)	105
(Loss) income before income taxes	(869)	536	(1,721)	1,035
Income tax expense	(6)	(6)	(12)	(12)
Net (loss) income	$(875)	$ 530	$(1,733)	$ 1,023
	June 30 2023	December 31 2022		
Assets				
Digital product sales	$6,769	$8,221		
Digital product lease and maintenance	2,454	1,143		
Total identifiable assets	9,223	9,364		
General corporate	198	48		
Total assets	$9,421	$9,412		

Note 14 – Subsequent Events

The Company has evaluated events and transactions subsequent to June 30, 2023 and through the date these Condensed Consolidated Financial Statements were included in this Form 10-Q and filed with the SEC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

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

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

Critical Accounting Estimates

There have been no changes to the Company's critical accounting estimates as previously reported in the Company's 2022 Form 10-K.

Results of Operations

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

The following table presents our Statements of Operations data, expressed as a percentage of revenue for the six months ended June 30, 2023 and 2022:

In thousands, except percentages	Six months ended June 30 2023		2022	
Revenues:				
Digital product sales	$ 6,888	93.9 %	$10,253	93.5 %
Digital product lease and maintenance	447	6.1 %	714	6.5 %
Total revenues	7,346	100.0 %	10,967	100.0 %
Cost of revenues:				
Cost of digital product sales	6,420	87.5 %	8,758	79.9 %
Cost of digital product lease and maintenance	220	3.0 %	307	2.8 %
Total cost of revenues	6,640	90.5 %	9,065	82.7 %
Gross income	695	9.5 %	1,902	17.3 %
General and administrative expenses	(1,894)	(25.8)%	(1,584)	(14.4)%
Operating (loss) income	(1,199)	(16.3)%	318	2.9 %
Interest expense, net	(338)	(4.6)%	(272)	(2.5)%
(Loss) gain on foreign currency remeasurement	(59)	(0.8)%	60	0.5 %
Gain on forgiveness of PPP loan	-	- %	824	7.5 %
Pension (expense) benefit	(125)	(1.7)%	105	1.0 %
(Loss) income before income taxes	(1,721)	(23.5)%	1,035	9.4 %
Income tax expense	(12)	(0.1)%	(12)	(0.1)%
Net (loss) income	$ (1,733)	(23.6)%	$ 1,023	9.3 %

Total revenues for the six months ended June 30, 2023 decreased $3.7 million or 33.1% to $7.3 million from $11.0 million for the six months ended June 30, 2022, primarily due to a decrease in Digital product sales, as well as a decrease in Digital lease and maintenance revenues.

Digital product sales revenues decreased $3.4 million or 32.8% for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, primarily due to the non-recurrence of a couple large sales that were delivered in the six months ended June 30, 2022.

Digital product lease and maintenance revenues decreased $267,000 or 37.4% for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, primarily due to the continued expected revenue decline in the older outdoor display equipment rental bases acquired in the early 1990s. The financial services market continues to be negatively impacted by the current investment climate resulting in consolidation within that industry and the wider use of flat-panel screens for smaller applications.

Total operating income (loss) for the six months ended June 30, 2023 decreased $1.5 million to a loss of $1.2 million from income of $318,000 for the six months ended June 30, 2022, principally due to the decrease in revenues.

Digital product sales operating income (loss) decreased $1.2 million to a loss of $482,000 for the six months ended June 30, 2023 compared to income of $760,000 for the six months ended June 30, 2022, primarily due to the decrease in revenues. The cost of Digital product sales decreased $2.3 million or 26.7%, primarily due to the decrease in revenues and an increase in the cost of revenue as a percentage of revenues. The cost of Digital product sales represented 93.2% of related revenues in 2023 compared to 85.4% in 2022. This increase as a percentage of revenues is primarily due to the loss of some manufacturing efficiencies due to the decrease in revenues. General and administrative expenses for Digital product sales increased $215,000 or 29.3%, primarily due to increases in supplies, employees' expenses, consulting expenses and marketing expenses, partially offset by a decrease in bad debt expenses.

Digital product lease and maintenance operating income decreased $158,000 or 40.5% for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, primarily as a result of the decrease in revenues. The cost of Digital product lease and maintenance decreased $87,000 or 28.3%, primarily due to a decrease in depreciation expense. The cost of Digital product lease and maintenance revenues represented 49.2% of related revenues in 2023 compared to 43.0% in 2022. The cost of Digital product lease and maintenance includes field service expenses, plant repair costs, maintenance and depreciation. General and administrative expenses for Digital product lease and maintenance decreased $22,000 or 129.4%, primarily due to a reduction in bad debt expenses.

Corporate general and administrative expenses increased $117,000 or 14.1% for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, primarily due to increases in employees' expenses and consulting expenses.

Net interest expense increased $66,000 or 24.3% for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, primarily due to increases in interest rates and outstanding debt.

The effective tax rate for the six months ended June 30, 2023 and 2022 was 0.7% and 1.2%, respectively. Both the 2023 and 2022 tax rates are being affected by the valuation allowance on the Company's deferred tax assets as a result of reporting pre-tax losses.

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

The following table presents our Statements of Operations data, expressed as a percentage of revenue for the three months ended June 30, 2023 and 2022:

In thousands, except percentages	Three months ended June 30 2023		2022	
Revenues:				
Digital product sales	$ 2,767	92.7 %	$ 7,016	96.1 %
Digital product lease and maintenance	219	7.3 %	286	3.9 %
Total revenues	3,015	100.0 %	7,302	100.0 %
Cost of revenues:				
Cost of digital product sales	2,617	87.7 %	5,800	79.5 %
Cost of digital product lease and maintenance	115	3.8 %	142	1.9 %
Total cost of revenues	2,732	91.5 %	5,942	81.4 %
Gross income	254	8.5 %	1,360	18.6 %
General and administrative expenses	(816)	(27.3)%	(822)	(11.2)%
Operating (loss) income	(562)	(18.8)%	538	7.4 %
Interest expense, net	(194)	(6.5)%	(130)	(1.8)%
(Loss) income on foreign currency remeasurement	(51)	(1.7)%	76	1.0 %
Pension (expense) benefit	(62)	(2.1)%	52	0.7 %
(Loss) income before income taxes	(869)	(29.1)%	536	7.3 %
Income tax expense	(6)	(0.2)%	(6)	- %
Net (loss) income	$ (875)	(29.3)%	$ 530	7.3 %

Total revenues for the three months ended June 30, 2023 decreased $4.3 million or 59.1% to $3.0 million from $7.3 million for the three months ended June 30, 2022, primarily due to an decrease in Digital product sales.

Digital product sales revenues decreased $4.2 million or 60.6% for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, primarily due to the non-recurrence of a couple large sales that were delivered in the three months ended June 30,2022.

Digital product lease and maintenance revenues decreased $67,000 or 23.4% for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, primarily due to the continued expected revenue decline in the older outdoor display equipment rental bases acquired in the early 1990s. The financial services market continues to be negatively impacted by the current investment climate resulting in consolidation within that industry and the wider use of flat-panel screens for smaller applications.

Total operating income (loss) for the three months ended June 30, 2023 decreased $1.1 million to a loss of $562,000 from income of $538,000 for the three months ended June 30, 2022, principally due to the decrease in revenues

Digital product sales operating income (loss) decreased $1.0 million to a loss of $181,000 for the three months ended June 30, 2023 compared to income of $831,000 for the three months ended June 30, 2022, primarily due to the decrease in revenues. The cost of Digital product sales decreased $3.2 million or 54.9%, primarily due to the decrease in revenues and an increase in the cost of revenue as a percentage of revenues. The cost of Digital product sales represented 94.6% of related revenues in 2023 compared to 82.7% in 2022. This increase as a percentage of revenues is primarily due to the loss of some manufacturing efficiencies due to the decrease in revenues. General and administrative expenses for Digital product sales decreased $54,000 or 14.0%, primarily due to decreases in consulting expenses and bad debt expenses.

Digital product lease and maintenance operating income decreased $24,000 or 18.0% for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, primarily as a result of the decrease in revenues. The cost of Digital product lease and maintenance decreased $27,000 or 19.0%, primarily due to a decrease in depreciation expense. The cost of Digital product lease and maintenance revenues represented 52.5% of related revenues in 2023 compared to 49.7% in 2022. The cost of Digital product lease and maintenance includes field service expenses, plant repair costs, maintenance and depreciation. General and administrative expenses for Digital product lease and maintenance decreased $16,000 or 145.5%, primarily due to a decrease in bad debt expenses.

Corporate general and administrative expenses increased $64,000 or 15.0% for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, primarily due to increases in consulting expenses and employees' expenses.

Net interest expense increased $64,000 or 49.2% for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, primarily due to increases in interest rates and outstanding debt.

The effective tax rate for the three months ended June 30, 2023 and 2022 was 0.7% and 1.1%, respectively. Both the 2023 and 2022 tax rates are being affected by the valuation allowance on the Company's deferred tax assets as a result of reporting pre-tax losses.

Liquidity and Capital Resources

Current Liquidity

The Company has incurred significant recurring losses and continues to have a significant working capital deficiency including being in default on several debt obligations. The Company recorded a loss of $1.7 million in the six months ended June 30, 2023. The Company had working capital deficiencies of $11.2 million and $9.3 million as of June 30, 2023 and December 31, 2022, respectively. The increase in the working capital deficiency was primarily affected by decreases in inventories and prepaids and other assets, as well as increases in accounts payable and accrued liabilities. These changes were partially offset by increases in receivables and cash, as well as decreases in customer deposits and current lease liabilities.

The Company is dependent on future operating performance in order to generate sufficient cash flows in order to continue to run its businesses. Future operating performance is dependent on general economic conditions, as well as financial, competitive and other factors beyond our control, including the impact of the current economic environment, the spread of major epidemics (including coronavirus) and other related uncertainties such as government imposed travel restrictions, interruptions to supply chains, extended shut down of businesses and the impact of inflation. In order to more effectively manage its cash resources, the Company had, from time to time, increased the timetable of its payment of some of its payables, which delayed certain product deliveries from our vendors, which in turn delayed certain deliveries to our customers.

There is substantial doubt as to whether we will have adequate liquidity, including access to the debt and equity capital markets, to continue as a going concern over the next 12 months from the date of issuance of this Form 10-Q. The Company continually evaluates the need and availability of long-term capital in order to meet its cash requirements and fund potential new opportunities.

The Company generated cash of $598,000 from operating activities and used cash of $1.1 million from operating activities for the six months ended June 30, 2023 and 2022, respectively. The Company has implemented several initiatives to improve operational results and cash flows over future periods, including reducing head count, reorganizing its sales department and outsourcing certain administrative functions. The Company continues to explore ways to reduce operational and overhead costs. The Company periodically takes steps to reduce the cost to maintain the digital products on lease and maintenance agreements.

Cash, cash equivalents and restricted cash increased $350,000 in the six months ended June 30, 2023 to $398,000 at June 30, 2023 from $48,000 at December 31, 2022. The increase is primarily attributable to cash provided by operating activities of $598,000, partially offset by purchases of equipment of $248,000. The current economic environment has increased the Company's trade receivables collection cycle, and its allowances for uncollectible accounts receivable, but collections continue to be favorable.

Under various agreements, the Company is obligated to make future cash payments in fixed amounts. These include payments under the Company's current and long-term debt agreements, pension plan minimum required contributions, employment agreement payments and rent payments required under operating lease agreements. The Company has both variable and fixed interest rate debt. Interest payments are projected based on actual interest payments incurred in 2023 until the underlying debts mature. As interest rates have increased in 2023, and may continue to increase, the amounts the Company pays for interest could exceed the projected amounts.

The following table summarizes the Company's fixed cash obligations as of June 30, 2023 for the remainder of 2023 and over the next four fiscal years:

In thousands	Remainder of 2023	2024	2025	2026	2027
Long-term debt, including interest	$5,267	$ 31	$ 31	$ 31	$ 31
Pension plan payments	-	702	364	323	298
Estimated warranty liability	236	81	61	51	38
Operating lease payments	223	545	560	577	451
Total	$5,726	$1,359	$1,016	$982	$818

As of June 30, 2023, the Company had outstanding $302,000 of Notes which matured as of March 1, 2012. The Company also had outstanding $220,000 of Debentures which matured on December 1, 2012. The Company continues to consider future exchanges of the Notes and Debentures, but has no agreements, commitments or understandings with respect to any further such exchanges.

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

For a further description of the Company's long-term debt, see Note 7 to the Condensed Consolidated Financial Statements – Long-Term Debt.

Pension Plan Contributions

There is not expected to be a minimum required pension plan contribution for 2023. See Note 8 to the Condensed Consolidated Financial Statements – Pension Plan for further details.

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

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is subject to interest rate risk on its long-term debt. The Company manages its exposure to changes in interest rates by the use of variable and fixed interest rate debt. The fair value of the Company's fixed rate long-term debt is disclosed in Note 7 to the Condensed Consolidated Financial Statements – Long-Term Debt. Every 1-percentage-point change in interest rates would result in an annual interest expense fluctuation of approximately $22,000. In addition, the Company is exposed to foreign currency exchange rate risk mainly as a result of its investment in its Canadian subsidiary. A 10% change in the Canadian dollar relative to the U.S. dollar would result in a currency remeasurement expense fluctuation of approximately $249,000, based on dealer quotes, considering current exchange rates. The Company does not enter into derivatives for trading or speculative purposes and did not hold any derivative financial instruments at June 30, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this report, we have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (our principal executive officer) and our Chief Accounting Officer (our principal accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Our Chief Executive Officer and Chief Accounting Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management (including our Chief Executive Officer and our Chief Accounting Officer) to allow timely decisions regarding required disclosures. Based on such evaluation, our Chief Executive Officer and Chief Accounting Officer have concluded that these disclosure controls are effective as of June 30, 2023.

Changes in Internal Control over Financial Reporting. There has been no change in the Company's internal control over financial reporting that occurred in the quarter ended June 30, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

The Company is subject to a number of risks including general business and financial risk factors. Any or all of such factors could have a material adverse effect on the business, financial condition or results of operations of the Company. You should carefully consider the risk factors identified in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

As disclosed in Note 7 to the Condensed Consolidated Financial Statements – Long-Term Debt, the Company had outstanding $302,000 of Notes which are no longer convertible into common shares. The Notes matured as of March 1, 2012 and are currently in default. As of June 30, 2023 and December 31, 2022, the Company had accrued $345,000 and $332,000, respectively, of interest related to the Notes, which is included in accrued liabilities in the Condensed Consolidated Balance Sheets.

As disclosed in Note 7 to the Condensed Consolidated Financial Statements – Long-Term Debt, the Company has outstanding $220,000 of Debentures. The Debentures matured as of December 1, 2012 and are currently in default. As of June 30, 2023 and December 31, 2022, the Company had accrued $284,000 and $273,000, respectively, of interest related to the Debentures, which is included in accrued liabilities in the Condensed Consolidated Balance Sheets. The trustee, by notice to the Company, or the holders of 25% of the principal amount of the Debentures outstanding, by notice to the Company and the trustee, may declare the outstanding principal plus interest due and payable immediately.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1 Certification of Nicholas J. Fazio, Chief Executive Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

31.2 Certification of Todd Dupee, Senior Vice President and Chief Accounting Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

32.1 Certification of Nicholas J. Fazio, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

32.2 Certification of Todd Dupee, Senior Vice President and Chief Accounting Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

101 The following financial information from the Company's Form 10-Q for the quarterly period ended June 30, 2023 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Statements of Cash Flows, (iv) Condensed Consolidated Statements of Changes in Stockholders' Deficit, and (v) Notes to Condensed Consolidated Financial Statements.

104 Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy

extension information contained in Exhibits 101.)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRANS-LUX CORPORATION
(Registrant)

by /s/ Nicholas J. Fazio
Nicholas J. Fazio
Chief Executive Officer

by /s/ Todd Dupee
Todd Dupee
Senior Vice President and
Chief Accounting Officer

Date: August 11, 2023