TRANS LUX CORP
Form 10-Q
May 15, 2006

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 March 31, 2006

Commission file number 1-2257

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

Delaware	13-1394750
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
110 Richards Avenue, Norwalk, CT	06856-5090
(Address of principal executive offices)	(Zip code)

(203) 853-4321
(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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one) Large accelerated filer Accelerated filer Non-accelerated filer x

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
05/12/06	Common Stock - $1.00 Par Value	973,598
05/12/06	Class B Stock - $1.00 Par Value (Immediately convertible into a like number of shares of Common Stock.)	286,814

TRANS-LUX CORPORATION AND SUBSIDIARIES

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Part I - Financial Information

TRANS-LUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

In thousands, except share data	March 31 2006	December 31 2005
	(unaudited)	(audited)
ASSETS		

Current assets:		
Cash and cash equivalents	$ 8,357	$ 13,610
Available-for-sale securities	438	431
Receivables, less allowance of $952 - 2006 and $935 - 2005	6,002	6,321
Unbilled receivables	759	842
Inventories	6,054	5,658
Prepaids and other	1,258	1,149
Total current assets	22,868	28,011
Rental equipment	92,805	91,648
Less accumulated depreciation	58,206	56,280
	34,599	35,368
Property, plant and equipment	39,259	39,188
Less accumulated depreciation	10,226	9,850
	29,033	29,338
Goodwill	1,004	1,004
Other assets	6,205	6,829
TOTAL ASSETS	$ 93,709	$ 100,550
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,714	$ 2,821
Accrued liabilities	7,300	6,986
Current portion of long-term debt	14,285	14,145
Total current liabilities	23,299	23,952
Long-term debt:		
8 1/4% limited convertible senior subordinated notes due 2012	17,976	17,868
9 1/2% subordinated debentures due 2012	1,057	1,057
Notes payable	24,907	29,440
	43,940	48,365
Deferred credits, deposits and other	2,790	2,859
Deferred income taxes	2,409	2,978
Stockholders' equity:		
Capital stock		
Common - $1 par value - 5,500,000 shares authorized, 2,453,591 shares issued in 2006 and 2005	2,453	2,453
Class B - $1 par value - 1,000,000 shares authorized, 286,814 shares issued in 2006 and 2005	287	287
Additional paid-in-capital	13,902	13,901
Retained earnings	17,767	18,883
Accumulated other comprehensive loss	(1,297)	(1,287)
	33,112	34,237
Less treasury stock - at cost - 1,480,045 shares in 2006 and 2005 (excludes additional 286,814 shares held in 2006 and 2005 for conversion of Class B stock)	11,841	11,841
Total stockholders' equity	21,271	22,396
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 93,709	$ 100,550

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

In thousands, except per share data	THREE MONTHS ENDED MARCH 31 2006	2005
Revenues:		
Equipment rentals and maintenance	$ 3,520	$ 3,775
Equipment sales	5,000	4,813
Theatre receipts and other	3,090	3,061
Total revenues	11,610	11,649
Operating expenses:		
Cost of equipment rentals and maintenance	2,959	3,045
Cost of equipment sales	3,768	3,267
Cost of theatre receipts and other	2,160	2,200
Total operating expenses	8,887	8,512
Gross profit from operations	2,723	3,137
General and administrative expenses	3,378	2,990
Interest income	65	46
Interest expense	(1,128)	(992)
Other income (loss)	(1)	25
Loss from operations before income taxes and income from joint venture	(1,719)	(774)
Benefit for income taxes	(572)	(262)
Income from joint venture	74	90
Net Loss	$(1,073)	$ (422)
Loss per share - basic	$ (0.85)	$ (0.33)
Average common shares outstanding - basic	1,261	1,261
Cash dividends per share:		

Common stock	$ 0.035	$ 0.035
Class B stock	$0.0315	$0.0315

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

	THRE
In thousands	200
Cash flows from operating activities	
Net loss	$(1,07
Adjustment to reconcile net loss to net cash (used in) provided by operating activities:	
Depreciation and amortization	2,37
Income from joint venture	(7
Deferred income taxes	(57
Gain on sale of available-for-sale securities	
Changes in operating assets and liabilities:	
Receivables	40
Inventories	(39
Prepaids and other assets	(10
Accounts payable and accruals	(80
Deferred credits, deposits and other	(6
Net cash (used in) provided by operating activities	(32
Cash flows from investing activities	
Equipment manufactured for rental	(1,15
Purchases of property, plant and equipment	(7
Purchases of available-for-sale securities	
Proceeds from sale of available-for-sale securities	
Proceeds from joint venture, net	62
Net cash used in investing activities	(60
Cash flows from financing activities	
Proceeds from long-term debt	15
Payments of long-term debt	(4,43
Cash dividends	(4
Net cash used in financing activities	(4,32
Net decrease in cash and cash equivalents	(5,25
Cash and cash equivalents at beginning of year	13,61
Cash and cash equivalents at end of period	$ 8,35

Interest paid	$ 99
Interest received	6
Income taxes paid	13

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TRANS-LUX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
March 31, 2006
(unaudited)

Note 1 - Basis of Presentation

Financial information included herein is unaudited, however, such information reflects all adjustments which are, in the opinion of management, necessary for the fair presentation of the 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 and therefore do not include all information and footnote disclosures required under generally accepted accounting principles. It is suggested that the March 31, 2006 consolidated financial statements 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, 2005.

The Company has incurred losses in the three-month period ended March 31, 2006 of $1,073,000 and $1,793,000 for the year ended December 31, 2005. The Company also has a negative working capital of $431,000 as of March 31, 2006 and has negative cash flows from operations for the three months ended March 31, 2006 of $325,000. Additionally the Company has current debt obligations of $14,285,000, which includes $12.2 million of the Company's 7 1/2% Notes that are due December 1, 2006. Management believes that its current cash resources will be sufficient to fund its operations and its current obligations for the next twelve months. Management's plans include the use of its non-revolving line of credit to fund its current debt obligations (See Note 3) and monitoring and reducing expenses. However, no assurance can be given at this time as to whether the Company will be able to achieve these objectives.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) establishes standards that require companies to record the cost resulting from all share-based payment transactions using the fair value method. Transition under SFAS 123(R) requires using a modified version of prospective application under which compensation costs are recognized over the remaining service period for all unvested share-based payments outstanding or a modified retrospective method under which all prior periods impacted by SFAS 123 are restated. Effective January 1, 2006, the Company adopted SFAS 123(R) using the modified prospective transition method, whereby compensation costs are recognized in the consolidated statements of operations in the period beginning in January 1, 2006. Accordingly, compensation cost amounts for prior periods are presented in the Company's footnotes but the consolidated financial statements have not been restated to reflect, and do not include, the impact of SFAS 123(R). Stock-based compensation expense related to stock options recognized under SFAS 123(R)

for the three months ended March 31, 2006 was approximately $1,000, net of tax. See Note 5 - Stock Option Plans, for additional disclosures.

Note 2 - Inventories

Inventories consist of the following:

In thousands	March 31 2006	December 31 2005
Raw materials	$3,875	$3,740
Work-in-progress	1,463	1,411
Finished goods	716	507
	$6,054	$5,658

Note 3 - Long-Term Debt

During the three months ended March 31, 2006, long-term debt, including current portion, decreased $4.3 million, primarily due to the $4.1 million repayment on the revolving loan; and regular scheduled payments of long-term debt, offset by a $150,000 zero percent interest loan for five years from the State of Iowa and City of Des Moines.

The Company has a bank Credit Agreement, which was amended in 2006, which provides for a term loan of $10.0 million, a non-revolving line of credit of up to $6.2 million to finance purchases and/or redemptions of one-half of the 7 1/2% Convertible Subordinated Notes due December 1, 2006 (the "7 1/2% Notes"), and a revolving loan of up to $5.0 million at variable interest rates ranging from LIBOR plus 2.25% to Prime (ranging from 6.44% to 7.24% at March 31, 2006). The Credit Agreement matures on January 1, 2008. The non-revolving line of credit is convertible into a four-year amortizing term loan on December 31, 2006 and maturing January 1, 2008. At March 31, 2006, the non-revolving line of credit was fully available as none had been drawn and $4.1 million was available under the revolving loan facility. The Credit Agreement requires an annual facility fee on the unused commitment of 0.25%, and requires compliance with certain financial covenants, which include a fixed charge coverage ratio of 1.1 to 1.0 through June 30, 2006 and 1.2 to 1.0 for quarters ending September 30, 2006 and thereafter, a loan-to-value ratio of not more than 50%, a leverage ratio of 3.0 to 1.0, maintaining a tangible net worth of not less than $19.0 million, a cap on capital expenditures and maintaining accounts with an average monthly compensating balance of not less than $750,000. At March 31, 2006, the Company was in compliance with all the financial covenants as set forth in the amended Credit Agreement.

On March 13, 2006, the Company completed an offer to exchange $1,000 principal amount of its 8 1/4% Limited Convertible Senior Subordinated Notes due 2012 (the "8 1/4% Notes") for each $1,000 principal amount of its 7 1/2% Notes. The exchange offer commenced February 6, 2006 and expired on March 13, 2006. A total of $0.1 million principal amount of 7 1/2% Notes were exchanged, leaving $12.2 million principal amount of 7 1/2% Notes outstanding. The 8 1/4% Notes provide for a higher interest rate, which is payable semi-annually, have a

longer term, are convertible into Common Stock at a lower conversion price of $9.00 per share until March 1, 2007, may be redeemed by the Company, in whole or in part, at declining premiums beginning March 1, 2006 and are senior to the 7 1/2% Notes and the Company's 9 1/2% Subordinated Debentures (the "Debentures") due 2012.

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Note 4 - Reporting Comprehensive Income (Loss)

Total comprehensive loss for the three months ended March 31, 2006 and 2005 is as follows:

In thousands	Three months ended March 31 2006	2005
Net loss	$(1,073)	$ (422)
Other comprehensive loss:		
Unrealized foreign currency translation loss	(14)	(16)
Unrealized holding gain (loss) on securities	7	(25)
Income taxes related to other comprehensive income (loss) items	(3)	10
Total other comprehensive loss, net of tax	(10)	(31)
Comprehensive loss	$(1,083)	$ (453)

Note 5 - Stock Option Plans

Effective January 1, 2006, the Company adopted the provisions of SFAS 123(R), which establishes the accounting for stock-based awards exchanged for employee services. SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be measured at fair value and expensed in the consolidated statement of operations over the service period (generally the vesting period). We previously accounted for share-based compensation plans under APB 25 and the related interpretations and provided the required SFAS 123 pro forma disclosures for employee stock options.

The Company did not issue any stock options during the three months ended March 31, 2006. The unrecognized compensation costs related to unvested stock options granted under the Company's stock option plans was nominal.

Prior to the adoption of SFAS 123(R), we provided the disclosures required under SFAS 123. We did not recognize stock option-based compensation cost in our statement of operations for the periods prior to the adoption of SFAS 123(R), as all options granted had an exercise price equal to the market price of our common stock on the date of grant.

The following table illustrates the effect on net loss and loss per share for the three months ended March 31, 2005 as if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation:

In thousands, except per share data	Three months ended March 31, 2005
Net loss, as reported	$ (422)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	6
Pro forma net loss	$ (428)
Loss per share:	
As reported - basic	$(0.33)
Pro forma - basic	$(0.34)

In accordance with SFAS 123(R), the fair value of each option grant has been estimated as of the date of grant using the binomial options-pricing model with the following weighted average assumptions used:

	Three months ended March 31, 2005
Dividend yield	2.06%
Expected volatility	43.00%
Risk free interest rate	4.59%
Expected life (in years)	4.0

Note 6 - Business Segment Data

The Company evaluates segment performance and allocates resources based upon operating income. The Company's operations are managed in three reportable business segments. The Display Division comprises two operating segments, Indoor display and Outdoor display. Both design, produce, lease, sell and service large-scale, multi-color, real-time electronic information displays. Both operating segments are conducted on a global basis, primarily through operations in the U.S. The Company also has operations in Canada. The Indoor display and Outdoor display segments are differentiated primarily by the customers they serve. The Entertainment/Real Estate segment owns a chain of motion picture theatres in the western Mountain States and income-producing real estate properties. Segment operating income is shown after general and administrative expenses directly associated with the segment and includes the operating results of the joint venture activities. Corporate general and administrative items relate to costs that are not directly identifiable with a segment. There are no intersegment sales. Of the total goodwill of $1,004,000, $938,000 relates to the Outdoor display segment and $66,000 relates to the Indoor display segment.

Foreign revenues represent less than 10% of the Company's revenues and therefore are not separately disclosed. The foreign operation does not manufacture their 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 have similar profit margins.

Information about the Company's operations in its three business segments for the three months ended March 31, 2006 and 2005 is as follows:

In thousands	Three months ended March 31 2006	2005
Revenues:		
Indoor display	$ 2,990	$ 3,434
Outdoor display	5,530	5,154
Entertainment/real estate	3,090	3,061
Total revenues	11,610	11,649
Operating income:		
Indoor display	(333)	309
Outdoor display	23	124
Entertainment/real estate	821	812
Total operating income	511	1,245
Other income (loss)	(1)	25
Corporate general and administrative expenses	(1,092)	(1,008)
Interest expense-net	(1,063)	(946)
Income tax benefit	572	262
Net loss	$(1,073)	$ (422)

Note 7 - Components of Net Periodic Pension Cost

As of December 31, 2003, the benefit service under the pension plan had been frozen and, accordingly, there is no service cost for the periods ended March 31, 2006 and 2005.

The following table presents the components of net periodic pension cost:

In thousands	Three months ended March 31 2006	2005
Service cost	$ -	$ -
Interest cost	153	156
Expected return on plan assets	(163)	(156)
Amortization of prior service cost	4	4
Amortization of net actuarial loss	77	67
Net periodic pension cost	$ 71	$ 71

The minimum required contribution for 2006 is expected to be zero, but the Company estimates that it will contribute between zero and $200,000 in 2006.

Note 8 - Legal Proceedings and Claims

The Company is subject to legal proceedings and claims, which arise in the ordinary course of its business. The Company is not a party to any pending legal proceedings and claims that it believes will have a material adverse effect on the consolidated financial position or operations of the Company.

Note 9 - Joint Venture

The Company has a 50% ownership in a joint venture partnership, MetroLux Theatres ("MetroLux"), accounted for by the equity method.

The following results of operations summary information relates to MetroLux for the three months ended March 31, 2006 and 2005, and summary balance sheet information relates to MetroLux as of March 31, 2006 and December 31, 2005:

In thousands	Three months ended March 31 2006	2005
Revenues	$1,141	$ 747
Gross profit	670	453
Net income	149	180
Company's share of partnership net income	74	90

In thousands	March 31 2006	December 31 2005
Current assets	$ 292	$3,623
Noncurrent assets	1,927	2,021
Total assets	2,219	5,644
Current liabilities	405	2,751
Noncurrent liabilities	910	883
Total liabilities	1,315	3,634
Company's equity in partnership net assets	$ 490	$1,047

The Company's equity in partnership net assets is reflected in other assets in the consolidated balance sheets.

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

Overview

Trans-Lux is a full service provider of integrated multimedia systems for today's communications environments. The essential elements of these systems are the real-time, programmable electronic information displays we manufacture, distribute and service. Designed to meet the evolving communications needs of both the indoor and outdoor markets, these displays are used primarily in applications for the financial, banking, gaming, corporate, transportation, entertainment and sports industries. In addition to its display business, the Company owns and operates a chain of motion picture theatres in the western Mountain States. The Company operates in three reportable segments: Indoor Display, Outdoor Display and Entertainment/Real Estate.

The Indoor display segment includes worldwide revenues and related expenses from the rental, maintenance and sale of indoor displays. This segment includes the financial, gaming, government and corporate markets. The Outdoor Display segment includes worldwide revenues and related expenses from the rental, maintenance and sale of outdoor displays. Included in this segment are catalog sports, retail and commercial markets. The Entertainment/Real Estate segment includes the operations of the motion picture theatres in the western Mountain States and income-producing real estate properties.

Results of Operations

Three Months Ended March 31, 2006 Compared to Three Months Ended March 31, 2005

Total revenues for the three months ended March 31, 2006 remained level compared to the three months ended March 31, 2005 at $11.6 million, although the Indoor display rentals and maintenance revenues and sales revenues decreased, but were offset by increases in Outdoor display sales revenues.

Indoor display revenues decreased $444,000 or 12.9%. Of this decrease, Indoor display equipment rentals and maintenance revenues decreased $283,000 or 11.6%, primarily due to disconnects and non-renewals of equipment on rental and maintenance on existing contracts in the financial services market. Indoor display equipment sales decreased $161,000 or 16.2%, primarily due to a reduction in sales from the financial services market. The financial services market continues to be negatively impacted by the current investment climate, resulting in consolidation within that industry. Although the market conditions appear to be slowly improving, installations of new equipment tend to lag any economic turnaround.

Outdoor display revenues increased $376,000 or 7.3%. Of this increase, Outdoor display equipment sales increased $349,000 or 9.1%, primarily in the outdoor catalog sports market. Outdoor display equipment rentals and maintenance revenues increased $27,000 or 2.0%, primarily due to an increase in out of contract service and maintenance offset by the continued expected gradual revenue decline in the older Outdoor display equipment rental and maintenance bases acquired in the early 1990s.

Entertainment/Real Estate revenues increased $29,000 or 0.9%, box office

revenues remained level, but there was an increase in concession sales.

Total operating income for the three months ended March 31, 2006 decreased $734,000 to $511,000 from $1.2 million for the three months ended March 31, 2005, principally due to the reduction in revenues in the Indoor display segment and a decrease in the gross margin in both the Indoor and Outdoor sold equipment due to the product mix.

Indoor display operating income decreased $642,000, from $309,000 to an operating loss of $333,000, primarily as a result of the decrease in revenues in the financial services market and a decrease in the gross margin on sold equipment due to the product mix. The cost of Indoor displays represented 76.6% of related revenues in 2006 compared to 62.6% in 2005. The cost of Indoor displays as a percentage of related revenues increased primarily due to the decrease in revenues from Indoor display equipment rentals and maintenance and the costs to maintain the equipment, such as the field services costs remaining level. Indoor display cost of equipment sales decreased $132,000 or 37.3%, primarily due to the decrease in revenues and the product mix. There was a decrease in the gross margin of Indoor display equipment sales due to the product mix of sales to the transportation market. Indoor display general and administrative expenses increased $58,000 or 6.0%, primarily due to an increase in travel costs and commission. Cost of Indoor display equipment rentals and maintenance includes field service expenses, plant repair costs, maintenance and depreciation.

Outdoor display operating income decreased $102,000, from $124,000 to $22,000, primarily as a result of the product mix, a $50,000 non-recurring material cost and a $97,000 increase in the allowance for doubtful accounts receivable, offset by a decrease of $100,000 in field service costs. The Company continues to address the cost of field service to bring it in line with revenues from equipment rentals and maintenance. The cost of outdoor displays represented 80.2% of related revenues in 2006 compared to 80.7% in 2005. Outdoor display cost of equipment sales increased $369,000 or 12.7%, principally due to the increase in volume. Outdoor display cost of equipment rentals and maintenance decreased $94,000 or 7.5%, primarily due to a decrease in field service costs. Outdoor display general and administrative expenses increased $203,000, or 23.3%, primarily due to an increase in engineering costs, travel costs, salaries and benefits. Cost of Outdoor display equipment rentals and maintenance includes field service expenses, plant repair costs, maintenance and depreciation.

Entertainment/Real Estate operating income increased $10,000 or 1.3%, primarily due to an increase in concession sales. The cost of entertainment/real estate represented 69.9% of related revenues in 2006 compared to 71.9% in 2005. Cost of entertainment/real estate, which includes film rental costs and depreciation expense, decreased $40,000 or 1.8%, primarily due to the reduction in certain overhead costs. Entertainment/Real Estate general and administrative expenses increased $43,000 primarily due to increased salaries and travel costs.

Corporate general and administrative expenses increased $84,000 or 8.4%, primarily due to an increase in salaries and benefits, such as medical costs. The Company has taken additional measures to reduce certain overhead costs in the first quarter of 2006, which should be reflected in future

quarters.

Net interest expense increased $117,000, which is primarily attributable to an increase in variable interest rates. The income from joint venture relates to

the operations of the theatre joint venture, MetroLux Theatres, in Loveland, Colorado, which is included in the Entertainment/real estate segment.

The effective tax rate for the three months ended March 31, 2006 and 2005 was 34.8% and 38.3%, respectively.

Liquidity and Capital Resources

The regular quarterly cash dividend for the first quarter of 2006 of $0.035 per share on the Company's Common Stock and $0.0315 per share on the Company's Class B Stock was declared by the Board of Directors on March 21, 2006, payable to stockholders of record as of April 20, 2006, and was paid May 2, 2006.

The Company has a bank Credit Agreement, which was amended in 2006, which provides for a term loan of $10.0 million, a non-revolving line of credit of up to $6.2 million to finance purchases and/or redemptions of one-half of the 7 1/2% Notes, and a revolving loan of up to $5.0 million at variable interest rates ranging from LIBOR plus 2.25% to Prime (ranging from 6.23% to 7.25% at March 31, 2006). The Credit Agreement matures on January 1, 2008. The non-revolving line of credit is convertible into a four-year amortizing term loan on December 31, 2006 and maturing January 1, 2008. At March 31, 2006, the non-revolving line of credit was fully available as none had been drawn and $4.1 million was available under the revolving loan facility. The Credit Agreement requires an annual facility fee on the unused commitment of 0.25%, and requires compliance with certain financial covenants, which include a fixed charge coverage ratio of 1.1 to 1.0 through June 30, 2006 and 1.2 to 1.0 for quarters ending September 30, 2006 and thereafter, a loan-to-value ratio of not more than 50%, a leverage ratio of 3.0 to 1.0, maintaining a tangible net worth of not less than $19.0 million, a cap on capital expenditures and maintaining accounts with an average monthly compensating balance of not less than $750,000. At March 31, 2006, the Company was in compliance with all the financial covenants as set forth in the amended Credit Agreement.

The Company continually evaluates the need and availability of long-term capital and is concentrating on restructuring the current 7 1/2% Notes that are due December 1, 2006.

On March 13, 2006, the Company completed an offer to exchange $1,000 principal amount of its 8 1/4% Notes for each $1,000 principal amount of its 7 1/2% Notes. The exchange offer commenced February 6, 2006 and expired on March 13, 2006. A total of $0.1 million principal amount of 7 1/2% Notes were exchanged, leaving $12.2 million principal amount of 7 1/2% Notes outstanding and $18.0 million principal amount of the 8 1/4% Notes outstanding. The 8 1/4% Notes provide for a higher interest rate, which is payable semi-annually, have a longer term, are convertible into Common Stock at a lower conversion price of $9.00 per share until March 1, 2007, may be redeemed by the Company, in whole or in part, at declining premiums beginning March 1, 2006 and are senior to the 7 1/2% Notes and the Company's 9 1/2% Debentures due 2012.

Under various agreements, the Company is obligated to make future cash payments in fixed amounts. These consist of payments under the Company's long-term debt agreements, including the 7 1/2% Convertible Subordinated Notes not exchanged in the Exchange Offer that mature December 1, 2006, employment and consulting agreement payments and rent payments required under operating lease agreements.

The following table summarizes the Company's fixed cash obligations as of March

31, 2006 for the remainder of 2006 and the next four years:

In thousands	Remainder of 2006	2007	2008	2009	2010
Long-term debt, including interest	$16,825	$5,453	$11,207	$3,891	$4,110
Employment and consulting agreement obligations	1,281	1,640	1,435	860	482
Operating lease payments	552	533	446	316	293
Total	$18,658	$7,626	$13,088	$5,067	$4,885

Cash and cash equivalents decreased $5.3 million for the three months ended March 31, 2006 compared to a decrease of $1.2 million in 2005. The decrease in 2006 is primarily attributable to a $4.1 million repayment on the revolving line of credit and $0.3 million of scheduled payments of long-term debt, cash used in operating activities of $325,000 and investment in equipment for rental. The decrease in 2005 is primarily attributable to the investment in equipment for rental, expansion of the Company's movie theatre in Dillon, Colorado and scheduled payments of long-term debt.

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, 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. In addition the Company is exposed to foreign currency exchange rate risk mainly as a result of investment in its Canadian subsidiary and previously its Australian subsidiary. The Company may, from time to time, enter into derivative contracts to manage its interest risk. The Company does not enter into derivatives for trading or speculative purposes. At March 31, 2006, the Company did not hold any derivative financial instruments.

A one percentage point change in interest rates would result in an annual interest expense fluctuation of approximately $251,000. A 10% change in the Canadian dollar relative to the U.S. dollar would result in a currency exchange expense fluctuation of approximately $152,000, based on dealer quotes, considering current exchange rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. The Company's President and Co-Chief Executive Officer, Michael R. Mulcahy, the Company's Executive Vice President and Co-Chief Executive Officer, Thomas Brandt, and the Company's Executive Vice President and Chief Financial Officer, Angela D. Toppi, have evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this quarterly report. The Company's disclosure controls and procedures are designed to ensure that material information required to be disclosed by the Company in the reports that are filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our disclosure controls and procedures include components of our internal controls over financial reporting. Management's assessment of the effectiveness of our internal controls over financial reporting is expressed at the level of reasonable assurance because a control system, no matter how well designed and operated, can provide only reasonable, but not absolute assurance that the control system's objectives will be met. Based on this evaluation, the Company's Co-Chief Executive Officers and Chief Financial Officer have concluded that these controls and procedures are effective.

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 first fiscal quarter, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II - Other Information

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 following risk factors, in addition to those identified in our Annual Report on Form 10-K for the year ended December 31, 2005.

The Company has incurred losses in the three-month period ended March 31, 2006 of $1,073,000 and $1,793,000 for the year ended December 31, 2005. The Company also has a negative working capital of $431,000 as of March 31, 2006 and has negative cash flows from operations for the three

months ended March 31, 2006 of $325,000. Additionally the Company has current debt obligations of $14,285,000, which includes $12.2 million of the Company's 7 1/2% Notes that are due December 1, 2006. Management believes that its current cash resources will be sufficient to fund its operations and its current obligations for the next twelve months. Management's plans include the use of its non-revolving line of credit to fund its current debt obligations (See Note 3) and monitoring and reducing expenses. However, no assurance can be given at this time as to whether the Company will be able to achieve these objectives.

Item 5. Other Information

None.

Item 6. Exhibits

10.1 Employment Agreement with Karl Hirschauer dated as of April 1, 2006, filed herewith.

10.2 Amendment No. 1 to the Amended and Restated Commercial Loan and Security Agreement with People's Bank dated as of December 31, 2005, filed herewith

31.1 Certification of Michael R. Mulcahy, President and Co-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.

31.2 Certification of Thomas Brandt, Executive Vice President and Co-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.

31.3 Certification of Angela D. Toppi, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Michael R. Mulcahy, President and Co-Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Thomas Brandt, Executive Vice President and Co-Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.3 Certification of Angela D. Toppi, Executive Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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)

Date: May 15, 2006

by /s/ Angela D. Toppi

Angela D. Toppi
Executive Vice President and
Chief Financial Officer