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TRANS LUX CORP
Form 10-Q
May 14, 2009

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, 2009

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.)

26 Pearl Street, Norwalk, CT

06850-1647

(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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one)
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company 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
05/13/09	Common Stock - \$1.00 Par Value	2,020,090
05/13/09	Class B Stock - \$1.00 Par Value (Immediately convertible into a like number of shares of Common Stock.)	286,814

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TRANS-LUX CORPORATION AND SUBSIDIARIES

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Part I - Financial Information -----

TRANS-LUX CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

March 31

December 31

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In thousands, except share data	2009	2008
	(unaudited)	(see Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,542	\$ 1,422
Cash in escrow	400	400
Available-for-sale securities	-	135
Receivables, less allowance of \$892 - 2009 and \$926 - 2008	3,946	4,594
Unbilled receivables	-	120
Inventories	6,127	6,592
Prepays and other	882	1,167
Current assets associated with discontinued operations (Note 2)	127	149
	-----	-----
Total current assets	13,024	14,579
	-----	-----
Rental equipment	63,129	62,483
Less accumulated depreciation	36,738	35,358
	-----	-----
	26,391	27,125
	-----	-----
Property, plant and equipment	7,637	7,511
Less accumulated depreciation	4,872	4,784
	-----	-----
	2,765	2,727
Asset associated with discontinued operations (Note 2)	920	920
Other receivable	2,580	2,580
Goodwill	810	810
Other assets	2,086	2,106
	-----	-----
TOTAL ASSETS	\$48,576	\$50,847
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,383	\$ 3,151
Accrued liabilities	6,273	6,146
Current portion of long-term debt	2,680	2,945
Liabilities associated with discontinued operations (Note 2)	546	544
	-----	-----
Total current liabilities	11,882	12,786
	-----	-----
Long-term debt:		
8 1/4% Limited convertible senior subordinated notes due 2012	10,129	10,129
9 1/2% Subordinated debentures due 2012	951	951
Notes payable	8,166	8,566
	-----	-----
	19,246	19,646
Deferred credits, deposits and other	4,169	3,968
	-----	-----
Stockholders' equity:		
Capital stock		
Common - \$1 par value - 5,500,000 shares authorized, 2,453,591 shares issued in 2009 and 2008	2,453	2,453
Class B - \$1 par value - 1,000,000 shares authorized, 286,814 shares issued in 2009 and 2008	287	287
Additional paid-in-capital	14,742	14,741
Retained earnings	2,652	3,806
Accumulated other comprehensive loss	(3,392)	(3,377)
	-----	-----
	16,742	17,910
Less treasury stock - at cost - 433,596 common shares in		

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2009 and 2008	3,463	3,463
Total stockholders' equity	13,279	14,447
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$48,576	\$50,847

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

In thousands, except per share data	THREE MONTHS ENDED MARCH 31	
	2009	2008
Revenues:		
Equipment rentals and maintenance	\$ 2,463	\$ 2,739
Equipment sales	5,249	5,174
Real estate rentals	57	87
Total revenues	7,769	8,000
Operating expenses:		
Cost of equipment rentals and maintenance	2,113	2,363
Cost of equipment sales	3,995	3,609
Cost of real estate rentals	15	25
Total operating expenses	6,123	5,997
Gross profit from operations	1,646	2,003
General and administrative expenses	(2,351)	(2,819)
Interest expense, net	(408)	(422)
Other income	-	4
Loss from continuing operations before income taxes	(1,113)	(1,234)
Income tax (expense) benefit	(41)	48
Loss from continuing operations	(1,154)	(1,186)
Income from discontinued operations	-	159
Net loss	\$ (1,154)	\$ (1,027)
Loss per share continuing operations - basic and diluted	\$ (0.50)	\$ (0.52)
Earnings per share discontinued operations - basic and diluted	-	0.07
Total loss per share - basic and diluted	\$ (0.50)	\$ (0.45)
Weighted average common shares outstanding - basic and diluted	2,307	2,307

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

In thousands	THREE MONTHS ENDED MARCH 31	
	2009	2008
Cash flows from operating activities		
Net loss	\$ (1,154)	\$ (1,027)
Income from discontinued operations	-	(159)
	(1,154)	(1,186)
Loss from continuing operations		
Adjustment to reconcile loss from continuing operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,512	1,625
Changes in operating assets and liabilities:		
Receivables	768	(339)
Inventories	465	90
Prepays and other assets	261	-
Accounts payable and accruals	(655)	(296)
Deferred credits, deposits and other	201	64
	1,398	(42)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Equipment manufactured for rental	(646)	(933)
Purchases of property, plant and equipment	(126)	(62)
Proceeds from sale of available-for-sale securities	135	-
	(637)	(995)
Net cash used in investing activities		
Cash flows from financing activities		
Payments of long-term debt	(665)	(674)
	(665)	(674)
Net cash used in financing activities		
Cash flows from discontinued operations		
Cash provided by operating activities of discontinued operations	24	79
Cash used in investing activities of discontinued operations	-	(624)
Cash provided by financing activities of discontinued operations	-	388
	24	(157)
Net cash provided by (used in) discontinued operations		
Net increase (decrease) in cash and cash equivalents	120	(1,868)
Cash and cash equivalents at beginning of year	1,422	6,591

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Cash and cash equivalents at end of period	\$ 1,542	\$ 4,723
	=====	=====

Interest paid	\$ 543	\$ 1,021
Income taxes paid	-	5

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TRANS-LUX CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(unaudited)

Note 1 - Basis of Presentation

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 and therefore do not include all information and footnote disclosures required under accounting principles generally accepted in the United States of America. It is suggested that the March 31, 2009 condensed 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, 2008. The Condensed Consolidated Balance Sheet at December 31, 2008 is derived from the December 31, 2008 audited financial statements.

The Company has incurred losses from continuing operations for the three months ended March 31, 2009 and 2008 of \$1,154,000 and \$1,186,000, respectively. The Company has implemented several initiatives to continue to improve operational results and cash flows over future periods. The Company's engineering staff continues to work on areas to improve manufacturing efficiencies. The Company also continues to explore ways to reduce costs and has reduced certain personnel and related expenses and all non-union personnel salaries were reduced to lower operating costs in the future. Union personnel have agreed to defer their increase for ten months, until January 1, 2010. The Company continues to take steps to reduce the cost to maintain the equipment on rentals and maintenance. In addition, the Company is recording less interest expense as a result of paying down debt with the net proceeds from the sale of the assets of the Entertainment Division in the second quarter of 2008. See Note 2 - Discontinued Operations to the condensed consolidated financial statements. The Company has positive working capital of \$1.1 million as of March 31, 2009. As of March 31, 2009, the Company has fully drawn its \$5.0 million revolving loan facility, which was modified subsequent to the end of the first quarter to extend the maturity date to April 1, 2010. The Company's objective in regards to the Credit Agreement is to obtain additional funds from external sources through equity or additional debt financing and the Company is in discussions with senior lenders and others to obtain additional borrowing capacity. While management believes it will be successful, there can be no assurance that management will be successful in achieving any of the above objectives. We further believe that our cash, cash equivalents and cash provided from continuing operations, which will depend upon our future operating performance, which is subject to general economic, financial, competitive and other factors

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that are beyond our control, should be sufficient to meet our anticipated needs for working capital requirements.

In December 2007, the Financial Accounting Standard Board ("FASB") issued Statement

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of Financial Accounting Standards ("SFAS") No. 141R, "Business Combinations" ("SFAS 141R"), which replaces SFAS Statement No. 141. Under SFAS 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition date fair value with limited exceptions. SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements that will enable users to evaluate the nature and financial effects of the business combination. We will apply the provisions of SFAS 141R for future transactions.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, SFAS 160 requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, SFAS 160 requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. The adoption of SFAS 160 on January 1, 2009 had no effect on the Company's financial statements.

Note 2 - Discontinued Operations

On June 26, 2008, the Board of Directors approved the sale of substantially all of the assets of the Entertainment Division, which was consummated on July 15, 2008 for a purchase price of \$24.5 million, of which \$7.4 million was paid in cash, \$0.4 million is in escrow and \$16.7 million of debt was assumed by the purchaser, including \$0.3 million of debt of the joint venture, MetroLux Theatres. The \$0.4 million cash held in escrow will be released to the Company on July 15, 2009, net of any purchase price adjustments. The buyer assumed the operating results effective as of June 27, 2008. In accordance with the provisions of SFAS No. 144, "Accounting For the Impairment or Disposal of Long-lived Assets," the Company has accounted for the Entertainment Division as discontinued operations and, accordingly, has restated all prior period information.

In addition to the \$24.5 million purchase price, there is a potential additional purchase price of up to \$2.3 million based on the performance of increased theatre operations at the DreamCatcher Cinema, which was expanded from a six-plex to a 10-plex in May 2008. However, there can be no assurance that there will be any additional purchase price earned and none has been earned as of the end of 2008. There was also a six-month option to purchase raw land from

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the Company in Silver City, New Mexico for \$0.9 million, which went unexercised. As a result of the sale, the Company recorded a long-lived asset impairment charge of \$2.8 million as well as \$2.0 million in disposal

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costs during the quarter ended June 30, 2008. The Company has agreed not to compete in the theatre business in certain Western states of the United States for five years and has licensed the name "Trans-Lux Theatres" in connection with such movie theatre circuit. Matthew Brandt and Thomas Brandt, former executive officers of the Company, terminated their employment with the Company and became full time officers of the buyer, managing the theatre business purchased. The Company provided certain services on a transition basis for six months and is also providing consulting services for a year, which consulting services will be rendered by Richard Brandt, a director and consultant to the Company. The Company received an opinion from an independent third party that the transaction was fair to the stockholders of the Company from a financial point of view.

The \$5.7 million net proceeds from the sale were used to prepay the term loan under the Credit Agreement with the Company's senior lender. A total of \$22.4 million of long-term debt has been paid down or assumed by the buyer as a result of the sale.

The following table presents the financial results of the discontinued operations for the three months ended March 31, 2008:

In thousands, except per share data

Revenues	\$3,101
Operating expenses	2,369

Gross profit	732
General and administrative expenses	(262)
Interest expense, net	(331)
Income from joint venture	119

Income from discontinued operations before income taxes	258
Income tax expense	(99)

Net income from discontinued operations	\$ 159
	=====
Income per share discontinued operations - basic and diluted	\$ 0.07

Interest expense allocated to discontinued operations relates to the Entertainment Division's long-term debt assumed by the buyer and/or repaid at the closing and related to the portion of the Credit Agreement paid with the sales proceeds.

The following is a detail of the assets and liabilities reported as discontinued operations and classified as assets and liabilities associated with discontinued operations in the Condensed Consolidated Balance Sheets as of March 31, 2009 and December 31, 2008:

In thousands	2009	2008
--------------	------	------

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Prepays and other assets	\$ 127	\$ 149
Land	920	920
	-----	-----
Total assets associated with discontinued operations	\$1,047	\$1,069
	=====	=====
Current liabilities	\$ 546	\$ 544
	-----	-----
Total liabilities associated with discontinued operations	\$ 546	\$ 544
	-----	-----

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Note 3 - Inventories

Inventories are stated at the lower of cost or market and consist of the following:

In thousands	March 31 2009	December 31 2008
	-----	-----
Raw materials	\$4,180	\$4,769
Work-in-progress	1,474	1,317
Finished goods	473	506
	-----	-----
	\$6,127	\$6,592
	-----	-----

Note 4 - Other Receivable

The Company has a \$2.6 million note receivable that was due June 2008, relating to the sale/leaseback of the Company's Norwalk, Connecticut facility in 2004. The receivable is secured by a purchase money mortgage subordinated to a \$3.5 million first mortgage in favor of the purchaser's bank. The purchaser has defaulted on this payment and the Company is pursuing legal remedies. The Company has classified the receivable as long term pending the outcome. The base four-year term of the sale/leaseback ended in June 2008.

Note 5 - Long-Term Debt

The Company has a bank Credit Agreement, which provides for a term loan of \$10.0 million, a non-revolving line of credit of up to \$6.2 million (which is no longer available) to finance purchases and/or redemptions of one-half of the 7 1/2% Subordinated Notes due 2006 (which were redeemed in June 2006 and no longer outstanding), and a revolving loan of up to \$5.0 million at a variable rate of interest of Prime plus 1.75% (5.00% at March 31, 2009). Subsequent to the end of the quarter, the rate of interest was modified to Prime plus 2.00%, with a floor of 6.00%, the maturity of the Credit Agreement was extended to April 1, 2010, and certain of the financial covenants were modified. The Credit Agreement requires an annual facility fee on the unused commitment of 0.25% and requires compliance with certain financial covenants, as defined in the Credit Agreement, which include a fixed charge coverage ratio of 1.1 to 1.0 for the

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current quarter and 1.25 to 1.0 thereafter, a loan-to-value ratio of not more than 50%, a cap on capital expenditures, a leverage ratio and maintaining a tangible net worth of not less than \$24.0 million. As of March 31, 2009, the Company was in compliance with the financial covenants. The amounts outstanding under the Credit Agreement are collateralized by all of the Display division assets.

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Note 6 - Reporting Comprehensive Loss

Total comprehensive loss for the three months ended March 31, 2009 and 2008 is as follows:

In thousands	Three months ended March 31	
	2008	2009
Net loss, as reported	\$ (1,154)	\$ (1,027)
Other comprehensive (loss) income:		
Unrealized foreign currency translation loss	(15)	(111)
Unrealized holding loss on available-for-sale securities	-	(4)
Income tax benefit related to items of other comprehensive (loss) income	-	1
Total other comprehensive (loss) income, net of tax	(15)	(114)
Comprehensive loss	\$ (1,169)	\$ (1,141)

Note 7 - Pension Plan

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

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

In thousands	Three months ended March 31	
	2009	2008
Interest cost	\$ 150	\$ 160
Expected return on plan assets	(119)	(158)
Amortization of prior service cost	4	4
Amortization of net actuarial loss	105	66
Net periodic pension cost	\$ 140	\$ 72

As of March 31, 2009, the Company has recorded a current and long-term pension liability of \$0.5 million and \$4.0 million, respectively. The minimum required

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contribution for 2009 is expected to be \$0.5 million. The Company will seek a waiver to extend the due date for the quarterly payment of \$96,000 which is currently due May 15, 2009.

Note 8 - Stock Option Plans

The Company did not issue any stock options during the three months ended March 31, 2009 and 2008. The unrecognized compensation costs related to unvested stock options granted under the Company's stock option plans was nominal.

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The following summarizes the activity of the Company's stock options for the three months ended March 31, 2009:

	Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Term (Yrs)	Aggregat Intrinsi Valu

Outstanding at beginning of year	33,500	5.22		
Granted	-	-		
Exercised	-	-		
Terminated	(2,000)	4.95		

Outstanding at end of period	31,500	5.23	3.4	
	=====			
Vested and expected to vest at end of period	31,500	5.23	3.4	
	=====			
Exercisable at end of period	31,500	5.23	3.4	

Note 9 - Loss Per Common Share

Basic and diluted loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. At March 31, 2009 and 2008, there were outstanding stock options to purchase 31,500 and 63,500 shares of Common Stock, respectively, which were excluded from the calculation of diluted loss per share because their impact would have been anti-dilutive.

Note 10 - Legal Proceedings and Claims

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 is party to a pending legal proceeding which is in the process of possibly being settled and is not expected to have an adverse impact on the consolidated financial position or operations of the Company. The Company is also party to other pending legal proceedings and claims, which are covered by insurance, that it believes will not have a material adverse effect on the consolidated financial position or operations of the Company.

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Note 11 - 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 Real estate rental segment owns an income-producing property. Segment operating income is shown after operating expenses and selling, general and administrative expenses directly associated with the segment. Corporate general

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and administrative items relate to costs that are not directly identifiable with a segment. There are no intersegment sales. Of the total goodwill of \$0.8 million, \$0.7 million relates to the Outdoor display segment and \$0.1 million 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 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.

Information about the Company's continuing operations in its three business segments for the three months ended March 31, 2009 and 2008 is as follows:

In thousands	Three months ended March 31	
	2009	2008
Revenues:		
Indoor display	\$ 2,375	\$ 2,708
Outdoor display	5,337	5,205
Real estate rental	57	87
Total revenues	\$ 7,769	\$ 8,000
Operating (loss) income:		
Indoor display	\$ (219)	\$ (139)
Outdoor display	337	313
Real estate rental	39	59
Total operating income	157	233
Other income	-	4
Corporate general and administrative expenses	(862)	(1,049)
Interest expense, net	(408)	(422)
Loss from continuing operations before income taxes	(1,113)	(1,234)
Income tax (expense) benefit	(41)	48
Net loss from continuing operations	\$ (1,154)	\$ (1,186)

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, advertising, transportation, entertainment and sports industries. In addition to its display business, the Company owns and operates an income producing rental property. The Company operates in three reportable segments: Indoor display, Outdoor display and Real estate rental.

On June 26, 2008, the Board of Directors approved the sale of the assets of the Entertainment Division. As a result of the sale, the Company has accounted for the Entertainment Division as discontinued operations beginning in the second quarter of 2008 and recorded long-lived asset impairment charges of \$2.8 million as well as \$2.0 million in disposal costs for the quarter ended June 30, 2008. See Note 2 - Discontinued Operations to the condensed consolidated financial statements. The following discussion and analysis of financial condition and results of operations relates only to continuing operations.

The Indoor display segment includes worldwide revenues and related expenses from the rental, maintenance and sale of indoor displays. This segment includes the financial, government/private and gaming 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 Real estate rental segment includes the operations of an income-producing real estate property.

Results of Operations

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

Total revenues for the three months ended March 31, 2009 decreased \$231,000 or 2.9% to \$7.8 million from \$8.0 million for the three months ended March 31, 2008, primarily due to decreases in Indoor display revenues and Outdoor display rentals and maintenance revenues, offset by an increase in Outdoor display sales revenues.

Indoor display revenues decreased \$333,000 or 12.3%. Of this decrease, Indoor display equipment sales decreased \$195,000 or 19.9%, primarily due to a decrease in sales from the financial services market. Indoor display equipment rentals and maintenance revenues decreased \$139,000 or 8.1%, primarily due to disconnects and non-renewals of equipment on rental on existing contracts in the financial services market. 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. Also, the global recession has negatively impacted Indoor

sales and rentals and maintenance revenues.

Outdoor display revenues increased \$132,000 or 2.5%. Of this increase, Outdoor

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display equipment sales increased \$270,000 or 6.4%, primarily in the catalog sports and commercial markets. Outdoor display equipment rentals and maintenance revenues decreased \$138,000 or 13.5%, primarily due to the continued expected revenue decline in the older Outdoor display equipment rental and maintenance bases acquired in the early 1990s.

Real estate rental revenues decreased \$30,000 or 34.5%, primarily due to the termination of the sub-leases in June 2008 at our former Norwalk, CT location.

Total operating income for the three months ended March 31, 2009 decreased \$76,000 or 32.6% to \$157,000 from \$233,000 for the three months ended March 31, 2008, principally due to the decline in revenues, offset by a decrease in general and administrative expenses.

Indoor display operating loss increased \$80,000 to \$219,000 in 2009 compared to \$139,000 in 2008, primarily as a result of the decline in sales revenues, offset by a decrease in general and administrative expenses. The cost of Indoor displays represented 83.2% of related revenues in 2009 compared to 78.3% in 2008. Indoor displays cost of equipment rentals and maintenance as a percentage of related revenues increased primarily due to an increase in material costs, offset by a \$83,000 decrease in depreciation expense and a \$77,000 decrease in field service costs. The Company continually addresses the cost of field service to keep it in line with revenues from equipment rentals and maintenance. Cost of Indoor display equipment rentals and maintenance includes field service expenses, plant repair costs, maintenance and depreciation. Indoor display cost of equipment sales decreased \$15,000 or 3.2%, primarily due to the decrease in revenues, offset by increased material costs. Indoor display general and administrative expenses decreased \$111,000 or 15.3%, primarily due to a reduction in payroll and benefits and related expenses, offset by an increase in bad debt expense. Due to the current economic condition, during the first quarter, certain personnel and related expenses of the Indoor display business was reduced, resulting in annual cash savings of approximately \$0.9 million.

Outdoor display operating income increased \$24,000 or 7.7%, primarily as a result of a decrease in general and administrative expenses, offset by increases in material costs. The cost of Outdoor displays represented 77.4% of related revenues in 2009 compared to 74.0% in 2008. Outdoor display cost of equipment sales increased \$401,000 or 12.8%, principally due to the increase in volume, the sales mix and increases in material costs. Outdoor display cost of equipment rentals and maintenance decreased \$122,000 or 17.2%, primarily due to a \$104,000 decrease in field service costs to maintain the equipment and a \$17,000 decrease in depreciation expense. Outdoor display general and administrative expenses decreased \$170,000 or 16.3%, primarily due to a reduction in selling payroll and benefits and related expenses, as well as a decrease in bad debt expense. Cost of Outdoor display equipment rentals and maintenance includes field service expenses, plant repair costs, maintenance and depreciation. Due to the current economic condition, during the first quarter, certain personnel and related expenses of the commercial business were reduced, and all non-union personnel salaries were reduced, resulting in an annual cash savings of approximately \$1.0 million.

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Real estate rental operating income decreased \$20,000 or 33.9%, primarily due to the decrease in revenues due to the termination of the sub-leases in June 2008 at our former Norwalk, CT location. The cost of Real estate rental represented 26.3% of related revenues in 2009 compared to 28.7% in 2008. Real estate rental general and administrative expenses remained level.

Corporate general and administrative expenses decreased \$187,000 or 17.8%, primarily due to a decrease in facility expenses and benefits, such as medical

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costs. The Company continues to monitor and reduce certain overhead costs. Due to the current economic condition, during the first quarter, all personnel salaries and consulting fees were reduced, resulting in an annual savings of approximately \$0.3 million.

Net interest expense decreased \$14,000 due to a reduction in total debt, offset by an increase in the interest rates of the variable rate debt.

The effective tax rate (benefit) for the three months ended March 31, 2009 and 2008 was 3.7% and (3.9%), respectively. Both the 2009 and 2008 tax rate is being affected by the valuation allowance on its deferred tax assets as a result of reporting pre-tax losses. The current year's income tax expense relates to the Company's Canadian subsidiary. The 2008 tax rate benefit relates to the benefit from the loss from continuing operations, offset by income tax expense related to the Company's Canadian subsidiary.

Liquidity and Capital Resources

During the three months ended March 31, 2009, long-term debt, including current portion, decreased \$665,000, due to regularly scheduled payments of long-term debt.

The Company has a bank Credit Agreement, which provides for a term loan of \$10.0 million, a non-revolving line of credit of up to \$6.2 million (which is no longer available) to finance purchases and/or redemptions of one-half of the 7 1/2% Subordinated Notes due 2006 (which were redeemed in June 2006 and no longer outstanding), and a revolving loan of up to \$5.0 million at a variable rate of interest of Prime plus 1.75% (5.00% at March 31, 2009). Subsequent to the end of the quarter, the rate of interest was modified to Prime plus 2.00%, with a floor of 6.00%, the maturity of the Credit Agreement was extended to April 1, 2010, and certain of the financial covenants were modified. The Credit Agreement requires an annual facility fee on the unused commitment of 0.25% and requires compliance with certain financial covenants, as defined in the Credit Agreement, which include a fixed charge coverage ratio of 1.1 to 1.0 for the current quarter and 1.25 to 1.0 thereafter, a loan-to-value ratio of not more than 50%, a cap on capital expenditures, a leverage ratio and maintaining a tangible net worth of not less than \$24.0 million. As of March 31, 2009, the Company was in compliance with the forgoing financial covenants. The Company's objective in regards to the Credit Agreement is to obtain additional funds from external sources through equity or additional debt financing. The Company is in discussions with senior lenders and others to obtain additional borrowing capacity, which management believes it should be able to accomplish within the next twelve months, but the current global credit market has been impacting the timing of accomplishing these objectives. While management believes it will be successful, there can be no assurance that

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management will be successful in achieving these objectives. 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 amounts outstanding under the Credit Agreement are collateralized by all of the Display division assets.

Under various agreements, the Company is obligated to make future cash payments in fixed amounts. These include payments under the Company's long-term debt agreements, employment and consulting agreement payments and rent payments required under operating lease agreements. The Company's long-term debt requires interest payments. The Company has both variable and fixed interest rate debt. Interest payments are projected based on current interest rates

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until the underlying debts mature.

The following table summarizes the Company's fixed cash obligations as of March 31, 2009 for the remainder of 2009 and the next four years:

In thousands	Remainder of 2009	2010	2011	2012	2013
Long-term debt, including interest	\$3,252	\$8,049	\$1,249	\$13,229	\$ -
Employment and consulting agreement obligations	597	425	302	197	197
Operating lease payments	392	417	402	271	77
Total	\$4,241	\$8,891	\$1,953	\$13,697	\$274

Cash and cash equivalents increased \$120,000 for the three months ended March 31, 2009 compared to a decrease of \$1.9 million for the three months ended March 31, 2008. The increase in 2009 is primarily attributable to cash provided by operating activities of \$1.4 million and the proceeds from sale of available-for-sale securities of \$135,000, offset by the investment in equipment for rental of \$646,000, the investment in property, plant and equipment of \$126,000 and scheduled payments of long-term debt of \$665,000. The decrease in 2008 is primarily attributable to the investment in equipment for rental of \$933,000, the investment in property, plant and equipment of \$62,000, scheduled payments of long-term debt of \$674,000 and cash used in operating activities of \$42,000.

Although the Company has incurred losses from continuing operations, it believes that cash provided by continuing operations, which will depend upon our future operating performance, which is subject to general economic, financial, competitive and other factors that are beyond its control, together with cash and cash equivalents on hand should be sufficient to fund anticipated current and near term cash requirements. The Company's objective in regards to the Credit Agreement is to obtain additional funds from external sources through equity or additional debt financing and is in discussions with senior lenders and others. The Company continually evaluates the need and availability of long-term capital in order to meet its cash requirements.

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

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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 its investment in its Canadian 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, 2009, 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 \$104,000. A 10% change in the Canadian dollar relative to the U.S. dollar would result in a currency exchange expense fluctuation of approximately \$16,000, based on dealer quotes, considering current exchange rates.

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 and Chief Financial Officer (our principal executive officer and principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Our Chief Executive Officer and Chief Financial 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 Securities and Exchange Commission and that such information is accumulated and communicated to our management (including our Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosures. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded these disclosure controls are effective as of March 31, 2009.

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 March 31, 2009, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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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 and four of its directors are party to a pending legal proceeding entitled Gabelli Funds, LLC v. Brandt et al, 09 Civ. 0830 (KMK), beneficial owners of thirty-nine percent of the common stock of the Company. The proceeding, which is in the process of possibly being settled, is not expected to have an adverse impact on the consolidated financial position or operations of the Company.

The Company is also party to other pending legal proceedings and claims, which are covered by insurance, that it believes will not have a material adverse effect on the consolidated financial position or operations of the Company.

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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, 2008.

The Company has incurred losses from continuing operations for the three months ended March 31, 2009 and 2008 of \$1,154,000 and \$1,186,000, respectively. As of March 31, 2009, the Company has fully drawn its \$5.0 million revolving loan facility, which was amended subsequent to the first quarter to extend the maturity date to April 1, 2010. The Company's objective in regards to the Credit Agreement is to obtain additional funds from external sources through equity or additional debt financing and the Company is in discussions with senior lenders and others to obtain additional borrowing capacity, which management believes it should be able to accomplish within the next twelve months, but the current global credit market has been impacting the timing of accomplishing these objectives. While management believes it will be successful, there can be no assurance that management will be successful in achieving these objectives. The Company continually evaluates the need and availability of long-term capital in order to meet its cash requirements and fund potential new opportunities.

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

None.

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Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

31.1 Certification of Michael R. Mulcahy, President and 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 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 Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to

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Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 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.

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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 14, 2009

by /s/ Angela D. Toppi

Angela D. Toppi
Executive Vice President and
Chief Financial Officer

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