

TRANS LUX CORP
Form 10-Q
August 14, 2007

FORM 10-Q

Commission file number 1-2257

Delaware

13-1394750

(I.R.S. Employer
Identification No.)

06856-5090

(Zip code)

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

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
08/13/07	Common Stock - \$1.00 Par Value	2,019,355
08/13/07	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 CONSOLIDATED BALANCE SHEETS

In thousands, except share data	June 30 2007	December 31 2006
-----	(unaudited)	(see Note 1)

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ASSETS

Current assets:

Cash and cash equivalents	\$ 4,255	\$ 5,765
Available-for-sale securities	193	199
Receivables, less allowance of \$1,079 - 2007 and \$1,034 - 2006	6,057	6,721
Unbilled receivables	147	962
Other receivables	2,580	-
Inventories	6,953	6,467
Prepaids and other	1,439	858

Total current assets	21,624	20,972
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Rental equipment	91,255	88,903
Less accumulated depreciation	60,427	56,946

	30,828	31,957
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Property, plant and equipment	39,715	39,459
Less accumulated depreciation	11,666	10,948

	28,049	28,511
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Goodwill	1,004	1,004
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Other assets	3,275	6,028
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TOTAL ASSETS	\$84,780	\$88,472
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 2,569	\$ 2,412
Accrued liabilities	6,931	6,929
Current portion of long-term debt	5,883	3,162

Total current liabilities	15,383	12,503
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Long-term debt:

8 1/4% Limited convertible senior subordinated notes due 2012	10,129	17,958
9 1/2% Subordinated debentures due 2012	1,057	1,057
Notes payable	28,168	32,522
	39,354	51,537

Deferred credits, deposits and other	3,344	3,782
--------------------------------------	-------	-------

Deferred income taxes	-	476
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Stockholders' equity:

Capital stock		
Common - \$1 par value - 5,500,000 shares authorized, 2,453,591 shares issued in 2007 and 2006	2,453	2,453
Class B - \$1 par value - 1,000,000 shares authorized, 286,814 shares issued in 2007 and 2006	287	287
Additional paid-in-capital	14,742	13,897
Retained earnings	14,277	17,193
Accumulated other comprehensive loss	(1,587)	(1,853)

	30,172	31,977
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Less treasury stock - at cost - 434,331 common shares in 2007 and 1,475,588 common shares in 2006	3,473	11,803
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Total stockholders' equity	26,699	20,174
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$84,780	\$88,472
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TRANS-LUX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended June 30		Six Months June 30	
In thousands, except per share data	2007	2006	2007	
Revenues:				
Equipment rentals and maintenance	\$ 3,112	\$ 3,487	\$ 6,232	\$
Equipment sales	6,295	6,790	11,770	
Theatre receipts and other	3,751	3,432	7,286	
	-----	-----	-----	
Total revenues	13,158	13,709	25,288	
	-----	-----	-----	
Operating expenses:				
Cost of equipment rentals and maintenance	2,734	2,949	5,486	
Cost of equipment sales	4,533	4,958	8,463	
Cost of theatre receipts and other	2,773	2,455	5,265	
	-----	-----	-----	
Total operating expenses	10,040	10,362	19,214	
	-----	-----	-----	
Gross profit from operations	3,118	3,347	6,074	
General and administrative expenses	(3,434)	(3,102)	(7,039)	
Interest income	133	136	170	
Interest expense/debt conversion cost	(938)	(1,160)	(3,475)	
Other income	593	19	593	
	-----	-----	-----	
Loss from operations before income taxes and income from joint venture	(528)	(760)	(3,677)	
Benefit for income taxes	132	238	787	
Income from joint venture	132	129	224	
	-----	-----	-----	
Net Loss	\$ (264)	\$ (393)	\$ (2,666)	\$
	=====	=====	=====	
Loss per share - basic and diluted	\$ (0.11)	\$ (0.31)	\$ (1.42)	\$
	=====	=====	=====	
Weighted average common shares outstanding - basic and diluted	2,304	1,260	1,884	
	=====	=====	=====	
Cash dividends per share:				
Common Stock	\$ -	\$ -	\$ -	\$
Class B Stock	\$ -	\$ -	\$ -	\$
	-----	-----	-----	

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

	Six Months Ended June 30	
In thousands	2007	2006
Cash flows from operating activities		
Net loss	\$ (2,666)	\$ (1,466)
Adjustment to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	4,474	4,770
Income from joint venture	(224)	(203)
Deferred income taxes	(787)	(684)
Exchange of 8 1/4% Notes for Common Stock	1,345	15
Changes in operating assets and liabilities:		
Receivables	1,479	(758)
Inventories	(486)	(253)
Prepays and other assets	(695)	(423)
Accounts payable and accruals	429	(196)
Deferred credits, deposits and other	(438)	(293)
Net cash provided by operating activities	2,431	509
Cash flows from investing activities		
Equipment manufactured for rental	(2,352)	(2,139)
Purchases of property, plant and equipment	(256)	(233)
Proceeds from sale of available-for-sale securities	-	257
Proceeds from joint venture, net	300	778
Net cash used in investing activities	(2,308)	(1,337)
Cash flows from financing activities		
Proceeds from long-term debt	-	6,250
Payments of long-term debt	(1,633)	(14,416)
Cash dividends	-	(43)
Net cash used in financing activities	(1,633)	(8,209)
Net decrease in cash and cash equivalents	(1,510)	(9,037)
Cash and cash equivalents at beginning of year	5,765	13,610
Cash and cash equivalents at end of period	\$ 4,255	\$ 4,573
Interest paid	\$ 2,161	\$ 2,282
Income taxes paid	5	164
Supplemental disclosures of non-cash financing activities:		
Exchange of 7 1/2% Notes	-	108
Exchange of 8 1/4% Notes for Common Stock	7,829	-

TRANS-LUX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007
(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 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 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 June 30, 2007 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, 2006. The consolidated balance sheet at December 31, 2006 is derived from the December 31, 2006 audited financial statements.

The Company has incurred net losses for the three and six months ended June 30, 2007 of \$264,000 and \$2,666,000, respectively, although the six months ended June 30, 2007 net loss includes a non-cash, non-tax deductible charge for the exchange of debt for Common Stock of \$1,475,000 relating to the exchange offer (see Note 3). The Company has positive working capital of \$6.2 million as of June 30, 2007 and a positive cash flow from operations for the six months ended June 30, 2007 of \$2.4 million. As of June 30, 2007, the Company has fully drawn its \$5.0 million revolving loan facility, which matures on May 1, 2009. The Credit Agreement was amended subsequent to the second quarter of 2007 to extend the maturity date to May 1, 2009. The Company's objective in regards to the Credit Agreement is to restructure the existing Credit Agreement or obtain additional funds from external sources through equity or additional debt financing. The Company is in discussions with its senior lender to restructure the Credit Agreement to further extend the maturity date. While management believes it will be successful, there can be no assurance that management will be successful in achieving any of the above objectives. Management further believes that its current cash resources will be sufficient to fund its operations and its current obligations through June 30, 2008.

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. The Company must determine whether it is "more-likely-than-not" that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the more-likely-than-not recognition threshold, the position is measured to determine the amount of benefit to recognize in the

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financial statements. FIN 48 applies to all tax positions related to income taxes subject to FASB Statement No. 109, "Accounting for Income Taxes." The interpretation clearly scopes out income tax positions related to FASB Statement No. 5, "Accounting for Contingencies." Effective January 1, 2007, the Company adopted the provisions of FIN 48. See Note 5 - Income Taxes.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157") that defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands the disclosures about fair value measurement. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management is assessing the potential impact of SFAS 157 on the Company's financial condition and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides the option to report certain financial assets and liabilities at fair value, with the intent to mitigate volatility in financial reporting that can occur when related assets and liabilities are recorded on different bases. SFAS 159 is effective for the Company beginning December 31, 2007. Management is assessing the potential impact of SFAS 159 on the Company's financial condition and results of operations.

Note 2 - Inventories

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

In thousands	June 30 2007	December 31 2006
Raw materials	\$4,618	\$4,508
Work-in-progress	1,586	1,358
Finished goods	749	601
	-----	-----
	\$6,953	\$6,467
	-----	-----

Note 3 - Long-Term Debt

On March 15, 2007, the Company completed an offer to exchange 133 shares of its Common Stock for each \$1,000 principal amount of its 8 1/4% Limited Convertible Senior Subordinated Notes due 2012 (the "8 1/4% Notes"). The offer was for up to \$9.0 million principal amount, or approximately 50% of the \$18.0 million principal amount outstanding of the 8 1/4% Notes. A total of \$7.8 million principal amount of the 8 1/4% Notes were exchanged, leaving \$10.1 million principal amount of the 8 1/4% Notes outstanding. A total of 1,041,257 shares of Common Stock were issued in the exchange. In accordance with FASB No. 84 "Induced Conversions of Convertible Debt," the Company recorded a non-cash, non-tax deductible charge for the exchange of debt for Common Stock and additional amortization of prepaid financing costs aggregating \$1,475,000 in interest expense/debt conversion cost as a result of the exchange offer.

In addition to the \$7.8 million decrease in long-term debt as a result of the exchange offer, during the six months ended June 30, 2007, long-term debt, including current portion, decreased \$1.6 million, due to regularly scheduled payments of long-term debt.

The Company has a bank Credit Agreement, which was amended in 2007, which provides for a term loan of \$10.0 million, a term loan of \$6.1 million to finance one-half of the redemption of the 7 1/2% Convertible Subordinated Notes due December 1, 2006 (the "7 1/2% Notes") in June 2006 and a revolving loan of up to \$5.0 million at variable interest rates ranging from LIBOR plus 2.25% to Prime (ranging from 7.56% to 8.25% at June 30, 2007). The Credit Agreement matures on May 1, 2009. At June 30, 2007, the entire revolving loan facility had been drawn. 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, a loan-to-value ratio of not more than 50%, a leverage ratio of 3.0 to 1.0, a cap on capital expenditures, maintaining a tangible net worth of not less than \$24,750,000 and maintaining accounts with an average monthly compensating balance of not less than \$750,000. As of June 30, 2007, the Company was in compliance with all the financial covenants.

On March 13, 2006 and April 14, 2004, the Company completed two separate offers to exchange \$1,000 principal amount of its 8 1/4% Notes for each \$1,000 principal amount of its 7 1/2% Notes. A total of \$18.0 million principal amount of 7 1/2% Notes were exchanged (\$0.1 million in 2006 and \$17.9 million in 2004), leaving \$12.2 million principal amount of 7 1/2% Notes outstanding. On June 15, 2006, the remaining \$12.2 million principal amount of outstanding 7 1/2% Notes were redeemed at par. The 8 1/4% Notes provide for a higher interest rate, which is payable semi-annually, have a longer term and were convertible into Common Stock at a lower conversion price of \$9.00 per share until March 1, 2007, and therefore are no longer a convertible issue. The 8 1/4% Notes may be redeemed by the Company, in whole or in part, at declining premiums and were senior to the 7 1/2% Notes and are senior to the Company's 9 1/2% Subordinated Debentures due 2012.

Note 4 - Reporting Comprehensive Loss

Total comprehensive loss for the three and six months ended June 30, 2007 and 2006 is as follows:

In thousands	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Net loss, as reported	\$ (264)	\$ (393)	\$ (2,666)	\$ (1,466)
Other comprehensive income:				
Unrealized foreign currency translation	243	124	270	111
Unrealized holding gain (loss) on available-for-sale securities	(11)	10	(7)	1
Income taxes related to items of other comprehensive income	5	(4)	3	(1)
Total other comprehensive income, net of tax	237	130	266	121

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Comprehensive loss	\$ (27)	\$ (263)	\$ (2,400)	\$ (1,34
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Note 5 - Income Taxes

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a \$250,000 adjustment for interest and penalties in connection with uncertain tax positions. This increase was accounted for as an adjustment to the beginning balance of retained earnings. At the adoption date, the Company had approximately \$508,000 of unrecognized tax benefits, the recognition of which would increase the effective tax rate. There were no significant changes to this amount during the three and six months ended June 30, 2007, nor do we expect that the total amount of unrecognized tax liabilities will significantly increase or decrease within the next twelve months. The Company's policy is to classify interest and penalties related to uncertain tax positions in income tax expense. The amounts recorded through June 30, 2007 and the amounts anticipated to be recorded during the remainder of 2007 are insignificant.

The Company is subject to U.S. federal income tax as well as income tax in multiple state and local jurisdictions and Canadian federal and provincial income tax. Currently, no federal or state or provincial income tax returns are under examination. The tax years 2003 through 2006 remain open to examination by the major taxing jurisdictions and the 2002 tax year remains open to examination by some state and local taxing jurisdictions to which the Company is subject.

The Company expects its 2007 effective income tax rate benefit to be approximately 22%. Estimates of the annual effective tax rate benefit at the end of interim periods are, of necessity, based on evaluations of possible future events and transactions and may be subject to subsequent revision.

Note 6 - Pension Plan

As of December 31, 2003, the benefit service under the pension plan had been frozen and, accordingly, there is no service cost for the three and six months ended June 30, 2007 and 2006.

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

In thousands	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Interest cost	\$ 160	\$ 153	\$ 320	\$ 306
Expected return on plan assets	(168)	(163)	(336)	(326)
Amortization of prior service cost	4	4	8	8
Amortization of net actuarial loss	71	77	142	154
Net periodic pension cost	\$ 67	\$ 71	\$ 134	\$ 142

As of June 30, 2007, the Company has recorded a current and long-term pension liability of \$95,000 and \$3.1 million, respectively. The minimum required

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contribution for 2007 is expected to be \$95,000.

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Note 7 - Stock Option Plans

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123 (revised 2004) "Share-Based Payments" ("SFAS 123R"), which establishes the accounting for stock-based awards exchanged for employee and director services. SFAS 123R requires all share-based payments to employees and directors, including grants of employee and director stock options, to be measured at fair value and expensed in the Consolidated Statements of Operations over the service period (generally the vesting period). The Company elected the "modified prospective method" of transition as permitted by SFAS 123R. Under this transition method, the Company is required to record compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards that were outstanding at the date of adoption, and accordingly, periods prior to adoption were not restated. SFAS 123R required the Company to apply an estimated forfeiture rate in calculating the period expense, as opposed to recognizing forfeitures as an expense reduction as they occur. The Company has not experienced any forfeitures that would need to be taken into consideration in SFAS 123R calculations. The Company 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 and director stock options.

The Company did not issue any stock options during the three and six months ended June 30, 2007 and 2006. The unrecognized compensation costs related to unvested stock options granted under the Company's stock option plans was nominal.

Expected volatility is based on historical volatility of the Company's stock and the expected life of options is based on historical data with respect to exercise periods.

The following summarizes the activity of the Company's stock options for the six months ended June 30, 2007:

	Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Term (Yrs)	Aggregat Intrinsi Value (\$)
Outstanding at beginning of year	67,300	6.15		
Granted	-	-		
Exercised	-	-		
Terminated	(2,000)	8.79		

Outstanding at end of period	65,300	6.07	3.7	
	=====		===	
Vested and expected to vest at end of period	65,300	6.07	3.7	200,000
	=====		===	=====
Exercisable at end of period	64,800	6.07	3.7	199,000

Note 8 - Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is based upon weighted average common shares outstanding. Diluted earnings (loss) per common share is based upon the weighted average number of common shares outstanding, including the dilutive effect of stock options and convertible debt using the treasury stock and if converted methods. However, for the three and six month periods ended June 30, 2007 and 2006, the assumed exercise or conversion of any of these securities would be anti-dilutive; and, accordingly, diluted earnings (loss) per share equals basic earnings (loss) per share for each period. The number of such shares for the three and six months ended June 30, 2007 subject to convertible debt was zero and 661,000, respectively, and 1,985,000, and 1,992,000 for the three and six months ended June 30, 2006, respectively. The number of such shares as of June 30, 2007 and 2006 subject to stock options was 65,300 and 69,300, respectively.

Note 9 - 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 results of operations of the Company.

Note 10 - 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, MetroLux Theatres. 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 \$1.0 million, \$0.9 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 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 has similar profit margins.

Information about the Company's operations in its three business segments for the three and six months ended June 30, 2007 and 2006 is as follows:

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In thousands	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006

Revenues:				
Indoor display	\$ 2,714	\$ 3,335	\$ 5,232	\$ 6,325
Outdoor display	6,693	6,942	12,770	12,472
Entertainment/real estate	3,751	3,432	7,286	6,522
	-----	-----	-----	-----
Total revenues	13,158	13,709	25,288	25,319
	=====	=====	=====	=====
Operating income (loss):				
Indoor display	(436)	(202)	(922)	(535)
Outdoor display	542	504	833	527
Entertainment/real estate	891	913	1,809	1,734
	-----	-----	-----	-----
Total operating income	997	1,215	1,720	1,726
Other income	593	19	593	18
Corporate general and administrative expenses	(1,181)	(841)	(2,461)	(1,933)
Interest expense/debt conversion cost - net	(805)	(1,024)	(3,305)	(2,087)
Income tax benefit	132	238	787	810
	-----	-----	-----	-----
Net loss	\$ (264)	\$ (393)	\$ (2,666)	\$ (1,466)

Note 11 - 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 and six months ended June 30, 2007 and 2006, and summary balance sheet information relates to MetroLux as of June 30, 2007 and December 31, 2006:

In thousands	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006

Revenues	\$1,407	\$1,308	\$2,700	\$2,448
Gross profit	281	276	486	491
Net income	264	257	448	406
Company's share of partnership net income	132	129	224	203

In thousands	June 30	December 31
	2007	2006

Current assets	\$ 347	\$ 634
Noncurrent assets	1,711	1,851
	-----	-----
Total assets	2,058	2,485
	=====	=====
Current liabilities	791	859

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Noncurrent liabilities	628	832
	-----	-----
Total liabilities	1,419	1,691
	=====	=====
Company's equity in partnership net assets	\$ 320	\$ 412
	-----	-----

The Company's equity in partnership net assets is reflected in other assets in the Consolidated Balance Sheets. The Company has guaranteed \$0.6 million (75%) of a \$0.8 million business loan to finance theatre equipment at its new fourteen-plex theatre held by MetroLux, until May 2011, and, accordingly has recognized a liability for \$33,000 at June 30, 2007. The unrelated 50% partner of MetroLux also guaranteed \$0.6 million (75%) of the \$0.8 million business loan. The assets of MetroLux collateralize this business loan.

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

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 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, advertising 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

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

Total revenues for the six months ended June 30, 2007 remained level at \$25.3 million compared to the six months ended June 30, 2006. Outdoor display sales revenues and Entertainment/real estate revenues increased but were offset by decreases in Indoor display revenues and Outdoor display rentals and maintenance revenues.

Indoor display revenues decreased \$1.1 million or 17.3%. Of this decrease, Indoor display equipment sales decreased \$553,000 or 27.8%, primarily due to a reduction in sales from the financial services and transportation markets. Indoor display equipment rentals and maintenance revenues decreased \$540,000 or 12.5%, primarily due to disconnects and non-renewals of equipment on rental and maintenance on existing contracts in the financial services market. The financial services market continues to be negatively impacted by the ongoing consolidation within that industry.

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Outdoor display revenues increased \$298,000 or 2.4%. Of this increase, Outdoor display equipment sales increased \$533,000 or 5.4%, primarily in the outdoor catalog sports, outdoor digital billboard and commercial markets. Outdoor display equipment rentals and maintenance revenues decreased \$235,000 or 8.8%, primarily due to the continued expected revenue decline in the older Outdoor display equipment rental and maintenance bases acquired in the early 1990s.

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Entertainment/real estate revenues increased \$764,000 or 11.7%, primarily due to an increase in box office revenues and concession sales.

Total operating income for the six months ended June 30, 2007 remained level at \$1.7 million compared to the six months ended June 30, 2006, principally due to the increases in revenues in the Outdoor display and Entertainment/real estate segments, offset by the decline in the Indoor display segment.

Indoor display operating loss increased \$388,000 to \$923,000 in 2007 compared to a loss of \$535,000 in 2006, primarily as a result of the decrease in revenues in the financial services and transportation markets. The cost of Indoor displays represented 78.4% of related revenues in 2007 compared to 75.0% in 2006. 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 a \$99,000 increase in field service costs to maintain the equipment, offset by a \$217,000 decrease in depreciation expense. The Company continues to address the cost of field service. 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 \$524,000 or 44.9%, primarily due to the decrease in revenues. There was an increase in the gross margin of Indoor display equipment sales due to the product mix of sales. Indoor display general and administrative expenses decreased \$64,000 or 3.0%, primarily due to a decrease in salaries and travel expenses.

Outdoor display operating income increased \$307,000 or 58.3% to \$834,000 in 2007 compared to \$527,000 in 2006, primarily as a result of the increase in Outdoor display sales. The cost of Outdoor displays represented 77.1% of related revenues in 2007 compared to 79.3% in 2006. Outdoor display cost of equipment sales increased \$261,000 or 3.5%, principally due to the increase in volume. Outdoor display cost of equipment rentals and maintenance decreased \$305,000 or 13.1%, primarily due to a \$133,000 decrease in field service costs to maintain the equipment and an \$171,000 decrease in depreciation expense. Outdoor display general and administrative expenses increased \$35,000 or 1.7%. Cost of Outdoor display equipment rentals and maintenance includes field service expenses, plant repair costs, maintenance and depreciation.

Entertainment/real estate operating income increased \$75,000 or 4.3%, primarily due to the increases in box office revenues and concession sales. Cost of Entertainment/real estate, which includes film rental costs and depreciation expense, increased \$650,000 or 14.1%, primarily due to the increases in revenues. The cost of Entertainment/real estate represented 72.3% of related revenues in 2007 compared to 70.8% in 2006. The cost of Entertainment/real estate as a percentage of related revenues increased primarily in film rental costs due to blockbuster films released in the second quarter and an increase in concession costs. Entertainment/real estate general and administrative expenses increased \$60,000 or 16.0% primarily due to increased salaries and travel costs.

Corporate general and administrative expenses increased \$528,000 or 27.3%, primarily due to an increase in medical costs, general insurance and a foreign currency loss of \$73,000 compared to a foreign currency gain of \$89,000 in the prior year. The Company continues to monitor and reduce certain overhead costs.

Net interest expense/debt conversion cost increased \$1.2 million, of which \$1.5 million relates to the one-time, non-cash, non-tax deductible charge for the exchange of debt for Common Stock relating to the exchange offer, that was completed March 14, 2007, see Note 3, offset by reduced interest expense based on reduced total debt.

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. Other income of \$593,000 relates to a gain resulting from the termination of an office lease.

The effective tax rate for the six months ended June 30, 2007 and 2006 was 22.8% and 35.6%, respectively. The 2007 rate includes the one-time, non-cash, non-tax deductible charge relating to exchange of debt for Common Stock, see Note 3. The Company adopted the provisions of FIN 48 on January 1, 2007, see Note 5.

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Total revenues for the three months ended June 30, 2007 decreased \$551,000 or 4.0% to \$13.2 million from \$13.7 million for the three months ended June 30, 2006, primarily due to decreases in both Indoor and Outdoor display revenues, offset by increases in Entertainment/real estate revenues.

Indoor display revenues decreased \$621,000 or 18.6%. Of this decrease, Indoor display equipment sales decreased \$309,000 or 26.7%, primarily due to a reduction in sales from the financial services and transportation markets. Indoor display equipment rentals and maintenance revenues decreased \$312,000 or 14.3%, primarily due to disconnects and non-renewals of equipment on rental and maintenance on existing contracts in the financial services market. The financial services market continues to be negatively impacted by the ongoing consolidation within that industry.

Outdoor display revenues decreased \$249,000 or 3.6%. Of this decrease, Outdoor display equipment sales decreased \$186,000 or 3.3%, primarily in the outdoor catalog sports market, offset by an increase in the outdoor commercial market. Outdoor display equipment rentals and maintenance revenues decreased \$63,000 or 4.8%, primarily due to the continued expected revenue decline in the older Outdoor display equipment rental and maintenance bases acquired in the early 1990s.

Entertainment/real estate revenues increased \$319,000 or 9.3%, primarily due to an increase in box office revenues and concession sales.

Total operating income for the three months ended June 30, 2007 decreased \$218,000 or 18.0% to \$1.0 million from \$1.2 million for the three months ended June 30, 2006, principally due to the decreases in revenues in the Indoor display segment.

Indoor display operating loss increased \$235,000 to \$437,000 in 2007 compared to a loss of \$202,000 in 2006, primarily as a result of the decrease in revenues in the financial services and transportation markets. The cost of Indoor displays represented 79.4% of related revenues in 2007 compared to 73.4% in 2006. The cost of Indoor displays as a percentage of related revenues

increased primarily due to the decrease in revenues from Indoor display

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equipment rentals and maintenance and a \$43,000 increase in field service costs to maintain the equipment, offset by a \$107,000 decrease in depreciation expense. The Company continues to address the cost of field service. 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 \$237,000 or 34.8%, primarily due to the decrease in revenues. There was an increase in the gross margin of Indoor display equipment sales due to the product mix of sales. Indoor display general and administrative expenses decreased \$90,000 or 8.3%, primarily due to a decrease in salaries and travel expenses.

Outdoor display operating income increased \$39,000 or 7.7% to \$543,000 in 2007 compared to \$504,000 in 2006, primarily as a result of a reduction in cost of Outdoor equipment rentals and maintenance. The cost of Outdoor displays represented 76.4% of related revenues in 2007 compared to 78.6% in 2006. Outdoor display cost of equipment sales decreased \$188,000 or 4.4%, principally due to the decrease in volume and the volume mix. Outdoor display cost of equipment rentals and maintenance decreased \$156,000 or 13.2%, primarily due to a \$69,000 decrease in field service costs to maintain the equipment and an \$86,000 decrease in depreciation expense. Outdoor display general and administrative expenses increased \$57,000 or 5.8%. Cost of Outdoor display equipment rentals and maintenance includes field service expenses, plant repair costs, maintenance and depreciation.

Entertainment/real estate operating income decreased \$22,000 or 2.4%, primarily due to an increase in Entertainment/real estate general and administrative expenses. Cost of Entertainment/real estate, which includes film rental costs and depreciation expense, increased \$318,000 or 13.0%, primarily due to the increases in revenues and increased operating expenses. The cost of Entertainment/real estate represented 73.9% of related revenues in 2007 compared to 71.5% in 2006. The cost of Entertainment/real estate as a percentage of related revenues increased primarily in film rental costs due to blockbuster films released in the second quarter and an increase in concession costs. Entertainment/real estate general and administrative expenses increased \$25,000 or 12.8% primarily due to increased salaries and travel costs.

Corporate general and administrative expenses increased \$340,000 or 40.5%, primarily due to an increase in medical costs, general insurance and a foreign currency loss of \$70,000 compared to a foreign currency gain of \$94,000 in the prior year. The Company continues to monitor and reduce certain overhead costs.

Net interest expense/debt conversion cost decreased \$219,000, due to reduced interest expense based on reduced total debt. 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. Other income of \$593,000 relates to a gain resulting from the termination of an office lease.

The effective tax rate for the three months ended June 30, 2007 and 2006 was 33.3% and 37.7%, respectively.

Liquidity and Capital Resources

On March 15, 2007, the Company completed an offer to exchange 133 shares of its Common Stock for each \$1,000 principal amount of its 8 1/4% Limited Convertible Senior Subordinated Notes due 2012 (the "8 1/4% Notes"). The offer was for up to \$9.0 million principal amount, or approximately 50% of the \$18.0 million principal amount outstanding of the 8 1/4% Notes. A total of \$7.8 million principal amount of the 8 1/4% Notes were exchanged, leaving \$10.1 million

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principal amount of the 8 1/4% Notes outstanding. A total of 1,041,257 shares of Common Stock were issued in the exchange, which improved stockholders' equity by a net \$7.7 million. As a result of the exchange offer, the Company recorded a one-time, non-cash, non-tax deductible charge for the exchange of debt for Common Stock and additional amortization of prepaid financing costs aggregating \$1,475,000 in interest expense/debt conversion cost.

In addition to the \$7.8 million decrease in long-term debt as a result of the exchange offer, during the six months ended June 30, 2007, long-term debt, including current portion, decreased \$1.6 million, due to regularly scheduled payments of long-term debt.

The Company has a bank Credit Agreement, which was amended in 2007, which provides for a term loan of \$10.0 million, a term loan of \$6.1 million to finance one-half of the redemption of the 7 1/2% Convertible Subordinated Notes due December 1, 2006 (the "7 1/2% Notes") in June 2006 and a revolving loan of up to \$5.0 million at variable interest rates ranging from LIBOR plus 2.25% to Prime (ranging from 7.56% to 8.25% at June 30, 2007). The Credit Agreement matures on May 1, 2009. At June 30, 2007, the entire revolving loan facility had been drawn. 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, a loan-to-value ratio of not more than 50%, a leverage ratio of 3.0 to 1.0, a cap on capital expenditures, maintaining a tangible net worth of not less than \$24,750,000 and maintaining accounts with an average monthly compensating balance of not less than \$750,000. As of June 30, 2007, the Company was in compliance with all the financial covenants. The Company continues to be in discussion with its senior lender to restructure the Credit Agreement to further extend the maturity date.

On March 13, 2006 and April 14, 2004, the Company completed two separate offers to exchange \$1,000 principal amount of its 8 1/4% Notes for each \$1,000 principal amount of its 7 1/2% Notes. A total of \$18.0 million principal amount of 7 1/2% Notes were exchanged (\$0.1 million in 2006 and \$17.9 million in 2004), leaving \$12.2 million principal amount of 7 1/2% Notes outstanding. On June 15, 2006, the remaining \$12.2 million principal amount of outstanding 7 1/2% Notes were redeemed at par. The 8 1/4% Notes provide for a higher interest rate, which is payable semi-annually, have a longer term and were convertible into Common Stock at a lower conversion price of \$9.00 per share until March 1, 2007, and therefore are no longer a convertible issue. The 8 1/4% Notes may be redeemed by the Company, in whole or in part, at declining premiums and were senior to the 7 1/2% Notes and are senior to the Company's 9 1/2% Subordinated Debentures due 2012.

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

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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 until the underlying debts mature.

The following table summarizes the Company's fixed cash obligations as of June 30, 2007 for the remainder of 2007 and the next four years:

Remainder of

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In thousands	2007	2008	2009	2010	2011
Long-term debt, including interest	\$3,291	\$ 9,467	\$15,855	\$3,180	\$3,102
Employment and consulting agreement obligations	832	1,373	780	383	303
Operating lease payments	376	418	150	128	67
Total	\$4,499	\$11,258	\$16,785	\$3,691	\$3,472

Cash and cash equivalents decreased \$1.5 million for the six months ended June 30, 2007 compared to a decrease of \$9.0 million for the six months ended June 30, 2006. The decrease in 2007 is primarily attributable to the investment in equipment for rental of \$2.4 million and \$1.6 million of scheduled payments of long-term debt, offset by \$2.4 million of cash provided by operating activities. The decrease in 2006 is primarily attributable to the redemption of the outstanding \$12.2 million 7 1/2% Notes on June 15, 2006. The Company utilized \$6.1 million of its non-revolving line of credit to finance one-half of the redemption of the 7 1/2% Notes and utilized \$6.1 million of cash for the remaining one-half. The Company also made a net \$1.2 million repayment on the revolving line of credit and \$1.1 million of scheduled payments of long-term debt, and made investments in equipment for rental, offset by the proceeds from the joint venture.

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 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 June 30, 2007, the Company did not hold any derivative financial instruments.

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A one percentage point change in interest rates would result in an annual interest expense fluctuation of approximately \$304,000. A 10% change in the Canadian dollar relative to the U.S. dollar would result in a currency exchange expense fluctuation of approximately \$165,000, based on dealer quotes, considering current exchange rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. The Company's President and

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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 second 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, 2006.

The Company has incurred net losses for the three and six months ended June 30, 2007 of \$264,000 and \$2,666,000, respectively, although the six months ended June 30, 2007 net loss includes a non-cash, non-tax deductible charge for the exchange of debt for Common Stock of \$1,475,000 relating to the exchange offer (see Note 3). The Company has positive working capital of \$6.2 million as of

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June 30, 2007 and a positive cash flow from operations for the six months ended June 30, 2007 of \$2.4 million. As of June 30, 2007, the Company has fully drawn its \$5.0 million revolving loan facility, which matures on May 1, 2009. The Credit Agreement was amended subsequent to the second quarter of 2007 to extend the maturity date to May 1, 2009. The Company's objective in regards to the Credit Agreement is to restructure the existing Credit Agreement or obtain additional funds from external sources through equity or additional debt financing. The Company is in discussions with its senior lender to restructure the Credit Agreement to further extend the maturity date. While management believes it will be successful, there can be no assurance that management will be successful in achieving any of the above objectives. Management further believes that its current cash resources will be sufficient to fund its operations and its current obligations through June 30, 2008.

Item 2. Unregistered Sales of Securities and Use of Proceeds

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None.

Item 3. Defaults upon Senior Securities

None.

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

The Annual Meeting of Stockholders of Trans-Lux Corporation was held on May 31, 2007 for the purpose of electing directors and ratifying the retention of auditors as set forth below.

All of management's nominees for directors for a three-year term as listed in the proxy statement were elected by the following vote:

	For ---	Withheld -----
Jean Firstenberg	3,557,401	952,706
Gene Jankowski	3,557,401	952,706
Victor Liss	3,509,559	1,000,548

Management's nominee for a director for a two-year term as listed in the proxy statement was elected by the following vote:

	For ---	Withheld -----
Richard Brandt	3,510,459	999,648

The following directors are continuing their terms as directors:

Matthew Brandt, One Year Remaining
Howard S. Modlin, One Year Remaining
Michael R. Mulcahy, One Year Remaining
Thomas Brandt, Two Years Remaining
Howard M. Brenner, Two Years Remaining

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The recommendation to ratify the retention of Eisner LLP as the independent auditors for the Company was approved by the following vote:

	For ---	Against -----	Abstain -----
Totals	4,406,840	102,635	632

Item 5. Other Information

None.

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Item 6. Exhibits

- 10.1 Amendment to the Amended and Restated Commercial Loan and Security Agreement with People's Bank dated August 9, 2007, 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.

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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: August 14, 2007

by /s/ Angela D. Toppi

Angela D. Toppi
Executive Vice President and
Chief Financial Officer

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