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 September 30, 2008

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 X
Smaller reporting company ___

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
11/13/08	Common Stock - $1.00 Par Value	2,020,090
11/13/08	Class B Stock - $1.00 Par Value (Immediately convertible into a like number of shares of Common Stock.)	286,814

TRANS-LUX CORPORATION AND SUBSIDIARIES

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Part I - Financial Information

TRANS-LUX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

In thousands, except share data	September 30 2008	December 31 2007
	(unaudited)	(see Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,292	$ 6,591
Cash in escrow	400	-
Available-for-sale securities	136	171
Receivables, less allowance of $917 - 2008 and $892 - 2007	7,108	5,233
Unbilled receivables	186	12
Other receivables	2,580	2,580
Inventories	6,514	6,768
Prepaids and other	1,006	1,204
Assets associated with discontinued operations (Note 2)	1,076	26,712
Total current assets	21,298	49,271
Rental equipment	69,228	66,626
Less accumulated depreciation	42,105	37,692
	27,123	28,934
Property, plant and equipment	7,715	7,323
Less accumulated depreciation	4,934	4,626
	2,781	2,697
Goodwill	1,004	1,004
Other assets	1,895	2,053
TOTAL ASSETS	$54,101	$83,959
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,319	$ 2,439
Accrued liabilities	6,216	6,537
Current portion of long-term debt	9,727	11,002
Liabilities associated with discontinued operations (Note 2)	663	16,250
Total current liabilities	19,925	36,228
Long-term debt:		
8 1/4% Limited convertible senior subordinated notes due 2012	10,129	10,129
9 1/2% Subordinated debentures due 2012	1,057	1,057
Notes payable	2,350	8,833
	13,536	20,019
Deferred credits, deposits and other	3,044	3,116
Stockholders' equity:		
Capital stock		
Common - $1 par value - 5,500,000 shares authorized, 2,453,591 shares issued in 2008 and 2007	2,453	2,453
Class B - $1 par value - 1,000,000 shares authorized, 286,814 shares issued in 2008 and 2007	287	287
Additional paid-in-capital	14,738	14,733
Retained earnings	5,110	11,848
Accumulated other comprehensive loss	(1,529)	(1,262)

	21,059	28,059
Less treasury stock - at cost - 433,596 common shares in 2008 and 2007	3,463	3,463
Total stockholders' equity	17,596	24,596
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$54,101	$83,959

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

	Three Months Ended September 30		Nine Months ended September 30	
In thousands, except per share data	2008	2007	2008	2007
Revenues:				
Equipment rentals and maintenance	$ 2,837	$ 3,036	$ 8,421	$ 9,268
Equipment sales	7,947	7,506	20,612	19,276
Real estate rentals	60	110	228	326
Total revenues	10,844	10,652	29,261	28,870
Operating expenses:				
Cost of equipment rentals and maintenance	2,379	2,794	7,151	8,280
Cost of equipment sales	6,005	5,253	14,834	13,716
Cost of real estate rentals	37	26	86	72
Total operating expenses	8,421	8,073	22,071	22,068
Gross profit from operations	2,423	2,579	7,190	6,802
General and administrative expenses	(2,282)	(2,827)	(7,892)	(9,336)
Interest income	8	29	140	197
Interest expense	(446)	(630)	(1,500)	(1,999)
Debt conversion cost	-	-	-	(1,475)
Other income	1	15	5	608
Loss from continuing operations before income taxes	(296)	(834)	(2,057)	(5,203)
Income tax (expense) benefit	(84)	166	(234)	953
Loss from continuing operations	(380)	(668)	(2,291)	(4,250)
Income (loss) from discontinued operations	24	368	(4,447)	1,284
Net loss	$ (356)	$ (300)	$(6,738)	$(2,966)
Loss per share continuing operations - basic and diluted	$ (0.16)	$ (0.29)	$ (0.99)	$ (2.09)

Income (loss) per share discontinued operations - basic and diluted	0.01	0.16	(1.93)	0.63
Total loss per share - basic and diluted	$ (0.15)	$ (0.13)	$ (2.92)	$ (1.46)
Weighted average common shares outstanding - basic and diluted	2,307	2,305	2,307	2,026

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

	Nine Months Ended September 30	
In thousands	2008	2007
Cash flows from operating activities		
Net loss	$ (6,738)	$(2,966)
Loss (income) from discontinued operations	4,447	(1,284)
Loss from continuing operations	(2,291)	(4,250)
Adjustment to reconcile loss from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	4,872	5,919
Deferred income taxes	13	(1,074)
Exchange of 8 1/4% notes for common stock	-	1,345
Changes in operating assets and liabilities:		
Receivables	(2,049)	75
Inventories	254	(918)
Prepaids and other assets	205	186
Accounts payable and accruals	319	1,211
Deferred credits, deposits and other	(72)	(651)
Net cash provided by operating activities of continuing operations	1,251	1,843
Cash flows from investing activities		
Equipment manufactured for rental	(2,602)	(3,331)
Purchases of property, plant and equipment	(392)	(131)
Net cash used in investing activities of continuing operations	(2,994)	(3,462)
Cash flows from financing activities		
Payments of long-term debt	(7,758)	(1,580)
Net cash used in financing activities of continuing operations	(7,758)	(1,580)

Cash flows from discontinued operations		
Cash (used in) provided by operating activities of discontinued operations	(1,750)	1,383
Cash provided by investing activities of discontinued operations	22,106	32
Cash used in financing activities of discontinued operations	(15,154)	(511)
Net cash provided by discontinued operations	5,202	904
Net decrease in cash and cash equivalents	(4,299)	(2,295)
Cash and cash equivalents at beginning of year	6,591	5,765
Cash and cash equivalents at end of period	$ 2,292	$ 3,470
Interest paid	$ 2,223	$ 2,161
Income taxes paid	166	5
Supplemental disclosures of non-cash financing activities:		
Exchange of 8 1/4% notes for common stock	-	7,829

TRANS-LUX CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
(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 September 30, 2008 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, 2007. The condensed consolidated balance sheet at December 31, 2007 is derived from the December 31, 2007 audited financial statements.

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 $2.9 million as well as $2.0 million in disposal costs in that quarter. See Note 2.

The Company has incurred net losses from continuing operations for the three and nine months ended September 30, 2008 of $380,000 and $2.3 million, respectively, but has generated cash provided by operating activities of continuing operations of $1.3 million and $1.8 million for the nine months ended September 30, 2008 and 2007, 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 as well as expanding and improving the outdoor commercial products, particularly digital billboards and fuel price changers to include larger LED arrays, smaller LED pixel sizes for higher resolutions and additional features. The Company believes the outdoor commercial market is a growing industry, and we see increasing usage of digital signage in the outdoor commercial market. The Company also continues to explore ways to reduce costs and relocated its Norwalk facility in the second quarter of 2008 to lower operating costs in the future. The Company continues to take steps to reduce the cost to maintain the equipment on rental and maintenance. In addition, the Company is recording less interest expense as a result of the exchange offer in the first quarter of 2007, see Note 5, paid down debt with the net proceeds from the sale of the assets of the Entertainment Division, see Note 2, and a reduction in interest rates of its variable rate debt. As of September 30, 2008, the total $9.6 million outstanding under its Credit Agreement, which matures on August 1, 2009, has been

classified as current, which includes the fully drawn $5.0 million revolving loan facility. The Company has positive working capital of $1.4 million as of September 30, 2008. 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. Management further believes that its current cash resources and cash provided by continuing operations will be sufficient to fund its continuing operations and its current obligations through September 30, 2009.

Note 2 - Discontinued Operations

On June 26, 2008, the Board of Directors approved the sale 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, 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 is accounting for the Entertainment Division as discontinued operations.

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, and a six-month option to purchase raw land from the Company in Silver City, New Mexico for $0.9 million. However, there can be no assurance that there will be any additional purchase price earned or that the option will be exercised. As a result of the sale, the Company recorded a long-lived asset impairment charge of $2.9 million as well as $2.0 million in disposal costs for 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, have become full time officers of the buyer, managing the theatre business purchased. The Company is providing certain services on a transition basis for up to 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 $5.8 million net proceeds from the sale were used to prepay the term loan under the Credit Agreement with its senior lender and accordingly, the amount of the term loan has been reclassified as current portion of long-term debt in the Condensed Consolidated Balance Sheet as of December 31, 2007. 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 assets and liabilities associated with discontinued operations and related results of operations as of December 31, 2007 have been reclassified in the Condensed Consolidated Financial Statements as discontinued operations. The following table presents the financial results of the discontinued operations:

	Three months ended September 30		Nine months ended September	
In thousands, except per share data	2008	2007	2008	2
Revenues	$ 4	$3,617	$ 6,249	$10,
Operating expenses	(16)	2,770	4,976	7,
Gross profit	20	847	1,273	2,
General and administrative expenses	(88)	(266)	(647)	(
Interest income (expense)	15	(334)	(455)	(
Income from joint venture	-	121	239	
Asset impairment and loss on sale of division	77	-	(4,857)	
Income tax expense	-	-	-	
Income (loss) from discontinued operations	$ 24	$ 368	$(4,447)	$ 1,
Income (loss) per share - basic and diluted	$0.01	$ 0.16	$ (1.93)	$ 0

Interest expense allocated to discontinued operations relates to the Entertainment Division's long-term debt assumed by the buyer.

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 Sheet as of September 30, 2008, with comparative carrying amounts as of December 31, 2007:

In thousands	September 30 2008	December 31 2007

Inventories	$ -	$ 85
Prepaids and other assets	156	171
Property and equipment, net	920	25,397
Other assets	-	1,059
Total assets associated with discontinued operations	$ 1,076	$26,712
Current liabilities	$ 663	$ 1,096
Long-term liabilities	-	15,154
Total liabilities associated with discontinued operations	$ 663	$16,250

Operations of the Joint Venture - Discontinued Operations

The Company had a 50% ownership in a joint venture partnership, MetroLux Theatres ("MetroLux"), accounted for by the equity method, which was included in the sold assets of its Entertainment Division. The Company's equity in partnership net assets is included in the assets associated with discontinued operations in the Condensed Consolidated Balance Sheets at December 31, 2007.

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Note 3 - Other Receivables

The Company has a $2.6 million 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 base four-year term of the sale/leaseback ended in June 2008. The Company terminated its subsequent three-year lease for part of the property during the second quarter of 2007 and recognized the remaining $393,000 of the deferred gain. The deferred gain represented the present value of the lease payments over the term of the leaseback and had been recognized proportionately to the rental charge over the base four-year term.

Note 4 - Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market value and consist of the following:

In thousands	September 30 2008	December 31 2007
Raw materials	$4,715	$4,743
Work-in-progres	1,190	1,351
Finished goods	609	674
	$6,514	$6,768

Note 5 - Long-Term Debt

During the nine months ended September 30, 2008, long-term debt, including current portion, decreased $7.8 million, $2.0 million due to regularly scheduled payments of long-term debt and $5.8 million as a result of the sale of the Entertainment Division. See Note 2.

The Company has a bank Credit Agreement that provides for a term loan of $10.0 million, a non-revolving line of credit of up to $6.2 million to finance purchases and/or redemptions of one-half of the 7 1/2% Notes, and a revolving loan of up to $5.0 million at a variable rate of interest of Prime plus 1.75% (6.75% at September 30, 2008). The Credit Agreement matures on August 1, 2009 and as of September 30, 2008 has been classified as current in the Condensed Consolidated Balance Sheets. Effective December 31, 2006, $6.1 million of the non-revolving line of credit was converted into a four-year term loan also maturing August 1, 2009. At September 30, 2008, 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 minimum tangible net worth of $17.0 million, a loan-to-value ratio of not more than 50%, a leverage

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ratio, a cap on capital expenditures and maintaining accounts with an average monthly compensating balance of not less than $750,000. As of September 30, 2008, the Company was in compliance with the forgoing financial covenants, but was not in compliance with the fixed charge coverage ratio of 1.25 to 1.0, which the senior lender waived subsequent to the end of the quarter. The amounts outstanding under the Credit Agreement are collateralized by all of the Display Division assets.

On March 15, 2007, the Company completed an offer to exchange 133 shares of its Common Stock, $1 par value per share, 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 SFAS 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 $1.5 million in debt conversion cost as a result of the exchange offer.

Note 6 - Reporting Comprehensive Loss

Total comprehensive loss for the three and nine months ended September 30, 2008 and 2007 is as follows:

	Three months ended September 30		Nine months ended Septem	
In thousands	2008	2007	2008	
Net loss, as reported	$(356)	$(300)	$(6,738)	$

Other comprehensive income:				
Unrealized foreign currency translation (loss) gain	(154)	234	(245)	
Unrealized holding loss on available-for-sale securities	(33)	(7)	(35)	
Income tax benefit related to items of other comprehensive income	12	3	13	
Total other comprehensive (loss) income, net of tax	(175)	230	(267)	
Comprehensive loss	$(531)	$ (70)	$(7,005)	$

Note 7 - 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. The Company's policy is to classify interest and penalties related to uncertain tax positions in income tax expense.

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

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provincial income tax returns are under examination. The tax years 2005 through 2007 remain open to examination by the major taxing jurisdictions and the 2004 tax year remains open to examination by some state and local taxing jurisdictions to which the Company is subject.

A valuation allowance has been established for the amount of deferred tax assets related to Federal and state net operating loss carryforwards, which management estimates will more likely than not expire unused.

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 8 - Pension Plan

As of December 31, 2003, the benefit service under the pension plan had been frozen and, accordingly, there is no service cost for the three and nine months ended September 30, 2008 and 2007.

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

	Three months ended September 30		Nine months ended September	
In thousands	2008	2007	2008	2
Interest cost	$ 160	$ 160	$ 480	$

Expected return on plan assets	(158)	(169)	(474)	(
Amortization of prior service cost	4	4	12	
Amortization of net actuarial loss	66	70	198	
Net periodic pension cost	$ 72	$ 65	$ 216	$

As of September 30, 2008, the Company has recorded current and long-term pension liabilities of $0.1 million and $2.9 million, respectively. The contribution for 2008 is $0.5 million, of which $0.4 million has already been contributed.

Note 9 - Stock Option Plans

During the nine-month period ended September 30, 2008, the Company issued options for 3,000 shares with an exercise price of $3.85 per share under the Non-Employee Director Stock Option Plan; none were issued during the nine-month period ended September 30, 2007. 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 nine months ended September 30, 2008:

	Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value ($)
Outstanding at beginning of year	65,000	6.08		
Granted	3,000	3.85		
Exercised	-	-		
Terminated	(34,500)	6.72		
Outstanding at end of period	33,500	5.22	3.7	
Vested and expected to vest at end of period	33,500	5.22	3.7	-
Exercisable at end of period	28,000	5.34	3.4	-

Note 10 - Loss Per Common Share

Basic loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. At September 30, 2008 and 2007, outstanding stock options to purchase 33,500 and 62,500 shares, respectively, of Common Stock were excluded from the calculation of diluted loss per share because their impact would have been anti-dilutive.

Note 11 - 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 12 - Business Segment Data

The Company evaluates segment performance and allocates resources based upon operating income. The Company's continuing 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 segment owns an income-producing real estate property. Segment operating income is shown after operating expenses and sales, general and administrative expenses directly associated with the segment. 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

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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 U.S. 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 nine months ended September 30, 2008 and 2007 is as follows:

	Three months ended September 30		Nine months end
In thousands	2008	2007	2008
Revenues:			
Indoor display	$ 3,223	$ 2,776	$ 9,305
Outdoor display	7,561	7,766	19,728
Real estate	60	110	228
Total revenues	$10,844	$10,652	$29,261
Operating income (loss):			
Indoor display	$ (275)	$ (374)	$ (193)
Outdoor display	1,221	985	2,309

Real estate	21	81	134
Total operating income	967	692	2,250
Other income	1	15	5
Corporate general and administrative expenses	(826)	(940)	(2,952)
Interest expense - net	(438)	(601)	(1,360)
Debt conversion cost	-	-	-
Income tax (expense) benefit	(84)	166	(234)
Loss from continuing operations	(380)	(668)	(2,291)
Income (loss) from discontinued operations	24	368	(4,447)
Net loss	$ (356)	$ (300)	$(6,738)

Note 13 - Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("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 accordance with accounting principles generally accepted in the United States and expands the disclosures about fair value measurement. In February 2008, the FASB amended SFAS 157 and issued FASB Staff Position No. 157-2 ("FSP 157-2"). FSP 157-2 excludes fair value lease calculations pursuant to SFAS 13, as amended, from SFAS 157, but does not exclude assets and liabilities acquired pursuant to SFAS 141R. FSP 157-2 defers the effective date of SFAS 157 for non-financial assets and liabilities that are not recognized or disclosed at fair value on a recurring basis by one year. The adoption of SFAS 157 and the related FSPs on January 1, 2008 did not have a material impact on the financial condition or results of operations of the Company.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair

value. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that chose different measurement attributes for similar assets and liabilities. The adoption of SFAS 159 on January 1, 2008 did not have a material impact on the financial condition or results of operations of the Company.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" ("SFAS 141R"), which replaces SFAS 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, which will enable users to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. We have not yet determined the impact, if any, that the implementation of SFAS 141R will have on our results of operations or financial condition.

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. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. Early adoption is prohibited. We have not yet determined the impact, if any, that the implementation of SFAS 160 will have on our results of operations or financial condition.

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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 an income producing rental property. The Company operates in three reportable segments: Indoor display, Outdoor display and Real estate.

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 $2.9 million as well as $2.0 million in disposal costs for the quarter ended June 30, 2008. See Note 2. 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, digital billboards and commercial markets. The Real estate segment includes the operations of an income-producing real estate property.

Results of Operations

Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007

Total revenues for the nine months ended September 30, 2008 increased $391,000 or 1.4% to $29.3 million compared to $28.9 million for the nine months ended

September 30, 2007. Indoor display sales revenues increased, but were offset by decreases in Indoor display rental and maintenance revenues, Outdoor display revenues and Real estate rentals revenue.

Indoor display revenues increased $1.3 million or 16.2%. Of this increase, Indoor display equipment sales increased $1.6 million or 67.2%, primarily due to an increase in sales from the financial services and transportation markets. Indoor display equipment rentals and maintenance revenues decreased $348,000 or 6.3%, 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 and the wider use of flat-panel screens.

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Outdoor display revenues decreased $808,000 or 3.9%. Of this decrease, Outdoor display equipment rentals and maintenance revenues decreased $499,000 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. Outdoor display equipment sales decreased $309,000 or 1.8%, primarily in the commercial market, offset by increased sales in the catalog sports market.

Real estate rentals revenue decreased $98,000 or 30.1%, primarily due to less than full occupancy of the sub-leased portion of our former Norwalk, CT location, which sub-leases terminated in June 2008.

Total operating income for the nine months ended September 30, 2008 increased $1.5 million to $2.3 million compared to $767,000 for the nine months ended September 30, 2007, principally due to the increase in Indoor sales revenues and a reduction in general and administrative expenses in both the Indoor and Outdoor display segments.

Indoor display operating loss decreased to $193,000 in 2008 compared to a loss of $1.3 million in 2007, primarily as a result of the increase in revenues in the financial services and transportation markets. The cost of Indoor displays represented 77.7% of related revenues in 2008 compared to 80.0% in 2007. Indoor displays cost of equipment rentals and maintenance decreased $215,000 or 4.1%, primarily due to a $384,000 decrease in depreciation expense, offset by a $169,000 increase in field service costs to maintain the equipment. The Company continues to address the cost of field service to align with revenue levels. Cost of Indoor display equipment rentals and maintenance includes field service expenses, plant repair costs, maintenance and depreciation. Indoor display cost of equipment sales increased $1.0 million or 92.2%, primarily due to the increase in revenues. Indoor display general and administrative expenses decreased $633,000 or 21.8%, primarily due to a reduction in selling payroll and benefits and related expenses and a $204,000 decrease in the allowance for uncollectable accounts.

Outdoor display operating income increased $491,000 or 27.0% to $2.3 million in 2008 compared to $1.8 million in 2007, primarily as a result of a decrease in field service costs to maintain the equipment on rental and maintenance contracts. The cost of Outdoor displays represented 74.8% of related revenues in 2008 compared to 75.9% in 2007. Outdoor display cost of equipment sales remained level. Outdoor display cost of equipment rentals and maintenance decreased $915,000 or 30.4%, primarily due to a $475,000 decrease in field service costs to maintain the equipment and a $439,000 decrease in depreciation expense. Outdoor display general and administrative expenses decreased $462,000 or 14.8%, primarily due to a reduction in selling and administrative payroll and benefits and related expenses and a $116,000 decrease in the allowance for uncollectable accounts. Cost of Outdoor display equipment rentals and maintenance includes field service expenses, plant repair costs, maintenance and depreciation.

Real estate rentals operating income decreased $111,000 or 45.3%, primarily due to the decrease in revenues. Cost of Real estate rentals increased slightly. The cost of Real estate rentals represented 38.2% of related revenues in 2008 compared to 22.1% in 2007. The cost of Real estate rentals as a percentage of related revenues increased primarily due to the reduction in revenues. Real estate

rentals general and administrative expenses remained level.

Corporate general and administrative expenses decreased $349,000 or 10.6%, primarily due to decreases in benefits and legal expenses and a foreign currency gain of $107,000 compared to a foreign currency loss of $172,000 in the prior year. The Company continues to monitor and reduce certain overhead costs.

Net interest expense decreased $442,000, due to lower interest rates of the variable debt and a reduction in total debt. The debt conversion cost of $1.5 million in 2007 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 5.

Other income of $608,000 in 2007 mainly relates to a gain resulting from the termination of an office lease.

The effective tax rate for the nine months ended September 30, 2008 and 2007 was 3.6% and 24.3%, respectively. The 2008 rate was affected by the $2.9 million increase in the valuation allowance on its deferred tax assets as a result of reporting a pre-tax loss. The 2007 rate was affected by the $1.5 million one-time, non-cash, non-tax deductible charge relating to exchange of debt for Common Stock, see Note 5. The Company adopted the provisions of FIN 48 on January 1, 2007. See Note 7. The current year's income tax expense relates to the Company's Canadian subsidiary.

Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007

Total revenues for the three months ended September 30, 2008 increased $192,000 or 1.8% to $10.8 million from $10.7 million for the three months ended September 30, 2007, primarily due to an increase in Indoor display sales revenues, offset by decreases in Indoor display rentals and maintenance revenues, Outdoor display revenues and Real estate rentals revenue.

Indoor display revenues increased $447,000 or 16.1%. Of this increase, Indoor display equipment sales increased $503,000 or 49.9%, primarily due to an increase in sales from the financial services and transportation markets. Indoor display equipment rentals and maintenance revenues decreased $56,000 or 3.2%, 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 $205,000 or 2.6%. Of this decrease, Outdoor display equipment rentals and maintenance revenues decreased $143,000 or 11.3%, primarily due to the continued expected revenue decline in the older Outdoor display equipment rental and maintenance bases acquired in the early 1990s. Outdoor display equipment sales decreased $62,000 or 1.0%, primarily in the outdoor commercial market, offset by an increase in the outdoor catalog sports market.

Real estate rentals revenue decreased $50,000 or 45.5%, primarily due to the termination of the sub-

leases at our former Norwalk, CT location, which was vacated in June 2008.

Total operating income for the three months ended September 30, 2008 increased $275,000 to $967,000 from $692,000 for the three months ended September 30, 2007, principally due to the increase in the Indoor sales revenues and a reduction in general and administrative expenses in the Outdoor display segment.

Indoor display operating loss decreased $99,000 to $275,000 in 2008 compared to a loss of $374,000 in 2007, primarily as a result of the increase in revenues in the financial services and transportation markets. The cost of Indoor displays represented 82.0% of related revenues in 2008 compared to 83.0% in 2007. The cost of Indoor displays as a percentage of related revenues decreased primarily due to a $135,000 decrease in depreciation expense, offset by a $16,000 increase in field services costs to maintain the equipment. The Company continues to address the cost of field service to align with revenue levels. Cost of Indoor display equipment rentals and maintenance includes field service expenses, plant repair costs, maintenance and depreciation. Indoor display cost of equipment sales increased $459,000 or 94.4%, primarily due to the increase in revenues. Indoor display general and administrative expenses remained level, primarily due to a reduction in selling payroll and benefits and related expenses offset by a $95,000 increase in the allowance for uncollectable accounts.

Outdoor display operating income increased $236,000 or 24.0% to $1.2 million in 2008 compared to $985,000 in 2007, primarily as a result of a reduction in general and administrative expenses. The cost of Outdoor displays represented 75.9% of related revenues in 2008 compared to 74.0% in 2007. Outdoor display cost of equipment sales increased $293,000 or 6.1%, principally due to the volume mix of products sold. Outdoor display cost of equipment rentals and maintenance decreased $298,000 or 30.5%, primarily due to a $151,000 decrease in field service costs to maintain the equipment and a $146,000 decrease in depreciation expense. Outdoor display general and administrative expenses decreased $438,000 or 42.2%, primarily due to a reduction in selling and administrative payroll and benefits and related expenses and a $81,000 decrease in the allowance for uncollectable accounts. Cost of Outdoor display equipment rentals and maintenance includes field service expenses, plant repair costs, maintenance and depreciation.

Real estate rentals operating income decreased $60,000, primarily due to the decrease in revenues. Cost of Real estate rentals increased slightly. The cost of Real estate rentals represented 63.3% of related revenues in 2008 compared to 23.6% in 2007. The cost of Real estate rentals as a percentage of related revenues increased primarily due the reduction in revenues. Real estate rentals general and administrative expenses remained level.

Corporate general and administrative expenses decreased $114,000 or 12.1%, primarily due to a decrease in benefits, legal expenses and audit fees and a foreign currency gain of $87,000 compared to a foreign currency loss of $99,000 in the prior year, offset by an increase in general insurance expenses. The Company continues to monitor and reduce certain overhead costs.

Net interest expense decreased $163,000, due to lower interest rates of the variable debt and a reduction in total debt.

The effective tax rate for the three months ended September 30, 2008 and 2007 was 30.9% and 35.6%, respectively. The 2008 rate was affected by the $0.3 million increase in the valuation allowance on its deferred tax assets as a result of reporting a pre-tax loss. The current year's income tax expense relates to the Company's Canadian subsidiary.

Liquidity and Capital Resources

During the nine months ended September 30, 2008, long-term debt, including current portion, decreased a total of $7.8 million. Of this decrease, $2.0 million was due to regularly scheduled payments of long-term and $5.8 million was as a result of the sale of the Entertainment Division. See Note 2.

The Company has a bank Credit Agreement that provides for a term loan of $10.0 million, a non-revolving line of credit of up to $6.2 million to finance purchases and/or redemptions of one-half of the 7 1/2% Convertible Subordinated Notes due December 1, 2006 (the "7 1/2% Notes") in September 2006 and a revolving loan of up to $5.0 million at a variable rate of interest of Prime plus 1.75% (6.75% at September 30, 2008). The Credit Agreement matures on August 1, 2009 and as of September 30, 2008 has been classified as current in the Condensed Consolidated Balance Sheets. Effective December 31, 2006, $6.1 million of the non-revolving line of credit was converted into a four-year term loan also maturing August 1, 2009. At September 30, 2008, 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 minimum tangible net worth of $17.0 million, a loan-to-value ratio of not more than 50%, a leverage ratio, a cap on capital expenditures and maintaining accounts with an average monthly compensating balance of not less than $750,000. As of September 30, 2008, the Company was in compliance with the forgoing financial covenants, but was not in compliance with the fixed charge coverage ratio of 1.25 to 1.0, which the senior lender waived subsequent to the end of the quarter. The Company is in discussion with senior lenders and others to obtain additional borrowing capacity.

On March 15, 2007, the Company completed an offer to exchange 133 shares of its Common Stock, $1 par value per share, 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 $1.5 million in debt conversion cost as a result of the exchange offer.

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 until the underlying debts mature.

The following table summarizes the Company's fixed cash obligations of its continuing operations as of September 30, 2008 for the remainder of 2008 and the next four years:

In thousands	Remainder of 2008	2009	2010	2011	2012
Long-term debt, including interest	$1,340	$10,766	$1,362	$1,345	$13,735
Employment and consulting agreement obligations	315	912	427	303	198
Operating lease payments	163	509	425	406	272
Total	$1,818	$12,187	$2,214	$2,054	$14,205

Cash and cash equivalents decreased $4.3 million for the nine months ended September 30, 2008 compared to a decrease of $2.3 million for the nine months ended September 30, 2007. The decrease in 2008 from continuing operations is primarily attributable to the investment in equipment for rental and property, plant and equipment of $3.0 million and $2.0 million of scheduled payments of long-term debt, offset by $1.3 million of cash provided by operating activities. The decrease in 2008 from discontinued operations is $0.6 million, $5.2 million of cash provided by discontinued operations, offset by $5.7 million of payments of long-term debt as a result of the sale of the Entertainment Division with the net proceeds. The decrease in 2007 from continuing operations is primarily attributable to the investment in equipment for rental of $3.3 million and $1.6 million of scheduled payments of long-term debt, offset by $1.8 million of cash provided by operating activities of continuing operations. The increase in 2007 from discontinued operations is $0.9 million of cash provided by discontinued operations.

Although the Company has incurred losses from continuing operations, it believes that cash generated from continuing operations 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

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 September 30, 2008, 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 $119,000. A 10% change in the Canadian dollar relative to the U.S. dollar would result in a currency exchange expense fluctuation of approximately $304,000, 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 September 30, 2008.

Changes in Internal Control over Financial Reporting. There has been no change in the Company's internal control over financial reporting, that occurred in 2008, 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, particularly because of the weakened economy affected by the current adverse market environment. 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, 2007.

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 $2.9 million as well as $2.0 million in disposal costs for the quarter ended June 30, 2008.

See Note 2.

The Company has incurred net losses from continuing operations for the three and nine months ended September 30, 2008 of $380,000 and $2.3 million, respectively, but has generated cash provided by operating activities of continuing operations of $1.3 million and $1.8 million for the nine months ended September 30, 2008 and 2007, respectively. The Company has positive working capital of $1.4 million as of September 30, 2008. As of September 30, 2008, the total $9.6 million outstanding under its Credit Agreement, which matures on August 1, 2009, has been classified as current, which includes the fully drawn $5.0 million revolving loan facility. 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 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. Management further believes that its current cash resources and cash provided by continuing operations will be sufficient to fund its continuing operations and its current obligations through September 30, 2009.

Item 2. Unregistered Sales of Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

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

None.

Item 5. Other Information

As a result of the sale by the Company of the assets of the Entertainment Division, Thomas Brandt,

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who had been Co-CEO of the Company and head of its real estate operations, theatre construction and expansion, does not plan to stand for re-election to the Trans-Lux Board of Directors in June of 2009, when his present term expires. He is now employed by the Storyteller Theaters Corporation, which acquired the Entertainment Division. In addition, Matthew Brandt, who had been President of the Entertainment Division, plans to resign from the Trans-Lux Board of Directors in June of 2009, even though his present term as director would normally not expire until 2011. He is also now employed by the Storyteller Theaters Corporation. This would leave only one Brandt family member, Richard Brandt, as a Trans-Lux Director. He indicates that he will stand for re-election in June of 2009, when his present term expires. He has been with the Company since 1950 and had been Chairman of the Board and CEO before his retirement. He is presently an active consultant to the Company, which includes providing consulting services to Storyteller Theaters Corporation on behalf of the Company.

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 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.

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: November 17, 2008

by /s/ Angela D. Toppi

Angela D. Toppi
Executive Vice President and
Chief Financial Officer

le to Insiders were complied with.

Code of Ethics

The Company has adopted a code of ethics and business conduct (the Code of Ethics) for chief executive, chief financial and principal accounting officers and for members of its Board of Directors. The Code of Ethics is attached to this Annual Report as Exhibit 14. In the event the Company makes any amendment to, or grants any waiver from, a provision of the Code of Ethics that applies to the principal executive officer, principal financial officer or principal accounting officer that requires disclosure under applicable SEC rules, the Company intends to disclose such amendment or waiver and the reasons therefor on its website. The Company undertakes to provide any person without charge a copy of any of the Code of Ethics upon receipt of a written request. Requests should be addressed to: Alliance Gaming Corporation, 6601 South Bermuda Road, Las Vegas, Nevada 89119, Attention: Corporate Secretary.

ITEM 11. EXECUTIVE COMPENSATION

Executive Compensation

The following table sets forth the compensation paid or to be paid by the Company to the Company s chief executive officer and the two other most highly compensated executive officers receiving over $100,000 per year (the Named Executive Officers) for services rendered in all capacities to the Company during the fiscal year ended June 30, 2004.

Summary Compensation Table *

Name and Principal Position	Fiscal Year Ended June 30, 2004	Annual Compensation			Long-Term Compensation	
		Salary	Bonus	Other Annual Compensation (2)	Securities Underlying Options/ SARs (3)	All Other Compensation (4)
Robert Miodunski (1)	2004	$ 478,846	$ 465,000		100,000	$ 6,375
President and	2003	450,000	522,000		100,000	5,500
Chief Executive Officer	2002	426,923	688,000		100,000	4,759
Robert Saxton (5)	2004	$ 357,307	$ 279,240		60,000	2004
Executive Vice						
President, Treasurer,	2003	333,000	350,000		50,000	5,700
and Chief Financial						
Officer	2002	313,846	469,000		110,000	5,300
Mark Lerner (6)	2004	$ 232,308	$ 94,000		25,000	$ 6,307
General Counsel	2003	223,650	168,750		22,500	5,250
	2002	220,000	194,500		20,000	4,279

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* As used in the tables provided under the caption Executive Compensation, the character - is used to represent zero.

(1) Mr. Miodunski was appointed Chief Operating Officer of the Company in November 1999. In April 2000, Mr. Miodunski was appointed President, and in April 2001 was appointed Chief Executive Officer, which he held until he resigned effective September 30, 2004. In connection with his separation and consulting agreement dated as of June 30, 2004, Mr. Miodunski is also entitled to a $1,000,000 bonus for the successful sale of United Coin Machine Co., which is payable commencing in the fiscal year ending June 30, 2005. See Employment and Severance Arrangements.

(2) Excludes personal benefits in amounts less than the lesser of $50,000 or 10 percent of the total annual salary and bonus reported for the Named Executive Officer.

(3) Share amounts have been adjusted to reflect the two-for-one stock splits effective August 22, 2001, and April 9, 2002.

(4) All Other Compensation represents contributions made by the Company to the Company s Profit Sharing 401(k) Plan.

(5) Mr. Saxton was appointed as Chief Financial Officer and Treasurer in March 2000.

(6) Mr. Lerner was appointed Senior Vice President, General Counsel, and Secretary in August 2000.

In addition to these Named Executive Officers, Mr. Haddrill was appointed Chief Executive Officer effective as of October 1, 2004, and as of that date earns an annual salary of $980,000 per year, payable in accordance with the Company s customary payroll practices, and other perquisites. On June 30, 2004, in connection with Mr. Haddrill entering into his employment agreement with the Company, the Company granted him 405,000 stock options, with an additional 95,000 options granted during fiscal year ending June 30, 2005, and 377,030 restricted stock units. Other than the foregoing long-term incentive awards, for fiscal years 2002, 2003 and 2004, Mr. Haddrill received only compensation in consideration for his membership on the Company s board of directors and committees thereof.

Option/SAR Grants in Last Fiscal Year

The following table relates to options granted during the fiscal year ended June 30, 2004:

				Potential Realizable
	Individual Grants			Value at
Options		Exercise	Expiration	

Name	Granted	% of Total Options/SARs Granted to Employees in Fiscal Year		Price	Date	Assumed Annual Rates of Stock Price Appreciation for Option Term (e) 5%		10%
Robert Miodunski	100,000(a)	3.49%	$	21.53	8/11/13	$ 1,354,000	$	3,431,000
Robert Saxton	50,000(a)	1.74%		21.53	8/11/13	677,000		1,715,000
Mark Lerner	25,000(a)	0.87%		21.53	8/11/13	338,000		857,000
David Robbins	195,000(b)	6.80%		24.65	4/8/11	1,957,000		4,560,000
David Robbins	39,000(a)	1.36%		17.16	6/30/14	421,000		1,067,000
Jacques André	195,000(b)	6.80%		24.65	4/8/11	1,957,000		4,560,000
Anthony DiCesare	195,000(b)	6.80%		24.65	4/8/11	1,957,000		4,560,000
Joel Kirschbaum	195,000)b)	6.80%		24.65	4/8/11	1,957,000		4,560,000
Joel Kirschbaum	39,000(a)	1.36%		17.16	6/30/14	421,000		1,067,000
Richard Haddrill	195,000(b)	6.80%		24.65	4/8/11	1,957,000		4,560,000
Richard Haddrill	405,000(c)	14.13%		17.16	6/30/04	4,371,000		11,036,000
Kevin Verner	195,000(b)	6.80%		24.65	4/8/11	1,957,000		4,560,000

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(a) Options vest: one-third on the first anniversary of grant date; one-third on the second anniversary thereof; and one-third on the third anniversary thereof.

(b) These options vest in four equal tranches of 48,750 shares each, vesting only if on or before January 8, 2009, the average closing stock price for twenty consecutive trading days exceeds $35 for the first tranche, $40 for the second, $45 for the third, and $50 for the fourth. Any options not vested as of January 8, 2009 will vest on January 8, 2011, and will remain exercisable thereafter only until April 8, 2011, subject to extension for the length of any blackout period during which directors and officers are not permitted to sell the Company s stock. These options were granted in lieu of the three grants of immediately-vesting ten-year options of 30,000 shares each (for a total of 90,000 shares) that would otherwise have been granted on the dates of the annual shareholder meetings in 2003, 2004 and 2005, and which each director has agreed to forego.

(c) These options vest on October 1, 2012, provided Mr. Haddrill is an employee on that date, or earlier as follows: in twelve equal tranches, vesting on (a) the later of (i) the first date on which the Fair Market Value (as defined in the Employment Agreement between Mr. Haddrill and the Company dated June 30, 2004) of the stock is at least $30 per share and (ii) October 1, 2005, but only if the Fair Market Value is at least $30 per share on or before October 1, 2007, for the first tranche, (b) the later of (i) the first date on which the Fair Market Value of the stock is at least $35 per share and (ii) October 1, 2005, but only if the Fair Market Value is at least $35 per share on or before October 1, 2007, for the second, (c) the later of (i) the first date on which the Fair Market Value of the stock is at least $40 per share and (ii) October 1, 2005, but only if the Fair Market Value is at least $40 per share on or before October 1, 2008, for the third, (d) the later of (i) the first date on which the Fair Market Value of the stock is at least $45 per share and (ii) October 1, 2005, but only if (x) the fair Market Value is at least $45 per share on or before October 1, 2008 or (y) the Fair Market Value is at least $40 on or before October 1, 2008 and at least $45 on or before October 1, 2009, for the fourth, (e) the later of (i) the first date on which the Fair Market Value of the stock is at least $30 per share and (ii) October 1, 2006, but only if the Fair Market Value is at least $30 per share on or before October 1, 2007, for the fifth, (f) the later of (i) the first date on which the Fair Market Value of the stock is at least $35 per share and (ii) October 1, 2006, but only if the Fair Market Value is at least $35 per share on or before October 1, 2007, for the sixth, (g) the later of (i) the first date on which the Fair Market Value of the stock is at least $40 per share and (ii) October 1, 2006, but only if the Fair Market Value is at least $40 per share on or before October 1, 2008, for the seventh, (h) the later of (i) the first date on which the Fair Market Value of the stock is at least $45 per share and (ii) October 1, 2006, but only if (x) the Fair Market Value is at least $45 per share on or before October 1, 2008 or (y) the Fair Market Value is at least $40 on or before October 1, 2008 and at least $45 on or before October 1, 2009, for the eighth, (i) the later of (i) the first date on which the Fair Market Value of the stock is at least $30 per share and (ii) October 1, 2007, but only if the Fair Market Value is at least $30 per share on or before October 1, 2007, for the ninth, (j) the later of (i) the first date on which the Fair Market Value of the stock is at least $35 per share and (ii) October 1, 2007, but only if the Fair Market Value is at least $35 per share on or before October 1, 2007, for the tenth, (k) the later of (i) the first date on which the Fair Market Value of the stock is at least $40 per share and (ii) October 1, 2007, but only if the Fair Market Value is at least $40 per share on or before October 1, 2008, for the eleventh and (l) the later of (i) the first date on which the Fair Market Value of the stock is at least $45 per share and (ii) October 1, 2007, but only if (x) the Fair Market Value is at least $45 per share on or before October 1, 2008 or (y) the Fair Market Value is at least $40 on or before October 1, 2008 and at least $45 on or before October 1, 2009, for the twelfth.

(d) Amounts shown in these columns have been derived by multiplying the exercise price by the annual appreciation rates shown (compounded for the term of the options), multiplying the result by the number of shares covered by the options, and subtracting the aggregate exercise price of the options. The dollar amounts set forth under this heading are the result of calculations at the 5 percent and 10 percent rates set by the Securities and Exchange Commission, and are not intended to forecast possible future appreciation, if any, of the Company s stock price.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table reflects the options exercised during the fiscal year and outstanding options held by the Named Executive Officers and Mr. Haddrill at June 30, 2004:

Name	Exercise	Value Realized	Number of Unexercised Options at June 30, 2004		Value of Unexercised In-the-Money Options at June 30, 2004 (a)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Robert Miodunski	133,332	$ 1,497,510		200,008	$	$ 114,000
Robert Saxton	36,681	393,531	33,331	120,008	57,000	238,000
Mark Lerner	22,497	291,336		47,503		26,000
Richard Haddrill			50,000	600,000	80,500	

(a) Represents the amount by which the market value of the underlying stock at June 30, 2004 ($17.16 per share) exceeds the aggregate exercise price of the options.

Long-Term Incentive Plans Awards in Last Fiscal Year

Name	Number of Shares, Units or Other Rights	Performance or Other Period Until Maturation or Payout	Maximum Future Payout
Richard Haddrill	377,030(1)	October 1, 2004 to October 1, 2007	377,030 shares

(1) On June 30, 2004, the Company issued to Mr. Haddrill 377,030 Restricted Stock Units (RSUs). The number of RSUs was determined by dividing $6.5 million by the average per share closing price of the Company s common stock. The RSUs vest in one-third equal installments on each of October 1, 2005, October 1, 2006 and October 1, 2007, provided that Mr. Haddrill is continuously employed by the Company as its Chief Executive Officer until each such respective vesting date.

Directors Compensation

Arrangements with Directors: Directors of the Company who are also employees are generally not separately compensated for their services as directors. The compensation arrangements for outside directors of the Company, are as follows: (i) Effective July 1, 2004, Mr. Robbins, as Chairman of the Board, receives $235,000 per year for his services as Chairman of the Board, and $90,000 as a member of the Office of the Chairman; (ii) all other outside directors receive $50,000 per year; (iii). each outside director (including Mr. Robbins) receives $5,000 per year for each committee they serve on, and the chairman of each committee receives an additional $5,000 per year; and (iv) each new non-employee director receives an option grant of 50,000 shares upon appointment to the Board of Directors. In January 2004, each non-employee director received an option grant of 195,000 shares, consisting of four tranches of 48,750 each, with a seven year term. These options vest only if the common stock price reaches $35, $40, $45, $50 for 20 consecutive days, respectively, on or before January 8, 2009. Additionally, all options granted to Directors of the Company remain outstanding for the full term, whether or not the director continues to be a director of the Company (unless the director resigns or is removed as a director before the expiration of the director s term, in which event the options expire 60 days after resignation or removal). Directors are also reimbursed for their reasonable out-of-pocket expenses incurred on Company business. The Company may grant directors (both employee and non-employee) additional cash compensation and options as time commitments, responsibilities and other circumstances may warrant. On June 30, 2004, the board granted special bonuses to Messrs. Verner and André in the amount of $25,000 each. Messrs. Robbins and Kirschbaum also received option grants on June 30, 2004, for 39,000 shares each.

<u>Other Arrangements</u>: Effective July 1, 1997, the Company entered into employment agreements (the Agreements) with Mr. DiCesare and Mr. Kirschbaum (each an Employee and collectively the Employees) pursuant to which each Employee was a New York-based employee and worked on major strategic transactions involving the Company or its affiliates, including mergers, acquisitions, divestitures, joint ventures, the negotiation of strategic alliances or relationships, and financings and refinancings. The Employees were not expected to be involved in the day-to-day operations of the Company, were not expected to devote full-time to the business of the Company and were permitted engage in outside activities, although they could not directly compete with the Company. Under the Agreements, each Employee received a base salary for fiscal year 2004 of $186,539. The Agreements also called for annual performance bonuses (each a Bonus) based upon annual performance goals determined by the Board of Directors and the Employee (which goals generally related, without limitation, to transactions of the type mentioned above involving the Company and/or one or more of its affiliates) and a target Bonus amount (and/or an appropriate minimum amount). If a goal is achieved, the Bonuses would be payable regardless of the level of the Employee s involvement in the transaction. On termination of any Employee s Agreement for any reason (including for cause), the Company may be required to pay Bonuses to such Employee for projects begun but not completed at the

termination date assuming the bonusing event is completed no later that twenty-one months after the termination date. Each Agreement expired on June 30, 2004, and was not renewed.

The performance goals for each Employee for fiscal year 2004 were: (i) the closing of at least one significant merger with a value of at least $60 million, (ii) the closing of a significant financing with a value of at least $50 million, or (iii) the disposal of certain non-core assets. Upon the achievement of the performance goal set forth in clause (i), each Employee was to receive a Bonus equal to 0.3125% of the value of a significant financing, less $62,500. Upon the achievement of the performance goal set forth in clause (ii), each Employee was to receive 0.3875% of the value of a significant merger, less $100,000. In addition, each Employee was to receive $200,000 for the sale of a non-core asset (excluding the sale of United Coin Machine Co.). During the fiscal year 2004 the Company (i) closed a significant merger by acquiring Sierra Design Group, Inc. on March 3, 2004 for $126.4 million plus additional contingent consideration of up to $95.6 million, (ii) completed the refinancing of the Company s debt in September 2003 (as reported in the Company s Annual Report filed on Form 10-K for the period ending June 30, 2004), and (iii) disposed of a non-core asset by selling the Rail City Casino for $37.9 million in May 2004. For each of the foregoing transactions, each Employee received $385,000, $1,187,500 and $200,000, respectively.

In June 2004, the Company entered into an agreement with Mr. Kirschbaum in which he agreed to serve as a member of the Office of the Chairman, a committee established by the Board of Directors, for a period of three and one-half years. Pursuant to this agreement, commencing July 1, 2004, Mr. Kirschbaum will receive fees of $100,000 per year.

Effective July 1, 1997, the Company agreed to pay KIC over the term of the Agreements an annual amount, subject to annual inflation increases, plus the cost of reasonable employee benefits to its support staff and reasonable out-of-pocket expenses incurred by KIC and its officers and employees to the extent related directly to the Company s business or potential business (the KIC Agreement). The KIC Agreement expired on June 30, 2004 and was not renewed.

Effective July 1, 2004, the Company entered into an Advisory Services Agreement with KIC which calls for the Company to pay KIC $600,000 annually for advisory and related services for a period of three and one-half years.

Employment and Severance Arrangements

On June 30, 2004, Mr. Haddrill and the Company entered into an Employment Agreement (the Haddrill Agreement), pursuant to which Mr. Haddrill shall serve as the Company s Chief Executive Officer effective October 1, 2004. The term of the Haddrill Agreement continues until October 1, 2007 (unless earlier terminated, or extended, as provided for in the Haddrill Agreement). Mr. Haddrill receives a base annual salary of $980,000, participation in the Company s benefit programs for corporate officers, and other perquisites, and contains certain non-compete provisions. Mr. Haddrill was also granted 405,000 stock options, with an 95,000 additional options granted during fiscal year ending June 30, 2005, and 377,030 restricted stock units (such restricted stock units representing $6.5 million of the Company s common stock) pursuant to the Haddrill Agreement.

On June 30, 2004, Mr. Miodunski and the Company entered into a Separation and Consulting Agreement pursuant to which Mr. Miodunski resigned his position as President and Chief Executive Officer effective September 30, 2004. The agreement replaces Mr. Miodunski s prior employment agreement with the Company. Per the agreement, Mr. Miodunski received a $1,000,000 bonus for the successful sale of United Coin Machine Co., $500,000 of which was paid in July 2004 and $500,000 which is payable in 24 monthly installments beginning January 1, 2005.

In addition Mr. Miodunski will receive $250,000 annually for services as a consultant to the board for a period of four years. Mr. Miodunski will also be eligible for a bonus at the end of the fiscal year ended June 30, 2005 under the Company s Management Incentive Plan pursuant to the terms of his Separation and Consulting Agreement.

The Company is party to an employment agreement with Mr. Lerner which generally provides for a base salary (currently $235,000 per year), participation in the Company s compensation programs for corporate officers, participation in the Company s cash bonus program at amounts determined by the Board of Directors, and severance benefits of six months base salary if Mr. Lerner is terminated without cause.

Compensation Committee Interlocks and Insider Participation in Compensation Decisions

During the fiscal year ended June 30, 2004, the Compensation Committee of the Board of Directors of the Company met six times, and was comprised of Messrs. André, Haddrill, Kirschbaum, Robbins, and Verner. During the last fiscal year, the entire Board of Directors generally participated in deliberations concerning the compensation of the Company s executive officers. Other than as previously described elsewhere herein, no other member of the Company s Board of Directors was an officer or employee of the Company or any subsidiary during the fiscal year ended June 30, 2004, or is a former officer of the Company or any subsidiary.

Since July 1, 1998, certain directors have been involved in transactions in which Alliance was a party and in which the amount involved exceeded $60,000. See Directors Compensation and Certain Relationships and Related Transactions.

Report on Executive Compensation

For the fiscal year ended June 30, 2004, the Compensation Committee consisted of Messrs. André, Haddrill, Kirschbaum, Robbins, and Verner. The formal charter provides for the following duties to be carried out by this Committee:

Review and approve executive compensation philosophy.

Approve all executive compensation plans and structures.

Approve annual and long-term incentive performance metrics; determine and approve payouts.

Approve compensation for the Company s management executive committee (consisting of certain members of senior management) as well as senior management of the Company s subsidiaries.

Approve plan payouts to the members of the management executive committee that are outside of approved parameters.

Recommend approval for all management incentive plans, including stock options, to the Board of Directors, and approve new change-in-control or special retention plans.

Approve bonus criteria, incentives, including stock options, and payouts for employee-directors.

The Company s compensation formulas for certain executives during the fiscal year ended June 30, 2004, were largely determined based on pre-existing contractual arrangements in place from the previous fiscal periods. The Compensation Committee believes as a general matter, but particularly with respect to senior executive officers, that the most effective method of compensation, and the method that most closely aligns management s interest with those of the Company s stockholders, is long-term compensation tied to the creation of stockholder value. The Compensation Committee believes that this method of compensation should constitute a significant portion of an executive s compensation. Thus, it has been the Company s policy where feasible and consistent with competitive market conditions to attempt to restrain base cash compensation while providing incentives for management to increase stockholder value. The Company hopes to achieve this goal through the use of (i) long-term stock options (that will not result in value to the holder unless the price of the Company s Common Stock has appreciated) and (ii) cash bonuses tied to performance criteria (such as achievement of specific strategic, operational, or financial tasks or targets, such as cash flow return on assets and operating income) which the Board of Directors believes will result in increases in stockholder value. Stock option grants to management have exercise prices equal to the share price at the time of grant and have a term of ten years. The Board of Directors believes the compensation philosophy outlined above has the greatest probability of achieving significant returns to stockholders.

The Board of Directors compensation determinations have been and continue to be affected by various competitive factors including the requirements to attract top-flight employees to the Company. The Company believes that it will continue to be constrained by these competitive factors as there continues to be demand from competing businesses to attract management talent of the type the Company desires to recruit.

During fiscal year 2004, Mr. Miodunski s salary as CEO was $500,000, and he was paid a bonus for fiscal year 2004 of $465,000. The bonus paid Mr. Miodunski included $400,000 earned upon the achievement of certain financial objectives set by the Compensation Committee, and a subjective bonus awarded by the Compensation

Committee of $65,000. Additionally, during fiscal year 2004 Mr. Miodunski was awarded a stock option grant covering 100,000 shares, which vests in one-third increments beginning one year from the date of grant.

Respectfully submitted,

COMPENSATION COMMITTEE
(as of fiscal year ended June 30, 2004)
Jacques André
Richard Haddrill
Joel Kirschbaum
David Robbins
Kevin Verner

Stock Performance Graph

The following graph compares the Company s cumulative total stockholder return on its Common Stock (no dividends have been paid thereon) for the past five fiscal years in the period ending June 30, 2004, with cumulative total return, assuming reinvestment of dividends, of (i) the Nasdaq Stock Market (U.S.) (based on our previous listing on this exchange, which ceased upon our listing on the New York Stock Exchange on December 12, 2002), (ii) the Russell 2000, and (iii) an index of peer companies the Company believes are comparable to the Company in terms of their lines of business. The presentation assumes $100 was invested on June 30, 1999 (the last trading day prior to the end of the Company s 1999 fiscal year). The company peer group used in the graph below consists of International Game Technology, Mikohn Gaming, Shuffle Master, and WMS Gaming, and excludes Acres Gaming which was acquired by International Game Technology in October 2003.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of October 27, 2004, with respect to the beneficial ownership of the Common Stock, which constitutes the Company s only outstanding class of voting securities, by (i) each person who, to the knowledge of the Company, beneficially owned more than 5% of the Common Stock, (ii) each director and director nominee of the Company, (iii) the Named Executive Officers of the Company (as defined pursuant to the Securities Exchange Act of 1934), and (iv) all executive officers and directors of the Company as a group. Except as indicated, beneficial ownership includes the sole power to vote and to dispose of the securities in question. Except as indicated, no director or executive officer of the Company owned any other equity securities of the Company. Except as indicated below, the mailing address for each of the beneficial owners listed below is c/o Alliance Gaming Corporation, 6601 South Bermuda Road, Las Vegas, Nevada 89119.

Beneficial Owner	**Amount of Beneficial Ownership**	**Percent of Class**
Alfred Wilms	3,832,892(1)	7.5%
Jacques André	133,572(2)	*
Anthony DiCesare	42,728(3)	*
Richard Haddrill	63,300(4)	*
Joel Kirschbaum	2,186,602(5)	4.2%
Mark Lerner	23,333(6)	*
Robert Miodunski	64,745(7)	*
David Robbins	451,720(8)	*
Robert L. Saxton	109,996(9)	*
Kevin Verner	80,000(10)	*
All executive officers and directors as a group	3,181,329(11)	6.1%

* Less than 1%.

(1) Mr. Wilms mailing address is 2, St. Jansvliet, bus 6-2000 Antwerp, Belgium.

(2) Includes 36,428 shares owned and 97,144 shares subject to options that are currently exercisable or will become exercisable within 60 days.

(3) Represents shares subject to options that are currently exercisable or will become exercisable within 60 days. Excludes shares placed in a trust, a trustee of which is Mr. DiCesare s wife. Mr. DiCesare disclaims any beneficial ownership of these shares.

(4) Includes 13,300 shares owned and 50,000 shares subject to options that are currently exercisable or will become exercisable within 60 days.

(5) Includes 1,530,390 shares owned and 656,212 shares subject to options that are currently exercisable or will become exercisable within 60 days.

(6) Represents shares subject to options that are currently exercisable or will become exercisable within 60 days.

(7) Represents shares subject to options that are currently exercisable or will become exercisable within 60 days.

(8) Includes 55,000 shares owned and 396,720 shares subject to options that are currently exercisable or will become exercisable within 60 days.

(9) Includes 30,004 shares owned and 79,992 shares subject to options that are currently exercisable or will become exercisable within 60 days.

(10) Includes 10,000 shares owned and 70,000 shares subject to options that are currently exercisable or will become exercisable within 60 days.

(11) Includes 1,677,122 shares subject to options that are currently exercisable or will become exercisable within 60 days.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

An agreement dated October 10, 1994 obligates the Company to pay Mr. Wilms, a former officer and director of the Company, $150,000 a year to be available to the Company for consulting services, subject to annual cost-of-living adjustments. As required by that agreement, the Company paid Mr. Wilms $203,920 during the year ended June 30, 2004. This agreement expired on June 30, 2004.

See also Directors Compensation and Compensation Committee Interlocks and Insider Participation in Compensation Decisions.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents the aggregate fees billed by Deloitte & Touche LLP, the Company s principal accountant, for services provided during fiscal years 2003 and 2004:

		2003	2004
A.	Audit fees	$ 374,100	$ 332,400
B.	Audit-related fees (1)	115,497	154,218
C.	Tax fees (2)	459,424	680,147
D.	All other fees (3)		20,600
	Total Fees	949,021	1,187,365

(1) Consists primarily of fees paid for accounting and auditing consultation services and audits of the Company s employee benefits plans and fees for services related to Sarbanes-Oxley readiness.

(2) Consists primarily of fees paid for tax compliance and preparation services and tax consultation relating to the acquisition or disposition of certain subsidiaries.

(3) Consists primarily of fees paid for consultation regarding stock compensation and other matters.

The Audit Committee reviews and signs all engagement letters for services to be provided by Deloitte & Touche LLP. The Audit Committee has considered the effect of non-audit services provided by Deloitte & Touche LLP on Deloitte & Touche LLP s independence, and does not believe that such independence has been impaired or otherwise compromised.

Report of the Audit Committee

For the fiscal year ended June 30, 2004, the Audit Committee was comprised of four members of the Board of Directors. The Audit Committee operates under a written charter previously adopted by the Board. The Audit Committee reviews the Company s financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process. The Company s independent accountants are responsible for expressing an

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opinion on the conformity of the Company s audited financial statements to generally accepted accounting principles. The Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements with the Company s management.

2. The Audit Committee has discussed with Deloitte & Touche LLP, the Company s independent auditors, among other things, the matters required to be discussed by SAS 61 (Communication with Public Audit Committees).

3. The Audit Committee has received the written disclosures and the representations from Deloitte & Touche LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with Deloitte & Touche LLP their independence.

4. Based on the review and discussion of the above information, the Audit Committee recommended to the Board of Directors of the Company, and the Board has approved, that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2004, for filing with the Securities and Exchange Commission.

Respectfully submitted,

AUDIT COMMITTEE
(as of fiscal year ended June 30, 2004)
David Robbins, Chairman
Jacques André
Richard Haddrill
Kevin Verner

PART IV

ITEM 15. **EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

Documents filed as part of this amended report:

Exhibit Number	Description
14	Code of Ethics and Business Conduct
99.1	Audit Committee Charter
99.2	Nominating and Corporate Governance Charter
99.3	Compensation Committee Charter

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on our behalf by the undersigned, thereunto duly authorized.

ALLIANCE GAMING CORPORATION DATED: October 28, 2004

By /s/ Richard Haddrill
Richard Haddrill
Chief Executive Officer
(Principal Executive Officer)

By /s/ Robert L. Saxton
Robert L. Saxton
Executive Vice President, Treasurer and Chief Financial
Officer (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	**Title**	**Date**
/s/ Richard Haddrill Richard Haddrill	Chief Executive Officer (Principal Executive Officer), and Director	October 28, 2004
/s/ Robert L. Saxton Robert L. Saxton	Executive Vice President, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	October 28, 2004
/s/ Jacques André Jacques André	Director	October 28, 2004
/s/ Anthony DiCesare Anthony DiCesare	Director	October 28, 2004
/s/ Joel Kirschbaum Joel Kirschbaum	Director	October 28, 2004
David Robbins	Director and Chairman of the Board	October 28, 2004
Kevin Verner	Director	October 28, 2004