



For: Touchstone Applied Science Associates Inc.
4 Hardscrabble Heights
Brewster, NY 10509-0382

NEWS RELEASE

The Investor Relations Company serves as investor relations counsel to this company, is acting on the company's behalf in issuing this news release and receiving compensation therefor. The information contained herein is furnished for information purposes only and is not to be construed as an offer to buy or sell securities.

For further Information:

At TASA:

Andrew L. Simon, President & CEO
845-277-8100
asimon@tasa.com

At The Investor Relations Company:

Mike Arneth
847-296-4200
marneth@tirc.com

FOR IMMEDIATE RELEASE

TOUCHSTONE APPLIED SCIENCE ASSOCIATES REPORTS RESULTS FOR FIRST QUARTER OF FISCAL 2006

- Revenues Increase Almost 16 Percent
- Contract Startup Costs Negatively Impact Gross Margin

Brewster, New York, March 17, 2006 – Touchstone Applied Science Associates, Inc. (OTCBB: TASA), citing the combined effects of startup costs related to larger contracts and costs associated with 2005 acquisitions, today reported a net loss of \$159,975, or five cents per diluted share, compared with net income of \$111,347, or four cents per diluted share in the first quarter of the prior year. Revenues in the first quarter rose by 15.9 percent to \$3.1 million from \$2.7 million in the comparable period a year ago. Fully diluted shares outstanding were 2,909,738 and 2,974,518 at the end of the first quarter of fiscal 2006 and fiscal 2005, respectively.

Reflecting the costs of starting up larger contracts, gross margin in the first quarter was 36 percent. This compares to gross margin of 49 percent in the same quarter a year earlier.

“Last year, the Company made a strategic decision to bid on larger full-service contracts,” said Andrew L. Simon, president and chief executive officer. “These contracts contain operational elements including printing, distribution, scanning and scoring services. This strategic change was made because, as NCLB becomes implemented, states no longer wish to purchase a la carte services but rather prefer one organization to implement entire programs. While the revenues and earnings over the life of these contracts should be greater, the cost of starting these contracts is also higher and is reflected in our results for the first quarter. As we add additional contracts and realize economies of scale, we anticipate that our cost of goods sold as a percentage of revenue will return to a more normal level.

“Although we have begun to shift from an independent sales organization to the Company’s own internal sales force, sales expense in the first quarter was essentially the same, in dollar terms, even as revenues increased. Selling expense as a percentage of revenues decreased slightly in the quarter to 11 percent versus 13 percent in the comparable period a year ago,” Simon stated.

Simon noted that TASA’s cost structure also reflected acquisitions the Company made the previous year. “During the first quarter of fiscal 2006, general and administrative costs increased by 27 percent compared with the first quarter of fiscal 2005. The increase was primarily due to expenses associated with the two acquisitions made in fiscal 2005. As expected, we added costs when we acquired AEC in January of 2005 and ADI last June. While costs did increase, the addition of AEC and ADI has given us the ability to bid on larger contracts. Our ability to offer a full suite of services was a factor in winning our new contract with the state of Idaho, for example. We anticipate that both units and the services they offer will make an increasing contribution to revenues and earnings. They will also continue to be an important element in adding new business.”

TASA's custom testing products and services business continued to grow in the first quarter. Custom testing revenues grew by 11.4 percent during the quarter to \$2.1 million from \$1.9 million in the same period last year. They represented about 69 percent of total revenues in the first quarter. This reflects the ongoing trend toward custom testing by educators as they strive to develop assessment tools to accurately measure the performance of their specific student populations, according to Simon.

Revenue from proprietary products and services grew to approximately \$944,000 in the first quarter, an increase of 27.5 percent over the \$740,000 posted in the first quarter last year. The improvement is principally the result of work performed under the contract with the state of Idaho added in 2005. "Notably, this is the first contract in which we are making use of our ability to print, distribute, scan, score and report, as an integrated 'factory' concept," according to Simon.

Simon stated that TASA's performance should continue to strengthen as the year progresses. "As we move forward in fiscal 2006, we expect the impact of contract startup costs to diminish. Over the longer term as the number of contracts we administer increases, the effect of starting up any contract should have less impact on our financial performance.

"We have made a number of investments in the form of acquisitions, staffing and infrastructure, particularly over the past year. With the increased emphasis on assessment activities by educators and the expanding scope of areas subject to mandatory performance measurement, the opportunities for TASA to grow revenues and earnings remain abundant. We are in a better position than we have ever been to capitalize on those opportunities," Simon concluded.

Conference call today at 11:00 a.m. EST

Management will host a conference call this morning to discuss first quarter fiscal 2006 results. The call is scheduled to begin at 11 a.m. Eastern, 10 a.m. Central, 9 a.m. Mountain and 8 a.m. Pacific. Participants may dial: (201) 689-8470 for the live call. The call will also be webcast live and archived for three months. The webcast can be accessed at: <http://www.viavid.net/detailpage.aspx?sid=00002E61>.

About TASA

TASA, based in Brewster, N.Y., provides consulting services, including test design and development, and psychometric services to states, school districts and textbook publishers through its custom assessment units. TASA also designs, develops, calibrates, publishes, markets and sells educational assessment tests primarily to elementary and secondary schools throughout the United States. In addition, the Company provides test printing, distribution, scanning, scoring and reporting services to states, schools and districts as well as to third parties. Further, TASA offers on-line testing services to schools and educational entities in the K-12 market and customized assessment engines for curriculum providers. For more information, visit the Company's website at www.tasa.com.

Statements contained in this release that are not historical facts are "forward-looking" statements as contemplated by the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements are subject to risks and uncertainties, which are enumerated in the Company's reports filed with The Securities and Exchange Commission. These risks and uncertainties could cause actual results to differ materially from those projected or implied in the forward-looking statements.

...Tables Follow...

TOUCHSTONE APPLIED SCIENCE ASSOCIATES, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 31, <u>2006</u> (Unaudited)	October 31, <u>2005</u>
<u>ASSETS</u>		
Current assets:		
Cash and temporary investments	\$ 726,612	\$ 1,289,630
Accounts receivable, net of allowance for doubtful accounts of \$2,683	2,435,429	2,886,915
Inventories	498,921	467,762
Prepaid expenses and other current assets	325,619	397,420
Restricted cash	21,296	20,347
Deferred income taxes	<u>571,417</u>	<u>571,417</u>
 Total current assets	 4,579,294	 5,633,491
 Property, plant and equipment - net of accumulated depreciation of \$549,139 and \$488,863, respectively	 891,594	 675,999
Other assets:		
Test passage bank and test development, net of accumulated amortization of \$3,684,929 and \$3,579,751, respectively	2,749,166	2,750,239
Goodwill	1,969,542	1,969,542
Deferred income taxes	598,877	492,677
Other assets	<u>261,042</u>	<u>252,931</u>
 Total assets	 <u>\$11,049,515</u>	 <u>\$11,774,879</u>

TOUCHSTONE APPLIED SCIENCE ASSOCIATES, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

	January 31, <u>2006</u> (Unaudited)	October 31, <u>2005</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Lines of credit	\$ --	\$ --
Current maturities of long-term debt	221,300	166,750
Accounts payable	578,793	489,428
Accrued expenses	930,103	1,427,963
Other liabilities	207,994	317,529
Deferred gain on sale of building-current portion	<u>125,439</u>	<u>125,439</u>
Total current liabilities	2,063,629	2,527,109
Long-term debt:		
Long-term debt, net of current portion	1,304,843	1,396,212
Deferred gain on sale of building, net of current portion	<u>804,896</u>	<u>836,255</u>
Total liabilities	<u>4,173,368</u>	<u>4,759,576</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.0001 par value, 5,000,000 shares authorized, 0 shares-issued and outstanding	--	--
Common stock, \$.0001 par value, 20,000,000 shares authorized, 2,909,738 shares issued and outstanding	291	291
Additional paid-in capital	6,185,207	6,164,387
Retained earnings	<u>690,649</u>	<u>850,625</u>
Total stockholders' equity	<u>6,876,147</u>	<u>7,015,303</u>
Total liabilities and stockholders' equity	<u>\$11,049,515</u>	<u>\$11,774,879</u>

TOUCHSTONE APPLIED SCIENCE ASSOCIATES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>Three Months Ended January 31,</u>	
	<u>2006</u>	<u>2005</u>
	(Unaudited)	(Unaudited)
Net revenue	\$3,074,014	\$2,652,829
Cost of goods sold	<u>1,963,479</u>	<u>1,347,672</u>
Gross profit	<u>1,110,535</u>	<u>1,305,157</u>
Operating expenses:		
Selling expenses	349,717	341,424
General and administrative expenses	<u>1,028,819</u>	<u>805,951</u>
Total operating expenses	<u>1,378,536</u>	<u>1,147,375</u>
(Loss) income from operations	(268,001)	157,782
Other income (expense):		
Gain on sale/leaseback of building	31,360	31,360
Interest income (expense), net	<u>(20,204)</u>	<u>2,579</u>
(Loss) income before provision for (benefit from) income taxes	(256,845)	191,721
Provision for (benefit from) income taxes	<u>(96,870)</u>	<u>80,374</u>
Net (loss) income	<u>\$ (159,975)</u>	<u>\$ 111,347</u>
Weighted average shares outstanding:		
Basic	2,909,738	2,715,490
Diluted	2,909,738	2,974,518
(Loss) earnings per share:		
Basic	\$ (.05)	\$.04
Diluted	\$ (.05)	\$.04

#