

SECURITIES AND EXCHANGE COMMISSION
Washington, DC. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [Fee Required]

For the fiscal year ended December 31, 1997

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [No Fee Required]

For the transition period from to .

Commission file number: 0-21121

TRANSACT TECHNOLOGIES INCORPORATED
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization) 06-1456680 (I.R.S. Employer Identification No.)

7 LASER LANE, WALLINGFORD, CT (Address of principal executive offices) 06492 (Zip Code)

Registrant's telephone number, including area code 203-269-1198

Securities registered pursuant to Section 12 (b) of the Act:

NONE

Securities registered pursuant to Section 12 (g) of the Act:

Title of each class
COMMON STOCK, \$0.01 PAR VALUE

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any other amendment to this Form 10-K. []

As of MARCH 20, 1998 the aggregate market value of the registrant's issued and outstanding voting stock held by non-affiliates of the registrant was \$62,800,000.

As of MARCH 20, 1998 the registrant had outstanding 6,307,500 shares of common stock, \$0.01 par value.

GENERAL

TransAct Technologies Incorporated ("TransAct" or the "Company") designs, develops, manufactures and markets transaction based printers and related products under the ITHACA and MAGNETEC brand names. The Company's printers are used to provide transaction records such as receipts, tickets, coupons, register journals and other documents. The Company focuses on four vertical markets: point-of-sale ("POS") (from which the Company derived approximately 40% of its net sales in the year ended December 31, 1997); gaming and lottery (approximately 40% of net sales); kiosk (approximately 11% of net sales); and financial services (approximately 9% of net sales). The Company sells its products directly to end users, original equipment manufacturers ("OEMs"), value added resellers ("VARs") and selected distributors, primarily in the United States, Canada and Europe. TransAct has two operating facilities located in Wallingford, Connecticut and Ithaca, New York, and five sales offices, four located in the United States and one in the United Kingdom.

ITEM 1. BUSINESS.

(A) GENERAL DEVELOPMENT OF BUSINESS

In November 1995, the Board of Directors of Tridex Corporation ("Tridex") approved a plan to combine the business operations of two of its wholly-owned subsidiaries, Magnetec Corporation ("Magnetec") and Ithaca Peripherals Incorporated ("Ithaca"), under unified management. TransAct was incorporated in Delaware on June 17, 1996 as a wholly-owned subsidiary of Tridex. Following the incorporation, Tridex, TransAct, Magnetec and Ithaca entered into a Plan of Reorganization, pursuant to which: (i) Ithaca merged into Magnetec; (ii) TransAct transferred to Tridex certain assets of Magnetec used in manufacturing a printer ribbon product line; (iii) TransAct issued 5,400,000 shares of its common stock to Tridex in exchange for all the outstanding shares of Magnetec; (iv) TransAct sold in an initial public offering 1,322,500 shares or approximately 19.7% of its common stock; (v) TransAct repaid \$8,500,000 of intercompany indebtedness to Tridex; (vi) Tridex applied to the Internal Revenue Service (the "IRS") for a ruling that the distribution of the 5,400,000 shares of TransAct owned by Tridex to Tridex stockholders (the "Distribution") would constitute a tax-free reorganization for federal income tax purposes; and (vii) Tridex agreed to effect the Distribution promptly after receipt of a favorable ruling from the IRS and the satisfaction of certain other conditions.

On August 22, 1996, the Company sold 1,150,000 shares of its common stock at a price of \$8.50 per share in an initial public offering (the "Offering"). On September 18, 1996, the Company sold an additional 172,500 shares upon exercise of the underwriters' over-allotment option. Net proceeds from the Offering (including the exercise of the underwriters' over-allotment option) were approximately \$9 million after payment of approximately \$2.3 million of Offering expenses.

On February 12, 1997, Tridex received a favorable ruling from the IRS confirming the tax-free nature of the Distribution. On March 31, 1997 Tridex distributed its 5,400,000 shares, or 80.3%, of TransAct's common stock, pro rata to persons who were Tridex stockholders of record on March 14, 1997, on the basis of approximately one share of TransAct for each share of Tridex. Upon completion of the Distribution, Tridex no longer owned any shares of TransAct capital stock.

(B) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

TransAct presently operates in one industry segment, the design, development, manufacture and marketing of printers and printer peripheral products.

(C) NARRATIVE DESCRIPTION OF BUSINESS
(i) PRINCIPAL PRODUCTS AND SERVICES

TransAct designs, develops, manufactures and markets customizable and custom dot matrix and thermal printers for applications requiring up to 60 character columns in each of its four vertical markets: POS, gaming and lottery, kiosk and financial services. The Company also sells an 80 column laser printer for kiosk applications. The Company's customizable products include several series of printers which offer customers the ability to choose from a variety of features and functions. Options typically include paper cutting devices, paper handling capacities and number of print stations. In addition to its customizable printers, TransAct manufactures custom printers for certain OEM customers. In collaboration with these customers, the Company provides engineering and manufacturing expertise for the design and development of specialized printers.

The Company also manufactures and sells document transport mechanisms which deliver the finished printed output to the consumer in unattended applications, such as ATMs and kiosks. The Company also offers printer ribbons, paper and replacement parts for all of its products.

The Company provides customers with telephone sales and technical support, a personal account representative for orders, shipping and general information and expedited shipping for orders of its customizable and custom products. Technical and sales support personnel receive training in all of the Company's products and services manufactured at their facility. The Company's printers generally carry a one- or two-year limited warranty; extended warranties are available for purchase on selected printers to supplement the original warranty. The Company's costs to provide services and parts required under warranties historically have not been material.

(ii) STATUS OF PRODUCT REQUIRING MATERIAL INVESTMENT
None.

(iii) SOURCES AND AVAILABILITY OF RAW MATERIALS

The principal materials used in manufacturing are copper wire, magnetic metals, injection molded plastic parts, formed metal parts and electronic components. Although the Company could experience temporary disruption if certain suppliers ceased doing business with the Company, the Company's requirements generally are available from a number of sources. However, the Company is dependent upon Okidata, Division of Oki America, Inc. ("Okidata") for a printer component kit consisting of a printhead, control board and carriage (the "Oki Kit"), which is used in all of the Company's ITHACA brand impact printers. The loss of the supply of Oki Kits would have a material adverse effect on the Company. TransAct has a supply agreement with Okidata to provide Oki Kits until May 2001. Pricing for the Oki Kits was fixed through August 1997; the Company has placed orders since August 1997 at the prices then in effect, which orders have been accepted by Okidata. The Company and Okidata are currently negotiating for future pricing. TransAct believes its relations with Okidata are good and has received no indication that the supply agreement will not be renewed beyond the expiration of the current contract. TransAct cannot be certain, however, that the supply agreement will be renewed, or if renewed, that the terms will be as favorable as those under the current contract.

(iv) PATENTS AND PROPRIETARY INFORMATION

The Company owns several patents, one of which it considers material. That patent covers an automated paper cut-off device, which is a feature offered on certain of the Company's POS printers. The Company regards certain manufacturing processes and designs to be proprietary and attempts to protect them through employee and third-party nondisclosure agreements and similar means. It may be possible for unauthorized third parties to copy certain portions of the Company's products or to reverse engineer or otherwise obtain and use, to the Company's detriment, information that the Company regards as proprietary. Moreover, the laws of some foreign countries do not afford the same protection to the Company's proprietary rights as do United States laws. There can be no assurance that legal protections relied upon by the Company to protect its proprietary position will be adequate or that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technologies.

(v), (vi) SEASONALITY AND PRACTICES RELATING TO WORKING CAPITAL ITEMS

Retailers typically reduce purchases of new POS equipment in the fourth quarter, due to the increased volume of consumer transactions in that period, and the Company's sales of printers in the POS market historically have increased in the third quarter and decreased in the fourth quarter. However, the Company has not experienced material seasonality in its total net sales, due to offsetting sales in other markets.

(vii) CERTAIN CUSTOMERS

The Company has an OEM purchase agreement with GTECH Corporation ("GTECH") to provide on-line lottery printers and spare parts, at prices to be negotiated, through October 2001. Sales to GTECH accounted for approximately 29.1%, 16.0% and 12.4% of net sales for the years ended December 31, 1997, December 31, 1996, and the nine months ended December 31, 1995, respectively.

(viii) BACKLOG

The Company's backlog of firm orders was approximately \$26,700,000 as of March 13, 1998 and \$39,700,000 as of March 22, 1997. Based on customers' current delivery requirements, TransAct expects to fill approximately \$18,200,000 of its backlog within the current fiscal year, and the remainder within the next fiscal year.

(ix) MATERIAL PORTION OF BUSINESS SUBJECT TO RENEGOTIATION OF PROFITS

None.

(x) COMPETITION

The market for transaction based printers is extremely competitive, and the Company expects such competition to intensify in the future. The Company competes with a number of companies, many of which have greater financial, technical and marketing resources than the Company. TransAct believes its ability to compete successfully depends on a number of factors both within and outside its control, including durability, reliability, quality, design capability, product customization, price, customer support, success in developing new products, manufacturing expertise and capacity, supply of component parts and materials, strategic relationships with suppliers, the timing of new product introductions by the Company and its competitors, general market and economic conditions and, in some cases, the uniqueness of its products. Two of the Company's competitors, Epson America, Inc. and Star Micronics America, Inc. together control approximately 50% to 60% of the United States market for POS printers, a market in which the Company's strategy calls for increased market share. Other principal competitors in the POS market include Axiohm Transaction Solutions (a recent merger of Axiohm Incorporated and DH Technology Incorporated) and Citizen -- CBM America Corporation. Certain competitors of the Company have lower costs, attributable to higher volume production and off-shore manufacturing locations, and offer lower prices than the Company from time to time.

In the gaming and lottery, financial services and kiosk markets, no single supplier holds a dominant position. Certain of the Company's products sold for gaming and lottery, kiosk and financial service applications compete based upon the Company's ability to provide highly specialized products, custom engineering and ongoing technical support.

The Company's strategy for competing in its markets is to continue to develop new products and product line extensions, to increase its geographic market penetration, and to take advantage of strategic relationships. Although the Company has historically maintained or increased sales with this strategy and believes that its products, operations and relationships provide a competitive foundation, there can be no assurance that the Company will compete successfully in the future.

(xi) RESEARCH AND DEVELOPMENT ACTIVITIES

The Company spent approximately \$2,773,000 in the year ended December 31, 1997, \$2,467,000 in the year ended December 31, 1996 and \$1,533,000 in the nine months ended December 31, 1995 on engineering, design and product development efforts in connection with specialized engineering and design to introduce new products and to customize existing products.

(xii) ENVIRONMENT

The Company is not aware of any material non-compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment.

(xiii) EMPLOYEES

As of February 21, 1998, TransAct Technologies and its subsidiaries employed 256 persons, of which 226 were full-time and 30 were temporary employees. None of the Company's employees are unionized and the Company considers its relationships with its employees to be good.

(D) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

The Company has foreign operations primarily from Ithaca Peripherals Ltd., a wholly-owned subsidiary located in the United Kingdom, which had sales to its customers of \$4,204,000, \$397,000 and \$332,000 in the year ended December 31, 1997, December 31, 1996 and the nine months ended December 31, 1995, respectively. The Company had export sales to its customers from its domestic operations of approximately \$5,618,000 in the year ended December 31, 1997, \$1,622,000 in the year ended December 31, 1996 and \$1,211,000 in the nine months ended December 31, 1995.

(E) EXECUTIVE OFFICERS OF THE REGISTRANT AS OF DECEMBER 31, 1997

Name	Age	Position
Thomas R. Schwarz	61	Chairman of the Board
Bart C. Shuldman	40	President, Chief Executive Officer and Director
Richard L. Cote	56	Executive Vice President, Chief Financial Officer, Treasurer, Secretary and Director
David A. Ritchie	38	Executive Vice President - Sales and Marketing
Lucy H. Staley	46	Senior Vice President - General Manager (Ithaca, NY facility)
John Cygielnik	52	Senior Vice President - General Manager (Wallingford, CT facility)
Michael S. Kumpf	47	Senior Vice President - Engineering

THOMAS R. SCHWARZ, Chairman of the Board, has been a Director of the Company since its formation in June 1996. Mr. Schwarz was Chairman and Chief Executive Officer of Grossman's Inc., a retailer of building materials, from 1990 to 1994. Mr. Schwarz is a Director of Tridex, Foilmark, Inc., Lebharr-Friedman Publishing Company and A&W Root Beer.

BART C. SHULDMAN has been Chief Executive Officer, President and a Director of the Company since its formation in June 1996. He joined Magnetec as Vice President of Sales and Marketing in April 1993 and has served as President of Magnetec since August 1993 and President of the combined operations of Ithaca and Magnetec since December 1995. Prior to joining Magnetec, he held several management positions with Mars Electronics International, a division of Mars, Incorporated from 1989 to 1993. Most recently, he was Business Manager for the North American Amusement, Gaming and Lottery operations.

RICHARD L. COTE has been Executive Vice President, Chief Financial Officer, Treasurer, Secretary and a Director of the Company since its formation in June 1996. Prior thereto, he served as Senior Vice President and Chief Financial Officer of Tridex since September 1993. Mr. Cote joined Tridex as a Vice President in June 1993. From October 1991 to March 1993, he was a self-employed management consultant.

DAVID A. RITCHIE, was appointed Executive Vice President of Sales and Marketing in July 1997, and served as Vice President of Sales at TransAct's Ithaca division from March 1996 to July 1997. Mr. Ritchie joined the Company in April 1995 as Southeast National Sales Manger. Prior to joining TransAct's Ithaca division, Mr. Ritchie held several sales management positions including Regional Sales Manager at Medintell Systems Corporation form March 1994 to April 1995 and Manager of Distribution Channels at AT&T from January 1992 to February 1994.

LUCY H. STALEY, Senior Vice President-General Manager (Ithaca, NY facility) since June 1996, served as a Vice President of Ithaca since she joined the Company in 1984.

JOHN CYGIELNIK, Senior Vice President-General Manager (Wallingford, CT facility) since June 1996, joined Magnetec as Controller in 1992, and has served as Vice President of Finance of Magnetec since 1993. From 1976 until 1992, Mr. Cygielnik was employed by Data General Corporation, a computer hardware manufacturer, where he served in various positions, most recently as Controller for Manufacturing and Field Service Operations.

MICHAEL S. KUMPF, Senior Vice President-Engineering since June 1996, served as Vice President of Engineering of Ithaca since he joined the Company in 1991.

ITEM 2. DESCRIPTION OF PROPERTIES.

The Company's operations are currently conducted at the facilities described below:

Location	Operations Conducted	Size (Approx. Sq. Ft.)	Owned or Leased	Lease Expiration Date
Wallingford, Connecticut	Manufacturing facility and executive offices	49,000	Leased	March 31, 2008
Ithaca, New York	Manufacturing facility	59,000	Leased	June 30, 2007
Georgia (2), New Jersey, New York and the United Kingdom	Five (5) regional sales offices	1,500	Leased	Various

The Company believes that its facilities generally are in good condition, adequately maintained and suitable for their present and currently contemplated uses.

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the last quarter of the year covered by this report.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS.

The Company's common stock is traded on the NASDAQ National Market under the symbol TACT. As of March 4, 1998, there were 1,171 holders of record of the common stock. The Company completed its initial public offering in the third quarter of 1996. The high and low prices of the common stock reported during each quarter of the years ended December 31, 1997 and December 31, 1996, since the date of the Offering, were as follows:

	Year Ended December 31, 1997		Year Ended December 31, 1996	
	High	Low	High	Low
First Quarter	15 -1/2	10	N/A	N/A
Second Quarter	14	10 -3/4	N/A	N/A
Third Quarter	20	13 -1/2	10-1/4	8
Fourth Quarter	20 -1/4	10	13 3/8	9-1/4

No dividends on the common stock have been declared and the Company does not anticipate declaring dividends in the foreseeable future. The Company's credit agreement with Fleet National Bank restricts the payment of cash dividends for the term of the agreement.

ITEM 6. SELECTED FINANCIAL DATA (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Year Ended		Nine Months Ended		Year Ended	
	December 31, 1997	December 31, 1996	December 31, 1995	December 31, 1994	April 1, 1995	April 2, 1994
				(Unaudited)		
Statement of Income Data:						
Net sales	\$58,400	\$42,134	\$25,497	\$25,426	\$33,362	\$23,798
Gross profit	18,173	13,933	7,968	8,391	11,013	8,213
Operating income	7,831	5,233	1,579	3,030	3,705	1,723
Net income	4,893	3,340	916	1,883	2,304	1,093
Earnings per share:						
Basic	0.72	0.57	0.17	0.35	0.43	0.20
Diluted	0.71	0.57	0.17	0.35	0.43	0.20
	December 31, 1997	December 31, 1996	December 31, 1995	December 31, 1994	April 1, 1995	April 2, 1994
				(Unaudited)		
Balance Sheet Data:						
Total assets	\$24,699	\$20,784	\$15,969	\$14,392	\$15,358	\$13,916
Shareholders' equity	17,903	14,407	-	-	-	-
Tridex investment in the Company	-	-	11,645	10,591	11,280	10,839

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Because the Company was wholly-owned by Tridex until August 22, 1996, the Selected Financial Data which appear in Item 6 and the Consolidated Financial Statements which appear in Item 8 of this report with respect to periods prior to the year ended December 31, 1997 may not necessarily reflect the results of operations or financial position of the Company or what the results of operations would have been if the Company had been a stand alone entity during the periods presented. This discussion should be read in conjunction with those Consolidated Financial Statements and notes thereto. See Note 1 of Notes to Consolidated Financial Statements (Basis of Presentation).

(A) RESULTS OF OPERATIONS

Certain statements included in this Management's Discussion and Analysis of the Results of Operations and Financial Condition which are not historical facts may be deemed to contain forward looking statements with respect to events the occurrence of which involves risks and uncertainties, including, without limitation, the Company's expectation regarding gross profit, operating income and capital expenditures.

IMPACT OF THE YEAR 2000 ISSUE. The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company's products and key financial and operating systems are being reviewed and, where required, detailed plans have been or are being developed and implemented on a schedule intended to permit the Company's computer systems and products to continue to function properly. The Company presently believes that with modifications to existing software and conversions to new software, the Year 2000 Issue can be mitigated. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 Issue could have a material impact on the operations of the Company. Furthermore, there can be no guarantee that the systems of other companies on which the Company's system rely will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have a material adverse effect on the Company. Management does not expect costs associated with the Year 2000 Issue to have a material adverse impact on the Company's financial position, results of operations or cash flows.

(i) YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

NET SALES. Net sales into each of the Company's four vertical markets for the current and prior year were as follows:

(In thousands)	Year ended December 31, 1997		Year ended December 31, 1996	
	-----		-----	
Point of sale	\$23,342	40.0 %	\$21,414	50.8 %
Gaming and lottery	23,584	40.4	12,217	29.0
Kiosk	6,349	10.8	3,379	8.0
Financial services	5,125	8.8	5,124	12.2
	-----		-----	
	\$58,400	100.0 %	\$42,134	100.0 %
	=====		=====	

Net sales for the year ended December 31, 1997 increased \$16,266,000, or 39%, to \$58,400,000 from \$42,134,000 in the prior year, substantially due to increased shipments into the gaming and lottery market. Shipments of the Company's on-line lottery printers increased approximately \$10,200,000, to approximately \$17,000,000, or 29% of net sales, in the current year, from approximately \$6,800,000, or 16%, in the prior year. Additionally, shipments of the Company's gaming printers for use in video lottery terminals increased approximately \$1,800,000 from the prior year. Sales into the kiosk market increased by approximately \$2,970,000, or 88%, substantially due to increased shipments of the Company's thermal kiosk printers. Shipments of the Company's financial services printers during 1997 were essentially unchanged from 1996. Sales of the Company's POS printers during 1997 increased approximately \$1,928,000, or 9%, from 1996 due largely to an increase in printer shipments in to the international POS market, largely offset by a decline in domestic POS printer shipments. The Company's international sales during 1997 were \$9,822,000, or 17% of net sales, compared to \$2,019,000, or 5% of net sales in the prior year.

GROSS PROFIT. Gross profit increased \$4,240,000, or 30%, to \$18,173,000 from \$13,933,000 in the prior year due primarily to the higher volume of sales. The gross margin declined to 31.1% from 33.1%, due primarily to a larger proportion of printer sales at lower average selling prices resulting from volume discount pricing, particularly in the gaming and lottery market. The Company expects that its gross margin will remain relatively stable. Operating income as a percentage of net sales has increased (see "Operating Income" below).

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development costs increased \$306,000, or 12%, to \$2,773,000 from \$2,467,000 for the prior year, but decreased as a percentage of net sales to 4.7% from 5.9%. This increase was due primarily to increased product development and design costs, primarily for new products and enhancements to existing products in the POS and kiosk markets.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses increased \$1,336,000, or 21%, to \$7,569,000 from \$6,233,000 in the prior year. Selling expenses increased by \$442,000 due primarily to increases in the level of sales staff and increased commissions resulting from a higher volume of sales principally in the kiosk and POS markets. General and administrative expenses increased \$894,000 over the prior year, primarily reflecting an increase of general and administrative expenses incurred by the Company as a stand alone, public company. In the prior year, such expenses were allocated from Tridex, its former parent. Additionally, the increase reflects increased incentive compensation and, to a lesser extent, additional administrative staff expenses to support higher business volumes. Selling, general and administrative expenses decreased as a percentage of net sales to 13.0% from 14.8% due primarily to management's ability to control these expenses while increasing sales.

OPERATING INCOME. Operating income increased \$2,598,000, or 50%, to \$7,831,000 from \$5,233,000 in the prior year. Operating income improved as a percentage of net sales, increasing to 13.4% from 12.4%, due primarily to the Company's ability to control operating expenses while increasing sales.

OTHER INCOME. Other income (expense) for the year ended December 31, 1996 included a gain of \$285,000 from the sale of securities acquired in the sale of the Company's solenoid product line in 1994.

PROVISION FOR INCOME TAXES. The provision for income taxes for the year ended December 31, 1997 reflects an effective tax rate of 37.5%. The effective rate in the prior year's period was 39.6%. The decline in the Company's effective tax rate is largely due to tax benefits derived from the establishment of a foreign sales corporation and certain tax credits.

NET INCOME. Net income for the current year was \$4,893,000, or \$0.72 per share (basic) and \$0.71 per share (diluted). Net income for the prior year was \$3,340,000, or \$0.57 per share (basic and diluted).

(ii) YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

NET SALES. Net sales into each of the Company's four vertical markets for the years ended December 31, 1996 and 1995 were as follows:

(In thousands)	Year ended December 31, 1996		Year ended December 31, 1995	
	-----		-----	
Point of sale	\$21,414	50.8 %	\$17,190	51.4 %
Gaming and lottery	12,217	29.0	8,586	25.7
Kiosk	3,379	8.0	3,238	9.7
Financial services	5,124	12.2	4,419	13.2
	-----		-----	
	\$42,134	100.0 %	\$33,433	100.0 %
	=====		=====	

Net sales for the year ended December 31, 1996 increased \$8,701,000, or 26%, to \$42,134,000 from \$33,433,000 in the prior year. Approximately \$4,200,000 of the increase was due to increased shipments into the POS market. Sales of POS printers increased to approximately \$21,400,000, or 50.8% of net sales, in 1996, from \$17,200,000, or approximately 51.4% of net sales, in 1995. The remainder of the increase principally reflects increased shipments of the Company's on-line lottery printers. Sales of these printers increased to approximately \$6,800,000, or 16.1% of net sales, in 1996, from \$3,400,000, or 10.2%, in the prior year.

GROSS PROFIT. Gross profit increased \$3,343,000, or 32%, to \$13,933,000 from \$10,590,000 in the prior year due primarily to increased sales in the POS and gaming and lottery markets. The gross margin increased to 33.1% from 31.7%. The gross margin for 1995 of 31.7% reflected certain production start-up costs associated with the Company's new on-line lottery printer and the relocation of the Company's Connecticut facility in 1995. The Company expects that although gross profit will increase with increased sales, gross margin will decrease slightly due to a growing proportion of sales of printers at lower average selling prices resulting from volume discount pricing, particularly in the POS and gaming and lottery markets.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development costs increased \$470,000, or 24%, to \$2,467,000 from \$1,997,000 for the prior year, but decreased slightly as a percentage of net sales to 5.9% from 6.0%. This increase was due primarily to increased product development and design costs, primarily for new products in the POS market, as well as increases in the level of engineering staff.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses increased \$194,000, or 3%, to \$6,233,000 from \$6,039,000 in 1995. Selling expenses increased by \$178,000 due primarily to increases in the level of sales staff and increased commissions resulting from higher unit sales volumes. General and administrative expenses increased only slightly over the prior year. Selling, general and administrative expenses decreased as a percentage of net sales to 14.8% from 18.1% due primarily to management's continuing effort to control these expenses while increasing sales.

OPERATING INCOME. Operating income increased \$2,979,000, or 132%, to \$5,233,000 from \$2,254,000 in the prior year. Operating income increased as a percentage of net sales to 12.4% from 6.7%, due primarily to the Company's ability to control operating expenses while increasing its level of sales during 1996, and the absence of certain production start-up costs associated with the Company's new on-line lottery printer and the relocation of the Company's Connecticut facility during 1995.

PROVISION FOR RESTRUCTURING. During the year ended December 31, 1995, the Company recorded a provision for restructuring of \$300,000 primarily to cover severance costs related to the combination of the Ithaca and Magnetec businesses under unified management.

OTHER INCOME. Other income (expense), net increased \$292,000, to \$295,000 from \$3,000 in the year ended December 31, 1995. This increase was primarily the result of a \$285,000 gain on the sale of securities acquired in the sale of the Company's solenoid product line in 1994.

PROVISION FOR INCOME TAXES. The provision for income taxes for the year ended December 31, 1996 reflects an effective tax rate of 39.6%. The provision for this period includes a benefit resulting from certain tax credits. The effective rate in the prior year's period was 41.0%.

NET INCOME. Net income for the year ended December 31, 1996 was \$3,340,000, or \$0.57 per share (basic and diluted), as compared to \$1,332,000, or \$0.25 per share (basic and diluted), in the prior year.

(iii) LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash flow from operations of \$3,835,000, \$1,972,000 and \$1,881,000 for the year ended December 31, 1997, December 31, 1996, and the nine months ended December 31, 1995, respectively. The Company's working capital at December 31, 1997 increased to \$11,438,000 from \$8,609,000 at December 31, 1996. The current ratio improved to 2.87 to 1.0 at December 31, 1997 from 2.47 to 1.0 at December 31, 1996. The increase in working capital was funded primarily through cash generated from operations.

On August 22, 1996, the Company sold 1,150,000 shares of its common stock at a price of \$8.50 per share in the Offering. On September 18, 1996, the Company sold an additional 172,500 shares upon exercise of the underwriters' over-allotment option. Net proceeds from the Offering (including the exercise of the underwriters' over-allotment option) were approximately \$8,991,000 after payment of \$2,250,000 of Offering expenses. In conjunction with the Offering, the Company also repaid \$7,500,000 of a total of \$8,500,000 of intercompany indebtedness to Tridex and issued a \$1,000,000 subordinated promissory note to Tridex. The note, which bore interest at the rate paid by Tridex under its revolving credit facility (8.25% at December 31, 1996), was repaid on February 14, 1997.

Prior to the Offering, the Company participated in Tridex's centralized cash management system. While under this system, cash deposits from the Company were transferred to Tridex and Tridex funded the Company's disbursement bank accounts. On August 22, 1996, the Company ceased to participate in the Tridex cash management system.

On August 29, 1996, the Company entered into an agreement with Fleet National Bank ("Fleet") to provide the Company with a \$5,000,000 revolving credit facility (the "Credit Facility"). The Credit Facility bears interest on outstanding borrowings at Fleet's prime rate (8.25% at December 31, 1997) and bears a commitment fee of 0.25% on any unused portion of the Credit Facility. The Credit Facility also permits the Company to designate a LIBOR rate on outstanding borrowings with a margin of 1.5 percentage points over the market rate. The Credit Facility is secured by a lien on substantially all of the assets of the Company, imposes certain financial and restricts the payment of cash dividends. During 1997, the Company borrowed \$1,500,000 under the Credit Facility, with \$300,000 outstanding at December 31, 1997.

On January 29, 1998, the Company replaced its existing \$5,000,000 Credit Facility with a new \$15,000,000 facility (the "New Credit Facility"). The New Credit Facility, also with Fleet, provides the Company with a \$5,000,000 revolving working capital facility, and a \$10,000,000 revolving credit facility that may be used for activities such as acquisitions and repurchases of the Company's common stock. Borrowings under the \$10,000,000 revolving credit facility may, at the Company's election, be converted to a four-year term loan commencing on June 30, 1999, the expiration date of the New Credit Facility. Any term loan borrowings mature on June 30, 2003. Borrowings under the New Credit Facility bear interest on outstanding borrowings at Fleet's prime rate and bear a commitment fee ranging from 0.25% to 0.50% on any unused portion of the New Credit Facility. The New Credit Facility also permits the Company to designate a LIBOR rate on outstanding borrowings with a margin ranging from 1.25 to 1.75 percentage points over the market rate, depending on the Company meeting certain ratios. The New Credit Facility is secured by a lien on substantially all of the assets of the Company, imposes certain financial covenants (including, among other things, a minimum tangible net worth, a maximum leverage ratio, a maximum debt to cash flow ratio, a minimum interest coverage ratio, a minimum fixed charge coverage ratio and a minimum collateral coverage ratio) and restricts the payment of cash dividends and the creation of liens. The Company expects to use borrowings under the New Credit Facility to fund its short-term working capital requirements, as they arise.

During November 1997, the Board of Directors approved the repurchase of up to 500,000 shares of the Company's common stock at a price no more than \$12 per share. As of December 31, 1997, the Company acquired 200,000 shares of its common stock for \$2,251,000. Management intends to complete the repurchase of the remaining 300,000 shares during the first quarter of 1998. The Company anticipates temporarily financing the repurchases under the New Credit Facility.

The Company's capital expenditures were approximately \$2,266,000, \$1,836,000 and \$1,334,000 for the year ended December 31, 1997, December 31, 1996 and the nine months ended December 31, 1995, respectively. These expenditures primarily included new product tooling, computer equipment, and factory machinery and equipment. In addition, capital expenditures in the nine months ended December 31, 1995 included new leasehold and equipment purchases related to the relocation of the Company's Connecticut facility. The Company's capital expenditures for 1998 are expected to be approximately \$3,400,000, a majority for new product tooling.

The Company believes that cash flows generated from operations and borrowings available under the New Credit Facility, as necessary, will provide sufficient resources to meet the Company's working capital needs, finance its capital expenditures and common stock repurchases, and meet its liquidity requirements through December 31, 1998.

(B) IMPACT OF INFLATION

TransAct believes that its business has not been affected to a significant degree by inflationary trends because of the low rate of inflation during the past three years.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of TransAct Technologies Incorporated

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of TransAct Technologies Incorporated and its subsidiaries, as described in Note 1, at December 31, 1997 and 1996, and the results of their operations and their cash flows for the years ended December 31, 1997 and December 31, 1996 and the nine months ended December 31, 1995, and their changes in shareholders' equity for the year ended December 31, 1997 and the period from August 22, 1996 through December 31, 1996 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP
Hartford, Connecticut
February 12, 1998

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, 1997	December 31, 1996
	-----	-----
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 391	\$ 1,041
Receivables, net (Note 4)	6,941	5,179
Receivable from Tridex	294	266
Inventories (Note 5)	8,570	7,370
Other current assets	1,365	628
	-----	-----
Total current assets	17,561	14,484
	-----	-----
Plant and equipment, net (Note 6)	4,989	3,964
Excess of cost over fair value of net assets acquired, net (Note 2)	2,073	2,246
Other assets	76	90
	-----	-----
	7,138	6,300
	-----	-----
	\$ 24,699	\$ 20,784
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Bank loans payable (Note 9)	\$ 300	\$ -
Accounts payable	3,043	2,463
Accrued liabilities (Note 7)	2,780	2,412
Note payable to Tridex (Note 15)	-	1,000
	-----	-----
Total current liabilities	6,123	5,875
	-----	-----
Other liabilities	673	502
	-----	-----
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Common stock, \$0.01 par value; 20,000,000 authorized; 6,810,300 and 6,722,500 issued	68	67
Preferred stock, 5,000,000 authorized, no issued and outstanding	-	-
Additional paid-in capital	14,975	13,186
Retained earnings	6,062	1,169
Unamortized restricted stock compensation	(942)	-
Cumulative translation adjustment	(9)	(15)
	-----	-----
	20,154	14,407
Less: Treasury stock, at cost, 200,000 shares (Note 18)	(2,251)	-
	-----	-----
Total shareholders' equity	17,903	14,407
	-----	-----
	\$ 24,699	\$ 20,784
	=====	=====

See accompanying notes to consolidated financial statements.

TRANSACT TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Year Ended			Nine Months Ended	
	December 31, 1997	December 31, 1996	December 31, 1995 <small>(Unaudited)</small>	December 31, 1995	December 31, 1994 <small>(Unaudited)</small>
Net sales	\$ 58,400	\$ 42,134	\$ 33,433	\$ 25,497	\$ 25,426
Cost of sales	40,227	28,201	22,843	17,529	17,035
Gross profit	18,173	13,933	10,590	7,968	8,391
Operating expenses:					
Engineering, design and product development costs	2,773	2,467	1,997	1,533	1,244
Selling, general and administrative expenses	7,569	6,233	6,039	4,556	4,117
Provision for restructuring (Note 15)	-	-	300	300	-
	10,342	8,700	8,336	6,389	5,361
Operating income	7,831	5,233	2,254	1,579	3,030
Other income (expense):					
Interest, net	16	(17)	-	-	-
Other, net (Note 15)	(19)	312	3	(15)	108
	(3)	295	3	(15)	108
Income before income taxes	7,828	5,528	2,257	1,564	3,138
Income tax provision					
(Note 13)	2,935	2,188	925	648	1,255
Net income	\$ 4,893	\$ 3,340	\$ 1,332	\$ 916	\$ 1,883
Net income per share (pro forma prior to 1997):					
Basic	\$ 0.72	\$ 0.57	\$ 0.25	\$ 0.17	\$ 0.35
Diluted	0.71	0.57	0.25	0.17	0.35
Weighted average common shares outstanding (pro forma prior to 1997):					
Basic	6,767	5,864	5,400	5,400	5,400
Diluted	6,932	5,884	5,400	5,400	5,400

See accompanying notes to consolidated financial statements.

TRANSACT TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended			Nine Months Ended	
	December 31, 1997	December 31, 1996	December 31, 1995 (Unaudited)	December 31, 1995	December 31, 1994 (Unaudited)
Cash flows from operating activities:					
Net income	\$ 4,893	\$ 3,340	\$ 1,332	\$ 916	\$ 1,883
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	1,591	1,135	957	729	686
Deferred income taxes	(51)	(82)	168	82	-
Gain on sale of securities available for sale	-	(285)	-	-	-
Gain on sale of solenoid product line (Note 15)	-	-	-	-	(115)
Loss on disposal of equipment	8	6	1	5	8
Changes in operating assets and liabilities:					
Receivables	(1,790)	(2,199)	752	532	(154)
Inventories	(1,200)	(1,017)	(1,653)	(656)	(16)
Other current assets	(623)	30	(45)	(54)	(1)
Other assets	(50)	(27)	41	150	(56)
Accounts payable	580	(248)	(50)	35	409
Accrued liabilities and other liabilities	477	1,319	327	142	315
Net cash provided by operating activities	3,835	1,972	1,830	1,881	2,959
Cash flows from investing activities:					
Purchases of plant and equipment	(2,266)	(1,836)	(1,586)	(1,334)	(956)
Proceeds from sale of securities available for sale	-	508	-	-	-
Proceeds from sale of solenoid product line (Note 15)	-	-	-	-	115
Proceeds from sale of equipment	3	13	4	4	13
Other	-	(5)	30	-	-
Net cash used in investing activities	(2,263)	(1,320)	(1,552)	(1,330)	(828)
Cash flows from financing activities:					
Bank line of credit borrowings	1,500	-	-	-	-
Bank line of credit repayments	(1,200)	-	-	-	-
Purchases of treasury stock	(2,251)	-	-	-	-
Proceeds from option exercises	76	-	-	-	-
Tax benefit related to employee stock sales	647	-	-	-	-
Payment of intercompany debt	(1,000)	(7,500)	-	-	-
Net proceeds from issuance of stock	-	8,991	-	-	-
Net transactions with Tridex prior to the initial public offering	-	(1,087)	(278)	(551)	(2,131)
Net cash provided by (used in) financing activities	(2,228)	404	(278)	(551)	(2,131)
Effect of exchange rate changes on cash	6	(15)	-	-	-
Increase (decrease) in cash and cash equivalents	(650)	1,041	-	-	-
Cash and cash equivalents at beginning of period	1,041	-	-	-	-
Cash and cash equivalents at end of period	\$ 391	\$ 1,041	\$ 0	\$ 0	\$ 0
Supplemental cash flow information:					
Interest paid	\$ 52	\$ 28	\$ -	\$ -	\$ -
Income taxes paid	2,775	592	-	-	-

See accompanying notes to consolidated financial statements.

TRANSACTION TECHNOLOGIES INCORPORATED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Unamortized Restricted Stock Compensation	Cumulative Translation Adjustment	Treasury Stock
	Shares	Amount					
Balance, August 22, 1996	5,400,000	\$ 54	\$ 4,207	\$ -	\$ -	\$ -	\$ -
Issuance of Offering shares	1,322,500	13	8,978	-	-	-	-
Purchase of warrants	-	-	1	-	-	-	-
Translation adjustments	-	-	-	-	-	(15)	-
Net income subsequent to the Offering	-	-	-	1,169	-	-	-
Balance, December 31, 1996	6,722,500	67	13,186	1,169	-	(15)	-
Issuance of restricted stock	78,800	1	1,066	-	(1,066)	-	-
Issuance of shares from exercise of stock options	9,000	-	76	-	-	-	-
Amortization of restricted stock compensation	-	-	-	-	124	-	-
Tax benefit related to employee stock sales	-	-	647	-	-	-	-
Purchase of treasury shares	(200,000)	-	-	-	-	-	(2,251)
Translation adjustments	-	-	-	-	-	6	-
Net income	-	-	-	4,893	-	-	-
Balance, December 31, 1997	6,610,300	\$ 68	\$ 14,975	\$ 6,062	\$ (942)	\$ (9)	\$ (2,251)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

TransAct Technologies Incorporated ("TransAct" or the "Company") was incorporated on June 17, 1996, as a wholly-owned subsidiary of Tridex Corporation ("Tridex"). Following the incorporation, TransAct and two of Tridex's wholly-owned subsidiaries, Magnetec Corporation ("Magnetec") and Ithaca Peripherals Incorporated ("Ithaca"), entered into a Plan of Reorganization (the "Plan of Reorganization"), pursuant to which: (i) Ithaca merged into Magnetec; (ii) TransAct transferred to Tridex certain assets of Magnetec used in manufacturing a printer ribbon product line; (iii) TransAct issued 5,400,000 shares of its common stock to Tridex in exchange for all the outstanding shares of Magnetec; (iv) TransAct sold in an initial public offering (the "Offering") 1,322,500 shares or approximately 19.7% of its common stock; (v) TransAct repaid \$8,500,000 of intercompany indebtedness to Tridex; (vi) Tridex applied to the Internal Revenue Service (the "IRS") for a ruling that the distribution of the 5,400,000 shares of TransAct owned by Tridex to Tridex stockholders (the "Distribution") would constitute a tax-free reorganization for federal income tax purposes; and (vii) Tridex agreed to effect the Distribution promptly after receipt of a favorable ruling from the IRS and the satisfaction of certain other conditions.

On February 12, 1997, Tridex received a favorable ruling from the IRS confirming the tax-free nature of the Distribution. On March 31, 1997 Tridex distributed its 5,400,000 shares, or 80.3% of TransAct's common stock, pro rata to persons who were Tridex stockholders of record on March 14, 1997, on the basis of approximately one share of TransAct for each share of Tridex. Upon completion of the Distribution, Tridex no longer owned any shares of TransAct capital stock.

The financial statements of the Company have been prepared principally on the basis of items (i) and (ii) of the Plan of Reorganization outlined above and include the financial position and consolidated (combined prior to the implementation of the Plan of Reorganization) results of operations and cash flows of the business described. The term consolidated as used herein refers to both the consolidated and combined financial statements. The Company carries its assets and liabilities at historical cost. The financial results in these financial statements are not necessarily indicative of results that would have occurred if the Company had been a separate stand alone entity during the periods presented or of future results of the Company.

2. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS AND PRODUCTS: TransAct, through its two operations, one in Wallingford, CT and the other in Ithaca, NY, operates in one industry segment, printers and printer peripheral products. TransAct designs, develops, manufactures and markets transaction based printers and related products under the ITHACA and MAGNETEC brand names. The Company's printers are used to provide transaction records such as receipts, tickets, coupons, register journals and other documents. The Company focuses on four vertical markets: point-of-sale ("POS") (from which the Company derived approximately 40% of net sales for the year ended December 31, 1997); gaming and lottery (approximately 40% of net sales); kiosk (approximately 11% of net sales); and financial services (approximately 9% of net sales). The Company sells its products directly to end users, original equipment manufacturers ("OEM"), value added resellers and selected distributors, primarily in the United States, Canada, Europe and Latin America.

TransAct manufactures and sells customizable and custom dot matrix and thermal printers for applications requiring up to 60 character columns in each of its four vertical markets. The Company also sells an 80 column laser printer for kiosk applications. The Company's customizable products include several series of printers which offer customers the ability to choose from a variety of features and functions. Options typically include paper cutting devices, paper handling capacities and number of print stations. In addition to its customizable printers, TransAct manufactures custom printers for certain OEM customers. In collaboration with these customers, the Company provides engineering and manufacturing expertise for the design and development of specialized printers.

PRINCIPLES OF CONSOLIDATION: The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, after elimination of all material intercompany accounts and transactions.

CHANGE IN FISCAL YEAR END: In December 1995, the Company's fiscal year end was changed to December 31 from the Saturday closest to March 31.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS: The Company considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FOREIGN CURRENCY: The financial position and results of operations of the Company's foreign subsidiaries are measured using local currency as the functional currency. Assets and liabilities of such subsidiaries have been translated at end of period exchange rates, and related revenues and expenses have been translated at weighted average exchange rates. The aggregate effect of translation adjustments so calculated for periods prior to the Offering, which would be ordinarily included as a separate component of shareholders' equity, is de minimis. Transaction gains and losses are included in other income.

INVENTORIES: Inventories are stated at the lower of cost (principally standard cost which approximates actual cost on a first-in, first-out basis) or market.

PLANT AND EQUIPMENT AND DEPRECIATION: Plant and equipment and leasehold improvements are stated at cost. Depreciation is provided for primarily by the straight-line method over the estimated useful lives. The estimated useful life of machinery, furniture and equipment is three to ten years. Leasehold improvements are amortized over the shorter of the term of the lease or the useful life of the asset. Depreciation amounted to \$1,227,000, \$905,000 and \$521,000 in the year ended December 31, 1997, December 31, 1996 and the nine months ended December 31, 1995, respectively.

EXCESS OF COST OVER FAIR VALUE OF NET ASSETS ACQUIRED: The excess of cost over fair value of net assets acquired (goodwill) resulted from the acquisition of Ithaca in 1991. The original amount applicable to this acquisition totaled \$3,536,000 and is being amortized on the straight line method over 20 years. Accumulated amortization of goodwill was \$1,463,000 and \$1,290,000 at December 31, 1997 and December 31, 1996, respectively. The Company periodically reviews goodwill to assess recoverability based upon expectations of non-discounted cash flows from operations for Ithaca. The Company believes that no impairment of goodwill exists at December 31, 1997.

REVENUE RECOGNITION: Sales are recognized when the product is shipped. Revenue from extended warranty and maintenance agreements is recognized over the term of such agreements as services are performed. Sales to one customer accounted for approximately 29%, 16% and 12% of net sales for the year ended December 31, 1997, December 31, 1996 and the nine months ended December 31, 1995, respectively.

INCOME TAXES: Through the date of the Distribution, the Company was included in the consolidated federal and certain state income tax returns of Tridex. The income tax amounts reflected in the accompanying financial statements are accounted for under the liability method in accordance with FAS 109 "Accounting for Income Taxes," and for the periods presented through the date of the Distribution are an allocation of Tridex's consolidated balances, and are computed as if a separate return had been filed for the Company, using those elements of income and expense as reported in the consolidated statements of income. Subsequent to the Distribution, the Company will file federal and state income tax returns separately from Tridex. See Note 13.

EARNINGS PER SHARE: TransAct adopted FAS 128 "Earnings per Share," effective December 15, 1997, which requires the dual presentation of basic and diluted earnings per share for complex capital structures. In accordance with FAS 128, earnings per share presented in the accompanying financial statements for periods prior to adoption have been restated. For the year ended December 31, 1996, December 31, 1995 (unaudited), the nine months ended December 31, 1995 and the nine months ended December 31, 1994 (unaudited), pro forma basic and diluted earnings per share are based on the weighted average number of shares outstanding during the period, as if all shares issued to Tridex prior to the Offering had been outstanding throughout these periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STOCK-BASED COMPENSATION: The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations in accounting for its stock options. Under APB 25, because the exercise price of employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recorded. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"). See Note 11.

3. RELATED PARTY TRANSACTIONS

Prior to the Offering, the Company participated in Tridex's centralized cash management system. While under this system, cash deposits from the Company were transferred to Tridex and Tridex funded the Company's disbursement bank accounts as required. In August 1996, the Company ceased to participate in the Tridex cash management system.

Prior to the Offering, Tridex provided certain general and administrative services to the Company, including tax, treasury, risk management and insurance, legal, marketing, accounting, auditing, human resources and executive management. For periods prior to the Offering, these expenses were allocated to the Company based upon actual usage for those expenses directly attributable to the Company, and otherwise allocated based upon other methods which management believes to be reasonable. These allocations were \$869,000 and \$1,203,000 for the year ended December 31, 1996 and the nine months ended December 31, 1995, respectively. These costs may have been different had the Company operated as a separate stand-alone entity during the periods presented.

Included as a component of Tridex investment in the Company are net cash advances from Tridex to the Company and general and administrative expenses allocated from Tridex to the Company. No interest expense on net advances from Tridex has been reflected in the accompanying financial statements.

On July 31, 1996, the Company entered into a Corporate Services Agreement with Tridex. Under the terms of this agreement, Tridex agreed to provide the Company with certain services, including employee benefit administration, human resource and related services, administrative services, risk management, regulatory compliance, preparation of tax returns and certain financial and other services. Such services were provided and reimbursed at actual cost, which amounted to approximately \$96,000 and \$91,000 for the year ended December 31, 1997 and December 31, 1996, respectively. Certain services ceased to be provided after March 31, 1997. Also, pursuant to the terms of the agreement, Tridex agreed to pay 15% of the direct employment costs of the Company's chief financial officer through March 31, 1997, which amounted to approximately \$7,000 and \$8,000 for the year ended December 31, 1997 and December 31, 1996, respectively. The Corporate Services Agreement expired on December 31, 1997.

On July 31, 1996, the Company entered into a Tax Sharing Agreement with Tridex. The agreement provides for the treatment of certain tax attributes of the Company including the method of allocating tax obligations, treatment of tax carryforwards and the computation of income tax provisions for the Company between the date of the Offering and the Distribution. In addition, tax benefits related to certain tax carryforwards arising prior to the Distribution will be paid to Tridex as the carryforwards are utilized. For the year ended December 31, 1997 and December 31, 1996, the Company paid, net of refunds from Tridex, approximately \$410,000 and \$527,000, respectively, to Tridex pursuant to the agreement.

The Company and Tridex also entered into an Asset Transfer Agreement dated July 31, 1996, under which the Company agreed to transfer to Tridex certain assets used in the manufacturing process of the printer ribbon product line. Additionally, on September 28, 1996, the Company and Tridex entered into a Manufacturing Support Services Agreement. Under this agreement, the Company agrees to provide Tridex with space within its Wallingford, CT manufacturing facility and certain support services for the ribbon business through September 28, 1998. Tridex agrees to pay the Company a monthly fee calculated to compensate the Company for the direct and indirect costs incurred by the Company to provide the space and render such services. These fees amounted to approximately \$254,000 and \$67,000 during the year ended December 31, 1997 and December 31, 1996, respectively. The Company also purchased approximately \$4,000 and \$5,000 of ribbons from Tridex during the same periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company sells certain POS printers to a wholly-owned subsidiary of Tridex. Revenues from the sale of such printers amounted to \$2,675,000, \$3,178,000 and \$2,340,000 for the year ended December 31, 1997, the year ended December 31, 1996 and the nine months ended December 31, 1995, respectively. On July 30, 1996, the Company entered into a Printer Supply Agreement which will require the subsidiary, in consideration for continued favorable price terms, to purchase from the Company at least three quarters of its total POS printer requirements through December 31, 1999.

On April 1, 1997, the Company established the TransAct Technologies Retirement Savings Plan (the "Plan"), a defined contribution plan under Section 401(k) of the Internal Revenue Code. Prior to the Distribution, the Company's employees participated in the Tridex Corporation Retirement Savings Plan. All full-time employees are eligible to participate in the Plan at the beginning of the calendar quarter immediately following their date of hire. The Company matches employees' contributions at a rate of 37.5% of employees' contributions up to the first 4% of the employees' compensation contributed to the Plan. The Company's matching contributions were \$101,000, \$80,000 and \$51,000 in the year ended December 31, 1997, December 31, 1996 and the nine months ended December 31, 1995, respectively, and are included in general and administrative expense. Effective January 1, 1998, the Company increased its rate of matching contributions to 50% of the employees' contributions up to the first 4% of the employees' compensation contributed to the Plan.

4. RECEIVABLES

Receivables are net of the allowance for doubtful accounts. The reconciliation of the allowance for doubtful accounts is as follows:

(In thousands)	Year Ended		Nine Months Ended December 31, 1995
	December 31, 1997	December 31, 1996	
Balance at beginning of period	\$ 106	\$ 40	\$ 76
Provision for doubtful accounts	18	66	12
Accounts written off, net of recoveries	(22)	-	(48)
Balance at end of period	\$ 102	\$ 106	\$ 40

5. INVENTORIES

The components of inventories are:

(In thousands)	December 31, 1997	December 31, 1996
Raw materials and component parts	\$ 7,482	\$ 5,828
Work-in-process	588	810
Finished goods	500	732
	\$ 8,570	\$ 7,370

TRANSACTION TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. PLANT AND EQUIPMENT

The components of plant and equipment, net are:

(In thousands)	December 31, 1997	December 31, 1996
	-----	-----
Machinery and equipment	\$ 8,399	\$ 6,798
Furniture, office and computer equipment	2,545	2,276
Leasehold improvements	339	276
	-----	-----
	11,283	9,350
Less: accumulated depreciation	(6,294)	(5,386)
	-----	-----
	<u>\$ 4,989</u>	<u>\$ 3,964</u>
	=====	=====

7. ACCRUED LIABILITIES

The components of accrued liabilities are:

(In thousands)	December 31, 1997	December 31, 1996
	-----	-----
Payroll and fringe benefits	\$ 1,225	\$ 931
Income taxes payable	415	330
Customer advances, deferred revenue and warranty	436	324
Due to Tridex	24	103
Other	680	724
	-----	-----
	<u>\$ 2,780</u>	<u>\$ 2,412</u>
	=====	=====

8. TRIDEX INVESTMENT IN THE COMPANY

Tridex investment in the Company includes the original investment in the Company and the net intercompany payable from the Company to Tridex reflecting transactions described in Note 3. The following analyzes Tridex's investment in the Company for the periods presented. The amounts presented below for the year ended December 31, 1996 reflect activity through the offering date, August 22, 1996.

(In thousands)	Year Ended December 31, 1996	Nine Months Ended December 31, 1995
	-----	-----
Balance at beginning of the period	\$ 11,645	\$ 11,280
Net income	2,171	916
Net transactions with Tridex:		
Allocation of general and administrative expenses from Tridex	(869)	(1,203)
Sales to affiliates	1,998	2,340
Net transfers to Tridex	(2,216)	(1,688)
Reclassification of note payable to Tridex	(8,500)	--
Issuance of shares to Tridex in exchange for all outstanding shares of Magnetec	(4,229)	--
	-----	-----
Balance at end of the period	<u>\$ --</u>	<u>\$ 11,645</u>
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. BANK CREDIT AGREEMENT

On August 29, 1996, the Company entered into an agreement with Fleet National Bank ("Fleet") to provide the Company with a \$5,000,000 revolving credit facility (the "Credit Facility"). The Credit Facility bears interest on outstanding borrowings at Fleet's prime rate (8.25% at December 31, 1997) and bears a commitment fee of 0.25% on any unused portion of the Credit Facility. The Credit Facility also permits the Company to designate a LIBOR rate on outstanding borrowings with a margin of 1.5 percentage points over the market rate. The Credit Facility is secured by a lien on substantially all of the assets of the Company, imposes certain financial covenants and restricts the payment of cash dividends. The Company had borrowings of \$1,500,000 under the Credit Facility during the year ended December 31, 1997 and none during the year ended December 31, 1996. The Company had \$300,000 of borrowings outstanding at December 31, 1997.

On January 29, 1998, the Company replaced its existing \$5,000,000 Credit Facility with a new \$15,000,000 facility (the "New Credit Facility"). The New Credit Facility, also with Fleet, provides the Company with a \$5,000,000 revolving working capital facility, and a \$10,000,000 revolving credit facility that may be used for activities such as acquisitions and repurchases of the Company's common stock. Borrowings under the \$10,000,000 revolving credit facility may, at the Company's election, be converted to a four-year term loan commencing on June 30, 1999, the expiration date of the New Credit Facility. Any term loan borrowings mature on June 30, 2003. Borrowings under the New Credit Facility bear interest at Fleet's prime rate and bear a commitment fee ranging from 0.25% to 0.50% on any unused portion of the New Credit Facility. The New Credit Facility also permits the Company to designate a LIBOR rate on outstanding borrowings with a margin ranging from 1.25 to 1.75 percentage points over the market rate, depending on the Company meeting certain ratios. The New Credit Facility is secured by a lien on substantially all of the assets of the Company, imposes certain financial covenants and restricts the payment of cash dividends and the creation of liens.

10. COMMITMENTS AND CONTINGENCIES

At December 31, 1997, the Company was lessee on operating leases for equipment and real property. The terms of certain leases provide for escalating rent payments in later years of the lease as well as payment of minimum rent and real estate taxes. Rent expense amounted to approximately \$713,000, \$682,000 and \$532,000 in the year ended December 31, 1997, December 31, 1996 and the nine months ended December 31, 1995, respectively. Minimum aggregate rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 1997 are as follows: \$836,000 in 1998; \$864,000 in 1999; \$842,000 in 2000; \$826,000 in 2001; \$806,000 in 2002 and \$4,516,000 thereafter.

The Company has a long-term purchase agreement for certain printer components. Under the terms of the agreement, the Company receives favorable pricing for volume purchases over the life of the contract. In the event anticipated purchase levels are not achieved, the Company would be subject to retroactive price increases on previous purchases. Management currently anticipates achieving sufficient purchase levels to maintain the favorable prices.

In conjunction with the Plan of Reorganization, as described in Note 1, Tridex indemnified the Company from any liabilities, including environmental liabilities, which could arise in connection with a manufacturing facility owned by Tridex and formerly operated by the Company.

TRANSACT TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. STOCK OPTIONS AND WARRANTS

STOCK OPTIONS. On July 30, 1996, the Company adopted the 1996 Stock Plan which provides for the grant of awards to officers and other key employees of the Company, and the Directors' Stock Plan which provides for non-discretionary awards to non-employee directors. The plans provide for awards in the form of: (i) incentive stock options, (ii) non-qualified stock options, (iii) shares of restricted stock, (iv) restricted units, (v) stock appreciation rights or (vi) limited stock appreciation rights. Options granted are at prices equal to 100% of the fair market value of the common stock at the date of grant. Options granted have a ten-year term and vest over a five-year period, unless automatically accelerated. At December 31, 1997, the Company has reserved 660,000 shares of common stock for issuance under the 1996 Stock Plan and Directors' Stock Plan.

The 1996 Stock Plan and Directors' Stock Plan option activity is summarized below:

	Year Ended December 31, 1997		Year Ended December 31, 1996	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	339,300	\$ 8.50	-	-
Granted	227,500	14.45	339,300	\$ 8.50
Exercised	9,000	8.50	-	-
Canceled	15,200	10.04	-	-
Outstanding at end of period	542,600	10.97	339,300	8.50
Options exercisable at end of period	57,060	\$ 8.50	-	\$ -

The Company applies APB 25 and related interpretations in accounting for its long-term incentive stock plans. Accordingly, no compensation cost has been recognized for its stock options.

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Outstanding at December 31, 1997	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (In years)	Exercisable at December 31, 1997	Weighted-Average Exercise Price
\$ 7.50 - \$10.00	318,100	\$ 8.50	8.4	57,060	\$8.50
10.01 - 12.50	15,500	11.75	9.4	-	-
12.51 - 15.00	134,000	13.73	9.0	-	-
15.01 - 17.50	75,000	16.33	9.6	-	-

TRANSACTION TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. STOCK OPTIONS AND WARRANTS (CONTINUED)

Had compensation expense been recognized based on the fair value of the options at their grant dates, as prescribed in FAS 123, the Company's net income and net income per share would have been as follows:

(In thousands, except per share data)	Year Ended	
	December 31, 1997	December 31, 1996
Net income:		
As reported	\$ 4,893	\$ 3,340
Pro forma under FAS 123	4,422	3,248
Net income per share:		
Basic:		
As reported	0.72	0.57
Pro forma under FAS 123	0.65	0.55
Diluted:		
As reported	0.71	0.57
Pro forma under FAS 123	0.64	0.55

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grants made during the years ended December 31, 1997 and 1996.

	Year Ended	
	December 31, 1997	December 31, 1996
Risk-free interest rate	6.400%	5.062%
Dividend yield	0%	0%
Expected volatility factor	0.600	0.595
Expected option term	10 years	10 years
Weighted average fair value of options granted during period	\$ 10.97	\$ 6.25

RESTRICTED STOCK: Under the 1996 Stock Plan, in 1997 the Company granted 78,800 shares of restricted common stock to its Chairman of the Board, officers and certain key employees. Restricted stock totaling 49,800 shares vest over a five-year period, while 29,000 shares vest at the end of a five-year period. Under certain conditions vesting may be automatically accelerated. Upon issuance of the restricted stock, unearned compensation equivalent to the market value at the date of grant is charged to stockholders' equity and subsequently amortized over the vesting period. Amortization expense of \$124,000 was recorded during 1997.

WARRANTS: On August 22, 1996, the Company sold to the underwriters of the Offering, for nominal consideration, a warrant to purchase from the Company up to 115,000 shares of common stock at an exercise price of \$10.20 per share. The warrant is exercisable for a period of five years beginning April 1, 1998. No warrants were exercisable at December 31, 1997.

12. STOCKHOLDER RIGHTS PLAN

In December 1997, the Board of Directors adopted a stockholder rights plan declaring a distribution of one right (the "Rights") for each outstanding share of the Company's common stock to shareholders of record at December 15, 1997. Initially, each of the Rights will entitle the registered holder to purchase from the Company one one-thousandth of a share of Series A Preferred Stock, \$0.01 par value, at a price of \$69 per one one-thousandth of a share. The Rights, however, will not become exercisable unless and until, among other things, any person or group of affiliated persons acquires beneficial ownership of 15 percent or more of the then outstanding shares of the Company's Common Stock. If a person, or group of persons, acquires 15 percent or more of the outstanding Common Stock of the Company (subject to certain conditions and exceptions more fully described in the Rights Agreement), each Right will entitle the holder (other than the person, or group of persons, who acquired 15 percent or more of the outstanding Common Stock) to purchase Preferred Stock of the Company having a market value equal to twice the exercise price of the Right. The Rights are redeemable, under certain circumstances, for \$0.0001 per Right and will expire, unless earlier redeemed, on December 2, 2007.

TRANSACTION TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAXES

The components of the income tax provision are as follows:

(In thousands)	Year Ended		Nine Months Ended December 31, 1995
	December 31, 1997	December 31, 1996	
Current:			
Federal	\$ 2,461	\$ 1,934	\$ 476
State	525	336	90
	-----	-----	-----
	2,986	2,270	566
Deferred:			
Federal	(46)	(73)	73
State	(5)	(9)	9
	-----	-----	-----
	(51)	(82)	82
Total income tax provision	-----	-----	-----
	\$ 2,935	\$ 2,188	\$ 648
	=====	=====	=====

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The Company's gross deferred tax assets and liabilities were comprised of the following:

(In thousands)	December 31, 1997	December 31, 1996
	-----	-----
Gross deferred tax assets:		
Liabilities and reserves	\$ 710	\$ 586
	=====	=====
Gross deferred tax liabilities:		
Depreciation	\$ 363	\$ 290
	=====	=====

At December 31, 1997 and 1996, the Company had foreign net operating loss carryforwards of approximately \$21,000 and \$152,000, respectively, which do not expire. A valuation allowance was recorded with respect to the foreign net operating loss carryforwards at December 31, 1996.

Differences between the U.S. statutory federal income tax rate and the Company's effective income tax rate are analyzed below:

	Year Ended		Nine Months Ended December 31, 1995
	December 31, 1997	December 31, 1996	
	-----	-----	-----
Federal statutory tax rate	34.0%	34.0%	34.0%
State income taxes, net of federal income taxes	4.4	4.0	4.4
Non-deductible purchase accounting adjustments	0.9	1.1	2.8
Tax benefit from foreign sales corporation	(1.0)	-	-
Other	(0.8)	0.5	0.2
	-----	-----	-----
Effective tax rate	37.5%	39.6%	41.4%
	=====	=====	=====

TRANSACTION TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. DISCLOSURE REGARDING FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of trade accounts receivable, other current assets, trade accounts payable, accrued expenses and bank loans approximate fair value because of the short maturity of those instruments.

15. SIGNIFICANT TRANSACTIONS

On August 22, 1996, the Company sold 1,150,000 shares of its common stock at a price of \$8.50 per share in the Offering. On September 18, 1996, the Company sold an additional 172,500 shares upon exercise of the underwriters' over-allotment option. Net proceeds from the Offering (including the exercise of the Underwriters' over-allotment option) were approximately \$8,991,000, after payment of approximately \$2,250,000 of Offering expenses.

Concurrent with the Offering, the Company repaid \$7,500,000 of a total of \$8,500,000 of intercompany indebtedness to Tridex and issued a \$1,000,000 subordinated promissory note to Tridex. The note was due on March 31, 1998 and bore interest, payable monthly in arrears, at the rate paid by Tridex under its revolving credit facility. On February 14, 1997, the Company repaid the note, plus accrued interest, to Tridex.

In December 1995, the operations of Magnetec and Ithaca were combined under unified management. In connection with this combination, the Company recorded a provision for restructuring costs of \$300,000, which covers the costs associated with combining operations under unified management and is primarily comprised of severance costs.

In 1994 the Company sold its solenoid product line. Proceeds from the sale were cash and shares of common stock of the purchaser ("marketable securities"). During the nine months ended December 31, 1994 (unaudited), the Company recognized a gain of \$115,000 as the result of a contingent payment received from the purchaser. In addition, during the year ended December 31, 1996, the Company sold the remainder of the marketable securities and recognized a gain of \$285,000. These gains are included in other income.

16. INTERNATIONAL OPERATIONS

The Company has foreign operations primarily from Ithaca Peripherals Ltd., a wholly-owned subsidiary, which had sales to its customers of \$4,204,000, \$397,000 and \$332,000 in the year ended December 31, 1997, December 31, 1996 and the nine months ended December 31, 1995, respectively. The Company had export sales to its customers from the United States of approximately \$5,618,000 in the year ended December 31, 1997, \$1,622,000 in the year ended December 31, 1996 and \$1,211,000 in the nine months ended December 31, 1995.

TRANSACT TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The Company's quarterly results of operations for the years ended December 31, 1997 and 1996 (unaudited) are as follows:

(In thousands, except per share amounts)	Quarter Ended			
	March 29	June 28	September 27	December 31
1997:				
Net sales	\$ 14,014	\$ 15,569	\$ 16,040	\$ 12,777
Gross profit	4,352	4,963	5,065	3,793
Net income	1,087	1,360	1,582	864
Net income per share:				
Basic	0.16	0.20	0.23	0.13
Diluted	0.16	0.20	0.23	0.12
	March 30	June 29	September 28	December 31
1996:				
Net sales	\$ 10,463	\$ 9,762	\$ 10,794	\$ 11,115
Gross profit	3,479	3,328	3,655	3,471
Net income	865	868	927	680
Net income per share:				
Basic	0.16	0.16	0.16	0.10
Diluted	0.16	0.16	0.16	0.10

18. SUBSEQUENT EVENTS

As of February 9, 1998 the Company had purchased an additional 164,500 shares of its common stock on the open market for approximately \$1,841,000.

\ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information contained in "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's Proxy Statement (the "Proxy Statement") for its Annual Meeting of Shareholders which is scheduled to be held on May 7, 1998 is hereby incorporated herein by reference. Also, see information under "Executive Officers of Registrant" in Item 1.

ITEM 11. EXECUTIVE COMPENSATION.

The information contained in "Executive Compensation" of the Proxy Statement is hereby incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information contained in "Security Ownership of Certain Beneficial Owners and Management" of the Proxy Statement is hereby incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information contained in "Certain Relationships and Related Transactions" of the Proxy Statement is hereby incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(A) THE FOLLOWING FINANCIAL STATEMENTS AND EXHIBITS ARE FILED AS PART OF THIS REPORT:

(i) Financial statements

See Item 8.

(ii) Financial statement schedules

All schedules are omitted since the required information is either (a) not present or not present in amounts sufficient to require submission of the schedule or (b) included in the financial statements or notes thereto.

(iii) List of exhibits

3.1(a)	Certificate of Incorporation of the Company, filed with the Secretary of State of Delaware on June 17, 1996.	(2)
3.1(b)	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Secretary of State of Delaware on May 30, 1997.	(1)
3.2	By-laws of the Company.	(2)
4.1	Specimen Common Stock Certificate.	(2)
4.2	See Exhibits 3.1 and 3.2 for provisions in the Certificate of Incorporation and By-laws of the Company defining the rights of the holders of common stock.	(2)
4.3	Form of Rights Agreement dated as of December 2, 1997, between TransAct and American Stock Transfer & Trust Company.	(5)
10.1	Plan of Reorganization dated as of June 24, 1996 among Tridex, Magnetec, TransAct and Ithaca.	(2)
10.2	Amendment to Plan of Reorganization dated as of August 30, 1996 among Tridex, Magnetec, TransAct and Ithaca.	(3)
10.3	Agreement and Plan of Merger dated as of July 16, 1996 between Magnetec and Ithaca.	(2)
10.4	Asset Transfer Agreement dated as of July 31, 1996 between Magnetec and Tridex.	(2)
10.5	Manufacturing Support Services Agreement between Magnetec and Tridex, dated as of September 28, 1996.	(3)
10.6	Corporate Services Agreement dated as of July 30, 1996 between Tridex and TransAct.	(3)
10.7	Printer Supply Agreement dated as of July 31, 1996 between Magnetec and Ultimate Technology Corporation.	(2)
10.8	Tax Sharing Agreement dated as of July 31, 1996 between Tridex and TransAct.	(3)
10.9	Credit Agreement dated as of August 29, 1996 among TransAct, Magnetec and Fleet National Bank.	(3)
10.10	Purchase Agreement dated as of October 17, 1996 between ICL Pathway Limited, Ithaca Peripherals Limited and Transact. (Pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)	(3)
10.11(x)	1996 Stock Plan, effective July 30, 1996.	(3)
10.12(x)	Non-Employee Directors' Stock Plan, effective August 22, 1996.	(3)
10.13	Sales and Marketing Agreement by and between the Company and Oki Europe Limited, dated May 9, 1996. (Pursuant to Rule 477 under the Securities Act of 1993, as amended (the "Securities Act"), the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)	(2)
10.14	OEM Purchase Agreement by and between GTECH, TransAct and Magnetec, commencing October 1, 1996. (Pursuant to Rule 24b-2 under the Exchange Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)	(4)
10.15	OEM Purchase Agreement by and between OKIDATA and Tridex, dated January 21, 1991. (Pursuant to Rule 477 under the Securities Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)	(2)
10.16	Strategic Agreement by and between OKIDATA and Tridex, dated May 9, 1996. (Pursuant to Rule 477 under the Securities Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)	(2)

	Page Number
10.17	Lease Agreement by and between Pyramid Construction Company and Magnetec, dated August 1, 1994. (2)
10.18	Lease Agreement by and between Bomax Properties and Ithaca, dated as of March 23, 1992. (2)
10.19	First Amendment to Lease Agreement by and between Bomax Properties and Ithaca, dated as of October 18, 1993. (2)
10.20(x)	Employment Agreement, dated July 31, 1996, by and between the Company and Bart C. Shuldman. (2)
10.21(x)	Employment Agreement, dated July 31, 1996, by and between the Company and Richard L. Cote. (2)
10.22(x)	Severance Agreement by and between TransAct and Lucy H. Staley, dated September 4, 1996 (3)
10.23(x)	Severance Agreement by and between TransAct and John Cygielnik, dated September 10, 1996. (3)
10.24(x)	Severance Agreement by and between TransAct and Michael S. Kumpf, dated September 4, 1996. (3)
10.25(x)	Severance Agreement by and between TransAct and David A. Ritchie, dated July 1, 1997. (1)
10.26	Credit Agreement dated as of January 29, 1998 among TransAct, Magnetec and Fleet National Bank. (1)
10.27	Second Amendment to Lease Agreement by and between Bomax Properties and Ithaca, dated December 2, 1996. (1)
10.28	Lease Agreement by and between Pyramid Construction Company and Magnetec, dated July 30, 1997. (1)
10.29	Amendment to OEM Purchase Agreement by and between Okidata and Tridex, dated May 31, 1996. (Pursuant to Rule 24b-2 under the Exchange Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.) (1)
11.1	Computation of earnings per share. (1)
21.1	Subsidiaries of the Company. (1)
27.1	Financial Data Schedule. (1)
(1)	These exhibits are filed herewith.
(2)	These exhibits, which were previously filed with the Company's Registration Statement on Form S-1 (No. 333-06895), are incorporated by reference.
(3)	These exhibits, which were previously filed with the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1996, are incorporated by reference.
(4)	This exhibit, which was previously filed with the Company's Current Report on Form 8-K filed October 11, 1996, is incorporated by reference.
(5)	This exhibit, which was previously filed with Amendment No. 1 to the Company's Current Report on Form 8-K filed December 12, 1997, is incorporated by reference.
x	Management contract or compensatory plan or arrangement required to be filed pursuant to Item 14(c).

(B) REPORTS ON FORM 8-K.

On December 2, 1997, the Company filed a report on Form 8-K to report under Item 5, "Other Events", and Item 7, "Exhibits", the adoption of a Stockholder Rights Plan. An amendment to the Form 8-K was filed on December 12, 1997.

SIGNATURES

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

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Bart C. Shuldman

 Bart C. Shuldman
 President, Chief Executive Officer
 and Director
 Date: March 27, 1998

Pursuant to the requirements of the Securities 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.

Signature -----	Title -----	Date ----
/s/ Bart C. Shuldman ----- Bart C. Shuldman	President, Chief Executive Officer and Director (Principal Executive Officer)	March 27, 1998
/s/ Richard L. Cote ----- Richard L. Cote	Executive Vice President, Chief Financial Officer, Treasurer, Secretary and Director (Principal Financial Officer)	March 27, 1998
/s/ Steven A. DeMartino ----- Steven A. DeMartino	Corporate Controller (Principal Accounting Officer)	March 27, 1998
/s/ Thomas R. Schwarz ----- Thomas R. Schwarz	Chairman of the Board and Director	March 27, 1998
/s/ Graham Y. Tanaka ----- Graham Y. Tanaka	Director	March 27, 1998
/s/ Charles A. Dill ----- Charles A. Dill	Director	March 27, 1998

EXHIBIT LIST

The following exhibits are filed herewith.

Exhibit

- -----

- 3.1(b) Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Secretary of State of Delaware on May 30, 1997.
- 10.25(x) Severance Agreement by and between TransAct and David A. Ritchie, dated July 1, 1997.
- 10.26 Credit Agreement dated as of January 29, 1998 among TransAct, Magnetec and Fleet National Bank.
- 10.27 Second Amendment to Lease Agreement by and between Bomax Properties and Ithaca, dated December 2, 1996.
- 10.28 Lease Agreement by and between Pyramid Construction Company and Magnetec, dated July 30, 1997.
- 10.29 Amendment to OEM Purchase Agreement by and between Okidata and Tridex, dated May 31, 1996. (Pursuant to Rule 24b-2 under the Exchange Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)
- 11.1 Computation of earnings per share.
- 21.1 Subsidiaries of the Company.
- 27.1 Financial Data Schedule.

TRANSACT TECHNOLOGIES INCORPORATED
EXHIBIT 3.1(b)

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION

TransAct Technologies Incorporated (the "Company"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That at the January 23, 1997 meeting of the Board of Directors of the Company, resolutions were duly adopted setting forth a proposed amendment (the "Amendment") of the Certificate of Incorporation of said corporation, declaring said Amendment to be advisable and directing that such Amendment be considered at the annual meeting of the stockholders of the Company. The resolution setting forth the proposed Amendment is as follows:

VOTED: That, subject to approval by the stockholders at the 1997 annual meeting, the Certificate of Incorporation of the Company shall be amended by adding a new Article 14, as follows:

14. Stockholders may take action only by a vote taken at a meeting held pursuant to prior notice and may not act by written consent in lieu of a meeting.

SECOND: That on May 1, 1997, at the annual meeting of the stockholders of the Company, duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, a majority of the outstanding shares voted in favor of the Amendment as required by statute.

THIRD: That said Amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said the Company has caused this certificate to be signed by Bart C. Shuldman, its President, and Richard L. Cote, its Secretary, this 16th day of May, 1997.

BY: /s/ Bart C. Shuldman

 Bart C. Shuldman, President

ATTEST: /s/ Richard L. Cote

 Richard L. Cote, Secretary

TRANSACT TECHNOLOGIES INCORPORATED
EXHIBIT 10.25

SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is entered into as of the 1st day of July, 1997, by and between David A. Ritchie, an individual with a residence address of 540 Morning Mist Court, Alpharetta, Georgia 30202 (the "Executive"), and TransAct Technologies Incorporated, a Delaware corporation with a mailing address of 7 Laser Lane, Wallingford, Connecticut 06492 (the "Company"). As used in this Agreement, the "Company" shall also include all subsidiaries of the Company, as the context requires.

INTRODUCTION

1. The Company is in the business of designing, developing, manufacturing and marketing printers for point of sale, gaming and wagering, financial service and kiosk applications (the "Business").

2. The Company desires that the Executive continue to serve in his position with the Company and that the Company be able to rely upon his advice when requested as to the best interests of the Company, and its shareholders.

3. The Board of Directors of the Company believe Executive can best serve the Company without the distractions of personal uncertainties and risks that might be created in the event a change in control of the Company is proposed or his employment by the Company is terminated.

AGREEMENT

In consideration of the premises and mutual promises herein below set forth, the parties hereby agree as follows:

1. Definitions. The following terms shall have the meanings indicated for the purposes of this Agreement:

(a) "Cause" shall mean: (i) the death or disability of the Executive (For purposes of this Agreement, "disability" shall mean the Executive's incapacity due to physical or mental illness which has caused the Executive to be absent from the full-time performance of his duties with the Company for a period of six (6) consecutive months.) (ii) any action or inaction by the Executive that constitutes larceny, fraud, gross negligence, a willful or negligent

misrepresentation to the directors or officers of the Company, their successors or assigns, a crime involving moral turpitude; or (iii) the refusal of the Executive to follow the reasonable and lawful written instructions of the President or the Board of Directors of the Company with respect to the services to be rendered and the manner of rendering such services by Executive, provided such refusal is material and repetitive and is not justified or excused either by the terms of this Agreement or by actions taken by the Company in violation of this Agreement, and with respect to the first two refusals Executive has been given reasonable written notice and explanation thereof and reasonable opportunity to cure and no cure has been effected within a reasonable time after such notice.

(b) "Change in Control" will be deemed to have occurred if: (1) the Company effectuates a Takeover Transaction; or (2) any election of directors of the Company (whether by the directors then in office or by the stockholders at a meeting or by written consent) where a majority of the directors in office following such election are individuals who were not nominated by a vote of two-thirds of the members of the Board of Directors immediately preceding such election; or (3) the Company effectuates a complete liquidation of the Company or a sale or disposition of all or substantially all of its assets. A "Change in Control" shall not be deemed to include, however, a merger or sale of stock, assets or business of the Company if the Executive immediately after such event owns, or in connection with such event immediately acquires (other than in the Executive's capacity as an equity holder of the Company or as a beneficiary of its employee stock ownership plan or profit sharing plan), any stock of the buyer or any affiliate thereof.

(c) A "Takeover Transaction" shall mean (i) a merger or consolidation of the Company with, or an acquisition of the Company or all or substantially all of its assets by, any other corporation, other than a merger, consolidation or acquisition in which the individuals who were members of the Board of Directors of the Company immediately prior to such transaction continue to constitute a majority of the Board of Directors of the surviving corporation (or, in the case of an acquisition involving a holding company, constitute a majority of the Board of Directors of the holding company) for a period of not less than twelve (12) months following the closing of such transaction, or (ii) when any person or entity or group of persons or entities (other than any trustee or other fiduciary holding securities under an employee benefit plan of the Company) either related or acting in concert becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of securities of the Company representing more than fifty percent (50%) of the total number of votes that may be cast for the election of directors of the Company.

(d) "Terminating Event" shall mean: (i) termination by the Company of the employment of the Executive for any reason other than retirement or for Cause occurring within twelve (12) months of a Change of Control; or (ii) resignation of the Executive from the

employ of the Company, while the Executive is not receiving payments or benefits from the Company by reason of the Executive's disability, subsequent to any of the following events occurring within twelve (12) months of a Change of Control: (A) a significant reduction in the nature or scope of the Executive's responsibilities, authorities, powers, functions or duties from the responsibilities, authorities, powers, functions or duties exercised by the Executive immediately prior to the Change in Control; (B) a decrease in the salary payable by the Company to the Executive from the salary payable to the Executive immediately prior to the Change in Control except for across-the-board salary reductions similarly affecting all management personnel of the Company; or (C) the relocation of the Company's facility at which the Executive is currently employed by more than 50 miles from its current location (unless such new location is closer than such facility to the Executive's then residence) provided, however, that a Terminating Event shall not be deemed to have occurred solely as a result of the Executive being an employee of any direct or indirect successor to the business or assets of the Company, rather than continuing as an employee of the Company, following a Change in Control; or (D) elimination or reduction of the Executive's participation in the Company's Executive Incentive Compensation Plan.

2. Severance.

(a) Without Cause. If the Company terminates the employment of the Executive without Cause, other than as a result of a Terminating Event, then commencing on the date of such termination and for a period of six (6) months thereafter, the Company shall provide Executive with a severance package which shall consist of the following: (i) payment on the first business day of each month of an amount equal to one-twelfth of the Executive's then current annual base salary; (ii) payment on the first business day of each month of an amount equal to one-sixth of the Executive's annual target bonus amount under the TransAct Executive Incentive Compensation Plan, pro rated for the portion of the fiscal year occurring prior to termination; and (iii) continuation of all benefits under Section 4.

(b) With A Terminating Event. If the Company terminates the employment of the Executive as a result of a Terminating Event, then commencing on the date of such termination and for a period equal to one (1) year thereafter, the Company shall provide Executive with a severance package which shall consist of the following: (i) payment on the first business day of each month an amount equal to one-twelfth of the Executive's then current annual base salary; (ii) payment on the first business day of each month of an amount equal to one-twelfth of the Executive's annual target bonus amount under the Company's Executive Incentive Compensation Plan; and (iii) continuation of all benefits under Section 4. In addition, if the Company terminates the employment of the Executive as a result of a Terminating Event, then the Company shall cause the immediate vesting of all options granted by the Company to the Executive under the Company's stock plans. At any time when the

Company is obligated to make monthly payments under Section 2(b), the Company shall, ten (10) days after receipt of a written request from the Executive, pay the Executive an amount equal to the balance of the amounts payable under Section 2(b)(i)-(ii), provided that the obligation of the Company to continue to provide benefits pursuant to Section 2(b)(iii) or to make monthly payments under 2(b)(i)-(ii) shall cease upon the payment of such amount.

(c) General Release. As a condition precedent to receiving any severance payment, the Executive shall execute a general release of any and all claims which Executive or his heirs, executors, agents or assigns might have against the Company, its subsidiaries, affiliates, successors, assigns and their past, present and future employees, officers, directors, agents and attorneys.

(d) Withholding. All payments made by the Company under this Agreement shall be net of any tax or other amounts required to be withheld by the Employer under applicable law.

3. Non-Competition. During Executive's employment with the Company and the term of this Agreement and (a) in the case of termination other than as a result of a Terminating Event, for six (6) months following the termination of Executive's employment with the Company or (b) in the case of termination as a result of a Terminating Event, for one (1) year following the termination of Executive's employment with the Company, Executive will not directly or indirectly whether as a partner, consultant, agent, employee, co-venturer, greater than two percent owner or otherwise or through any other person (as hereafter defined): (a) be engaged in any business or activity which is competitive with the Business of the Company in any part of the world in which the Company is at the time of the Executive's termination engaged in selling their products directly or indirectly; or (b) attempt to recruit any employee of the Company, assist in their hiring by any other person, or encourage any employee to terminate his or her employment with the Company; or (c) encourage any customer of the Company to conduct with any other person any business or activity which such customer conducts or could conduct with the Company. For purpose of this Section 3, the term "Company" shall include any person controlling, under common control with or controlled by, the Company, provided, however, that with respect to Tridex Corporation ("Tridex") and any subsidiary of Tridex, the provisions of this Section 3 shall cease and be of no force and effect on April 1, 1998.

For purposes of this Section 3, the term "Person" shall mean an individual or corporation, association or partnership in estate or trust or any other entity or organization.

The Executive recognizes and agrees that because a violation by him of this Section 3 will cause irreparable harm to the Company that would be difficult to quantify and for which

money damages would be inadequate, the Company shall have the right to injunctive relief to prevent or restrain any such violation, without the necessity of posting a bond.

Executive expressly agrees that the character, duration and scope of this covenant not to compete are reasonable in light of the circumstances as they exist at the date upon which this Agreement has been executed. However, should a determination nonetheless be made by a court of competent jurisdiction at a later date that the character, duration or geographical scope of this covenant not to compete is unreasonable in light of the circumstances as they then exist, then it is the intention of both Executive and the Company that this covenant not to compete shall be construed by the court in such a manner as to impose only those restrictions on the conduct of Executive which are reasonable in light of the circumstances as they then exist and necessary to provide the Company the intended benefit of this covenant to compete.

4. Confidentiality Covenants. Executive understands that the Company may impart to him confidential business information including, without limitation, designs, financial information, personnel information, strategic plans, product development information and the like (collectively "Confidential Information"). Executive hereby acknowledges Company's exclusive ownership of such Confidential Information.

Executive agrees as follows: (1) only to use the Confidential Information to provide services to the Company; (2) only to communicate the Confidential Information to fellow employees, agents and representatives of the Company on a need-to-know basis; and (3) not to otherwise disclose or use any Confidential Information. Upon demand by the Company or upon termination of Executive's employment, Executive will deliver to the Company all manuals, photographs, recordings, and any other instrument or device by which, through which, or on which Confidential Information has been recorded and/or preserved, which are in Executive's possession, custody or control. Executive acknowledges that for purposes of this Section 4 the term "Company" means any person or entity now or hereafter during the term of this Agreement which controls, is under common control with, or is controlled by, the Company.

The Executive recognizes and agrees that because a violation by him of this Section 4 will cause irreparable harm to the Company that would be difficult to quantify and for which money damages would be inadequate, the Company shall have the right to injunctive relief to prevent or restrain any such violation, without the necessity of posting a bond.

5. Governing Law/Jurisdiction. This Agreement shall be governed by and interpreted and governed in accordance with the laws of the State of Connecticut. The parties agree that this Agreement was made and entered into in Connecticut and each party hereby consents to

the jurisdiction of a competent court in Connecticut to hear any dispute arising out of this Agreement.

6. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and thereof and supersedes any and all previous agreements, written and oral, regarding the subject matter hereof between the parties hereto. This Agreement shall not be changed, altered, modified or amended, except by a written agreement signed by both parties hereto.

7. Notices. All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be deemed to have been given if delivered by hand, sent by generally recognized overnight courier service, telex or telecopy, or certified mail, return receipt requested.

(a) to the Company at:

7 Laser Lane
Wallingford, Connecticut 06492
Attn: President

(b) to the Executive at:

540 Morning Mist Court
Alpharetta, GA 30202

Any such notice or other communication will be considered to have been given (i) on the date of delivery in person, (ii) on the third day after mailing by certified mail, provided that receipt of delivery is confirmed in writing, (iii) on the first business day following delivery to a commercial overnight courier or (iv) on the date of facsimile transmission (telecopy) provided that the giver of the notice obtains telephone confirmation of receipt.

Either party may, by notice given to the other party in accordance with this section, designate another address or person for receipt of notices hereunder.

8. Severability. If any term or provision of this Agreement, or the application thereof to any person or under any circumstance, shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such terms to the persons or under circumstances other than those as to which it is invalid or unenforceable, shall be considered severable and shall not be affected thereby, and each term of this Agreement shall be valid and enforceable to the fullest extent permitted by law. The invalid or unenforceable provisions

shall, to the extent permitted by law, be deemed amended and given such interpretation as to achieve the economic intent of this Agreement.

9. Waiver. The failure of any party to insist in any one instance or more upon strict performance of any of the terms and conditions hereof, or to exercise any right or privilege herein conferred, shall not be construed as a waiver of such terms, conditions, rights or privileges, but same shall continue to remain in full force and effect. Any waiver by any party of any violation of, breach of or default under any provision of this Agreement by the other party shall not be construed as, or constitute, a continuing waiver of such provision, or waiver of any other violation of, breach of or default under any other provision of this Agreement.

10. Successors and Assigns. This Agreement shall be binding upon the Company and any successors and assigns of the Company.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Bart C. Shuldman

Title: President and Chief
Executive Officer

EXECUTIVE:

/s/ David A. Ritchie

David A. Ritchie

TRANSACT TECHNOLOGIES INCORPORATED
EXHIBIT 10.26

CREDIT AGREEMENT

Dated as of January 29, 1998

among

TRANSACT TECHNOLOGIES INCORPORATED,

MAGNETEC CORPORATION

and

FLEET NATIONAL BANK

CREDIT AGREEMENT dated as of January 29, 1998 among TRANSACT TECHNOLOGIES INCORPORATED, a Delaware corporation ("TransAct"), MAGNETEC CORPORATION, a Connecticut corporation ("Magnetec") (collectively, the "Borrowers" and each, individually a "Borrower"), and FLEET NATIONAL BANK, a national banking association organized under the laws of the United States of America (the "Bank").

WHEREAS, the Borrowers desire that the Bank extend credit as provided herein and the Bank is prepared to extend such credit; and

WHEREAS, the Borrowers are and will be operated on an integrated basis in connection with their respective financial resources and each of the Borrowers will receive direct and indirect economic and financial benefits from the credit to be extended under this Agreement, and each of the Borrowers acknowledges that the Bank would not provide the financing hereunder but for the joint and several obligations of each such Borrower hereunder with respect to all such indebtedness incurred hereunder.

NOW THEREFORE, in consideration of the foregoing, which is incorporated by reference, and other valuable consideration, receipt of which is acknowledged, the parties, intending to be legally bound, agree as follows:

ARTICLE 1. DEFINITIONS; ACCOUNTING TERMS

Section 1.1. Definitions. As used in this Agreement, the following terms have the following meanings (terms defined in the singular to have a correlative meaning when used in the plural and vice versa):

"Acceptable Acquisition" means any Acquisition: (i) which has been either (A) approved by the Board of Directors of the corporation, or governing body of any other business entity, which is the subject of such Acquisition or (B) recommended by such Board or governing body to the shareholders of such corporation or equity owners of such other business entity; and (ii) with respect to which the following conditions are satisfied:

(a) no Default or Event of Default exists or would result from such Acquisition;

(b) the company or assets acquired involve substantially the same or similar line of business as the Borrowers;

(c) the Borrowers demonstrate that, on a combined basis with the acquired assets and/or entity, in accordance with GAAP, they would have been in compliance with the financial covenants contained in Article 8 on a trailing four quarters pro forma basis as of the end of the immediately preceding fiscal quarter; and will be in

such compliance prospectively on a pro forma basis for the next succeeding four fiscal quarters;

(d) the Borrowers remain as surviving entities;

(e) the total consideration for such Acquisition (not including reasonable fees and expenses payable by the Borrower in connection therewith) does not exceed \$4,000,000; and

(f) the Bank obtains a perfected security interest in the acquired assets or in the assets of the acquired company, subject only to Liens permitted by Section 7.3 hereof.

"Acquisition" means any transaction pursuant to which any Borrower (a) acquires greater than 5% of the equity securities (or warrants, options or other rights to acquire such securities) of any Person, (b) causes or permits any Person to be merged into any Borrower, in any case pursuant to a merger, purchase of assets or any reorganization providing for the delivery or issuance to the holders of such Person's then outstanding securities, in exchange for such securities, of cash or securities of any Borrower, or a combination thereof, or (c) purchases all or substantially all of the business or assets of any Person.

"Acquisition Commitment" means the obligation of the Bank to make the Acquisition Loans under this Agreement in the aggregate principal amount of up to \$10,000,000, as such amount may be reduced or otherwise modified from time to time.

"Acquisition Loans" shall have the meaning set forth in Section 2.1(b) herein, and includes both (i) the revolving loans made pursuant to the Acquisition Commitment during the period prior to the Revolving Credit Termination Date and (ii) the Term Loan into which such revolving loans are converted pursuant to Section 2.1(c), thereafter.

"Acquisition Note" means the promissory note of the Borrowers in the form of Exhibit A1 hereto evidencing the Acquisition Loans made by the Bank hereunder and all promissory notes delivered in substitution or exchange therefor, as amended or supplemented from time to time.

"Affiliate" means any Person: (a) which directly or indirectly controls, or is controlled by, or is under common control with, any Borrower or any of their respective Subsidiaries; (b) which directly or indirectly beneficially owns or holds five percent or more of any class of voting stock of any Borrower or any of their respective Subsidiaries; (c) five percent or more of the voting stock of which is directly or indirectly beneficially owned or held by any Borrower or any of their respective Subsidiaries; or (d) which is a partnership in which any Borrower or any of their respective Subsidiaries is a general

partner. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agreement" means this Credit Agreement, as amended or supplemented from time to time. References to Articles, Sections, Exhibits, Schedules and the like refer to the Articles, Sections, Exhibits, Schedules and the like of this Agreement unless otherwise indicated.

"Amortization Date" means the last day of each calendar quarter, commencing on the first such day occurring after the Revolving Credit Termination Date, up to (and including) the Termination Date, provided that if any such day is not a Banking Day, such day shall be the next succeeding Banking Day.

"Banking Day" means, a day on which commercial banks settle payments in (i) New York or London if the payment obligation is calculated by reference to any LIBO Rate, or (ii) New York, if the payment obligation is calculated by reference to the Prime Rate.

"Borrowing" means any Loan requested by any Borrower hereunder.

"Capital Lease" means any lease which has been or should be capitalized on the books of the lessee in accordance with GAAP.

"Change of Control" means any one or more of the following events:

(a) the failure by Bart Shuldman or Richard Cote to remain active in the day to day senior management of TransAct; or

(b) the stockholders of any Borrower shall approve a plan or proposal for the acquisition of, merger, liquidation or dissolution of such Borrower, or a sale of more than 25% of its assets in one or a series of related transactions; or

(c) a Person or group of Persons acting in concert (other than the direct or indirect beneficial owners of the capital stock of any Borrower as of the date of this Agreement) shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the direct or indirect beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended from time to time) of securities of such Borrower representing 15% or more of the combined voting power of the outstanding voting securities for the election of directors or shall have the right to elect a majority of the board of directors of such Borrower.

"Closing Date" means the date this Agreement has been executed by the Borrowers and the Bank.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitments" means the Acquisition Commitment and the Working Capital Commitment.

"Consolidated Subsidiary" means any Subsidiary whose accounts are or are required to be consolidated with the accounts of a Person in accordance with GAAP.

"Current Assets" of any Person at any time means all cash, Receivables and Inventory of such Person.

"Current Funded Bank Debt" means, with respect to any Person, all Debt of such Person for money borrowed, other than Subordinated Debt.

"Current Liabilities" means all liabilities of a Person treated as current liabilities in accordance with GAAP, including without limitation (a) all obligations payable on demand or within one year after the date in which the determination is made and (b) installment and sinking fund payments required to be made within one year after the date on which determination is made, but excluding all such liabilities or obligations which are renewable or extendible at the option of such Person to a date more than one year from the date of determination.

"Debt" means, with respect to any Person: (a) indebtedness of such Person for borrowed money; (b) indebtedness for the deferred purchase price of property or services (except trade payables in the ordinary course of business); (c) Unfunded Benefit Liabilities of such Person; (d) the face amount of any outstanding letters of credit issued for the account of such person; (e) obligations arising under acceptance facilities; (f) guaranties, endorsements (other than for collection in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person, or otherwise to assure a creditor against loss, including any contingent obligations under swaps, derivatives, currency exchanges and similar transactions; (g) obligations secured by any Lien on property of such Person; and (h) obligations of such Person as lessee under Capital Leases.

"Default" means any event which with the giving of notice or lapse of time, or both, would become an Event of Default.

"Default Rate" means, with respect to the principal of any Loan and, to the extent permitted by law, any other amount payable by the Borrowers under this Agreement or the Notes that is not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period from and including the due date, to, but excluding the date on which such amount is paid in full equal to four percentage points above the Prime Rate as in effect from time to time plus the applicable Margin (provided

that, if the amount so in default is principal of a LIBOR Loan and the due date thereof is a day other than the last day of the Interest Period therefor, the "Default Rate" for such principal shall be, for the period from and including the due date and to but excluding the last day of the Interest Period therefor, 4% above the interest rate for such Loan as provided in Section 2.10 hereof and, thereafter, the rate provided for above in this definition).

"Dollars" and the sign "\$" mean lawful money of the United States of America.

"EBIT" means, for any Person, for any period, earnings before Interest Expense and taxes for such Person determined in accordance with GAAP.

"EBITDA" means, for any Person, for any period, earnings before Interest Expense, taxes, depreciation, amortization and extraordinary items for such Person determined in accordance with GAAP.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, including any rules and regulations promulgated thereunder.

"ERISA Affiliate" means any corporation or trade or business which is a member of any group of organizations (i) described in section 414(b) or (c) of the Code of which any Borrower is a member, or (ii) solely for purposes of potential liability under section 302(c)(11) of ERISA and section 412(c)(11) of the Code and the lien created under section 302(f) of ERISA and section 412(n) of the Code, described in section 414(m) or (o) of the Code of which any Borrower is a member.

"Event of Default" has the meaning given such term in Section 9.1.

"Facility Documents" means this Agreement, the Notes, the Subordination Agreement, the Security Agreement and each of the documents, certificates or other instruments referred to in Article 4 hereof as well as any other document, instrument or certificate to be delivered by the Borrowers in connection with this Agreement or in

connection with the documents, certificates or instruments referred to in Article 4, including documents delivered in connection with any Borrowing.

"Fixed Charge Coverage Ratio" means, with respect to any Person, for any period, the ratio of (i) EBITDA minus taxes paid, dividends paid and any capital expenditures, to (ii) current maturities of long term Debt, plus Interest Expense, for such period.

"Forfeiture Proceeding" means any action, proceeding or investigation affecting the Parent or any of its Subsidiaries or Affiliates before any court, governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or the receipt of notice by any such party that any of them is a suspect in or a target of any governmental inquiry or investigation, which may result in an indictment of any of them or the seizure or forfeiture of any of their property.

"Funded Debt" means, with respect to any Person, all Debt (senior and subordinated) of such Person for money borrowed, including Capital Lease obligations.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, applied on a basis consistent with those used in the preparation of the financial statements referred to in Section 5.5 (except for changes concurred in by the Borrowers' independent public accountants).

"Interest Coverage Ratio" means, with respect to any Person, for any period, the ratio of (i) EBIT to (ii) Interest Expense for such period.

"Interest Expense" shall mean, with respect to any Person, for any period, the sum, for such Person in accordance with GAAP, of (a) all interest on Debt that is accrued as an expense during such period (including, without limitation, imputed interest on Capital Lease obligations), plus (b) all amounts paid, accrued or amortized as an expense during such period in respect of interest rate protection agreements, minus (c) all amounts received or accrued as income during such period in respect of interest rate protection agreements.

"Interest Period" means with respect to any LIBOR Loan, the period commencing on the date such Loan is made, converted from another type of Loan or renewed, as the case may be, and ending, as the Borrowers may select pursuant to Section 2.11, on the numerically corresponding day in the first, second, third, sixth (or if available through the Bank, the ninth or twelfth) calendar month thereafter, provided that each such Interest Period which commences on the last Banking Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Banking Day of the appropriate calendar month.

"Inventory" means all inventory, now or hereafter owned and wherever located, of the Borrowers, including (without limitation) raw materials, work-in-process, finished goods, supplies and packaging materials.

"Lending Office" means the lending office of the Bank set forth on the signature page.

"LIBO Rate" means, as applicable to any LIBOR Loan, the rate per annum (rounded upward, if necessary, to the nearest 1/32 of one percent) as determined on the basis of the offered rates for deposits in U.S. dollars, for a period of time comparable to such LIBOR Loan which appears on the Telerate page 3750 as of 11:00 a.m. London time on the day that is two London Banking Days preceding the first day of such LIBOR Loan; provided, however, if the rate described above does not appear on the Telerate System on any applicable interest determination date, the LIBOR rate shall be the rate (rounded upwards as described above, if necessary) for deposits in dollars for a period substantially equal to the interest period on the Reuters Page "LIBO" (or such other page as may replace the LIBO Page on that service for the purpose of displaying such rates), as of 11:00 a.m. (London Time), on the day that is two (2) London Banking Days prior to the beginning of such interest period.

If both the Telerate and Reuters system are unavailable, then the rate for that date will be determined on the basis of the offered rates for deposits in U.S. dollars for a period of time comparable to such LIBOR Loan which are offered by four major banks in the London interbank market at approximately 11:00 a.m. London time, on the day that is two (2) London Banking Days preceding the first day of such LIBOR Loan as selected by the Bank. The principal London office of each of the four major London banks will be requested to provide a quotation of its U.S. dollar deposit offered rate. If at least two such quotations are provided, the rate for that date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that date will be determined on the basis of the rates quoted for loans in U.S. dollars to leading European banks for a period of time comparable to such LIBOR Loan offered by major banks in New York City at approximately 11:00 a.m. New York City time, on the day that its two London Banking Days preceding the first day of such LIBOR Loan. In the event that Bank is unable to obtain any such quotation as provided above, it will be deemed that LIBOR pursuant to a LIBOR Loan cannot be determined.

In the event that the Board of Governors of the Federal Reserve System shall impose a Reserve Requirement with respect to LIBOR deposits of the Bank then for any period during which such Reserve Requirement shall apply, LIBO Rate shall be equal to the amount determined above divided by an amount equal to 1 minus the Reserve Requirement.

"LIBOR Loan" means any Loan when and to the extent the interest rate therefor is determined on the basis of the definition "LIBO Rate."

"Lien" means any lien (statutory or otherwise), security interest, mortgage, deed of trust, priority, pledge, negative pledge, charge, conditional sale, title retention agreement, financing lease or other encumbrance or similar right of others, or any agreement to give any of the foregoing.

"Loan" means any of the Acquisition Loans or the Working Capital Loans, and "Loans" means the Acquisition Loans and the Working Capital Loans.

"Margin" means the percentage points to be added to the Bank's Prime Rate or the then applicable LIBOR Rate, in each case based upon the following performance criteria:

Total Consolidated Funded Debt/EBITDA of the Borrowers	LIBOR Margin (Percentage Points)	Prime Rate Margin (Percentage Points)
Greater than 2.00	1.75	0.00
Greater than 1.00, but less than or equal to 2.00	1.50	0.00
Less than or equal to 1.00	1.25	0.00

"Multiemployer Plan" means a Plan defined as such in section 3(37) of ERISA to which contributions have been made by the Borrowers or any ERISA Affiliate and which is covered by Title IV of ERISA.

"Net Income (Loss)" of any Person for any period means the net income (loss) of such Person for such period determined in accordance with GAAP.

"Net Income Increase" means, for any period, the aggregate of fifty percent (50%) of the Borrowers' Net Income, on a consolidated basis, in respect of such period.

"Notes" means the Acquisition Note and the Working Capital Note.

"Notice of Borrowing" shall mean the notice of each Borrowing described in Section 2.8 and in the form of Exhibit E hereto.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

"Plan" means any employee benefit or other plan established or maintained, or to which contributions have been made, by any Borrower or any ERISA Affiliate and which is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Prime Rate" means that rate of interest from time to time announced by the Bank at its office located at 111 Westminster Street, Providence, Rhode Island 02903, which rate may not be the Bank's lowest or best rate.

"Prime Rate Loan" means any Loan when and to the extent the interest rate therefor is determined in relation to the Prime Rate.

"Receivables" means all accounts owing to a Person arising out of or in connection with the bona fide sale or lease of goods or services in the ordinary course of business.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as the same may be amended or supplemented from time to time.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as the same may be amended or supplemented from time to time.

"Regulatory Change" means any change after the date of this Agreement in United States federal, state, municipal or foreign laws or regulations (including without limitation Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including the Bank of or under any United States, federal, state, municipal or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Reserve Requirement" means, for any Interest Period for any LIBOR Loan, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under Regulation D by member banks of the Federal Reserve System in Boston with deposits exceeding \$1,000,000,000 against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the LIBO Rate for LIBOR Loans is to be determined as provided in the definition of "LIBO Rate" in this Section 1.1 or (ii) any category of extensions of credit or other assets which include LIBOR Loans.

"Revolving Credit Termination Date" means June 30, 1999; provided that if such date is not a Banking Day, the Revolving Credit Termination Date shall be the next succeeding Banking Day (or, if such next succeeding Banking Day falls in the next calendar month, the next preceding Banking Day) or (b) the earlier date of termination of the Commitments pursuant to Section 9.2.

"Revolving Loan" means any loan made by the Bank pursuant to Sections 2.1(a) or 2.1(b).

"Security Agreement" means the security agreement dated as of the Closing Date by the Borrowers in favor of the Bank, in substantially the form of Exhibit C.

"Senior Liabilities" means for any Person at any time, all Debt, other than contingent liabilities and Subordinated Debt.

"Subordinated Debt" means Funded Debt of a Person subordinated to the Loans on terms satisfactory to the Bank.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which at least a majority of the securities or other ownership interests having ordinary voting power (absolutely or contingently) for the election of directors or other persons performing similar functions are at the time owned directly or indirectly by such Person.

"Tangible Net Worth" means, at any date of determination thereof, the excess of total assets of a Person over total liabilities of such Person, excluding, however, from the determination of total assets: loans and advances to officers and non-consolidated Affiliates, goodwill, trademarks, patents, organizational costs, unamortized debt discounts and expenses and other like intangible assets as defined by GAAP.

"Term Loan" shall have the meaning set forth in Section 2.1(c).

"Termination Date" means June 30, 2003; provided that if such date is not a Banking Day, the Termination Date shall be the next succeeding Banking Date.

"Total Liabilities" means all liabilities of a Person which would be classified as such on a balance sheet in accordance with GAAP.

"Unfunded Benefit Liabilities" means, with respect to any Plan, the amount (if any) by which the present value of all benefit liabilities (within the meaning of section 4001(a)(16) of ERISA) under the Plan exceeds the fair market value of all Plan assets allocable to such benefit liabilities, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA for calculating the potential liability of the Borrowers or any ERISA Affiliate under Title IV of ERISA.

"Working Capital Commitment" means the obligation of the Bank to make the Working Capital Loans under this Agreement in the aggregate principal amount of up to \$5,000,000, as such amount may be limited or reduced pursuant to Article 2 or otherwise modified from time.

"Working Capital Loans" shall have the meaning set forth in Section 2.1(a) herein.

"Working Capital Note" means the promissory note of the Borrowers in the form of Exhibit A2 hereto evidencing the Working Capital Loans made by the Bank hereunder and all promissory notes delivered in substitution or exchange therefor, as amended or supplemented from time to time.

Section 1.2. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP, and all financial data required to be delivered hereunder shall be prepared in accordance with GAAP.

Section 1.3. Currency Equivalents. For all purposes of this Agreement, all amounts denominated in a currency other than Dollars shall be converted into the Dollar equivalent of such amounts. The equivalent in another currency of an amount in Dollars shall be determined at the rate of exchange quoted by Fleet National Bank in Boston at 9:00 a.m. (Boston time) on the date of determination, to prime banks in Boston for the spot purchase in the Boston foreign exchange market of such amount of Dollars with such other currency.

ARTICLE 2. THE CREDIT

Section 2.1. The Loans.

(a) Subject to the terms and conditions of this Agreement, the Bank agrees to make revolving loans (the "Working Capital Loans") to the Borrowers from time to time from and including the date hereof to and including the Revolving Credit Termination Date, up to but not exceeding in the aggregate principal amount at any one time outstanding the amount of the Working Capital Commitment. The Working Capital Loans may be outstanding as Prime Rate Loans or LIBOR Loans (each a "type" of Loan). The Working Capital Loans shall be due and payable on the Revolving Credit Termination Date. Each type of Loan shall be made and maintained at the Bank's Lending Office for such type of Loan.

(b) Subject to the terms and conditions of this Agreement, the Bank agrees to make revolving loans (the "Acquisition Loans") to the Borrowers from time to time from and including the date hereof to and including the Revolving Credit Termination Date, up to but not exceeding in the aggregate principal amount at any one time outstanding the amount of the Acquisition Commitment. The Acquisition Loans may

be outstanding as Prime Rate Loans or LIBOR Loans (each a "type" of Loan). The Acquisition Loans will be due and payable on the Revolving Credit Termination Date unless the Borrowers exercise their option under Section 2.1(c) herein. Each type of Loan shall be made and maintained at the Bank's Lending Office for such type of Loan.

(c) At the option of the Borrowers, to be exercised by giving written notice to the Bank not later than 30 days prior to the Revolving Credit Termination Date, the Borrower shall have the right to convert the revolving Acquisition Loans to a term loan (the "Term Loan") which shall then be payable in equal consecutive quarterly principal payments, plus accrued interest thereon, on each Amortization Date, commencing September 30, 1999, calculated to amortize the loan over a four year period, with a final payment due on the Termination Date.

Section 2.2. The Notes. The Working Capital Loans shall be evidenced by a promissory note in favor of the Bank in the form of Exhibit A-2, dated the date of this Agreement, duly completed and executed by the Borrowers. The Acquisition Loans shall be evidenced by a promissory note in favor of the Bank in the form of Exhibit A-1, dated the date of this Agreement, duly completed and executed by the Borrowers.

Section 2.3. Purpose. The Borrowers shall use the proceeds of the Working Capital Loans for general corporate purposes, including working capital, leasehold improvements and equipment needs, but not for any Acquisitions. The Borrowers shall use the proceeds of the Acquisition Loans for Acceptable Acquisitions and to repurchase shares of the common stock of TransAct in open-market transactions. No proceeds of the Loans shall be used to directly or indirectly fund the needs of any Subsidiary of any Borrower if such Subsidiary is not also a Borrower hereunder. No proceeds of the Loans shall be used for the purpose, whether immediate, incidental or ultimate, of buying or carrying "margin stock" within the meaning of Regulation U.

Section 2.4. Borrowing Procedures. The Borrowers shall give the Bank notice of each Borrowing to be made hereunder as provided in Section 2.8. Not later than 1:00 p.m. Hartford, Connecticut time on the date of such Borrowing, the Bank shall, subject to the conditions of this Agreement, make the amount of the Loan to be made by it on such day available to the Borrowers, in immediately available funds, by the Bank crediting an account of the Borrowers designated by the Borrowers and maintained with the Bank at the Lending Office.

Section 2.5. Prepayments and Conversions.

(a) Optional Prepayments and Conversions. The Borrowers shall have the right to make prepayments of principal, or to convert one type of Loan into another type of Loan, at any time or from time to time; provided that: (i) the Borrowers shall give the Bank notice of each such prepayment or conversion as provided in Section 2.8; and (ii) LIBOR Loans may be prepaid or converted only on the last day of an Interest Period

for such Loans, and (iii) prepayments made after the Revolving Credit Termination Date in respect of the Term Loan shall be applied to the installments of principal in the inverse order of their maturities. Amounts prepaid after the Revolving Credit Termination Date may not be reborrowed.

(b) Mandatory Prepayments. The Borrowers shall immediately repay the excess by which (i) the aggregate principal amount of all outstanding Working Capital Loans exceeds the Working Capital Commitment, (ii) the aggregate principal amount of all outstanding Acquisition Loans exceeds the Acquisition Commitment, and (iii) Current Funded Bank Debt exceeds the amount otherwise required for compliance with the collateral coverage covenant in Section 8.6 hereof. In addition, amounts outstanding as Loans will be reduced by 100% of the net cash proceeds from any sale by either of the Borrowers of any material assets outside of the normal course of business or from any new issuances of stock otherwise permitted under this Agreement. In addition, upon the occurrence of any Change of Control, the Borrowers shall immediately, at the option of and upon demand by the Bank, repay all outstanding amounts under the Loans. Each such prepayment in accordance with the foregoing provisions shall be applied first to any expensed incurred by the Bank, second to any interest due on the amount prepaid, and last to the outstanding principal amount of the Loans prepaid, in each case in such manner as the Bank in its discretion shall determine.

(c) Yield Maintenance Fee. If, at any time (i) the interest rate on any Loan is a fixed rate, and (ii) the Bank in its sole discretion should determine that current market conditions can accommodate a prepayment request, Borrowers shall have the right at any time and from time to time to prepay the Loan in whole (but not in part), and Borrowers shall pay to the Bank a yield maintenance fee in an amount computed as follows: The current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the maturity date of the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made, shall be subtracted from the "cost of funds" component of the fixed rate in effect at the time of prepayment. If the result is zero or a negative number, there shall be no yield maintenance fee. If the result is a positive number, then the resulting percentage shall be multiplied by the amount of the principal balance being prepaid. The resulting amount shall be divided by 360 and multiplied by the number of the days remaining in the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made. Said amount shall be reduced to present value calculated by using the number of days remaining in the designated term and using the above-referenced United States Treasury security rate and the number of days remaining in the term chosen shall be the yield maintenance fee due to the Bank upon prepayment of the fixed rate Loan. Each reference in this paragraph to "Fixed Rate Election" shall mean the election by Borrowers pursuant to Section 2.11 hereof.

If by reason of an Event of Default the Bank elects to declare such Loan to be immediately due and payable, then any yield maintenance fee with respect to the Loan shall become due and payable in the same manner as though Borrowers had exercised such right of prepayment.

Section 2.6. Late Charges. Payments not received within 10 days of the due date therefor will be subject to a one-time charge equal to 5% of the amount overdue.

Section 2.7. Changes of Commitment. The Borrowers shall have the right to reduce or terminate the amount of the unused portion of either of the Commitments at any time or from time to time, provided that: (i) the Borrowers shall give notice of each such reduction or termination to the Bank as provided in Section 2.8; and (ii) each partial reduction shall be in an aggregate amount at least equal to \$500,000 (and integral multiples of \$100,000 in excess thereof). Once reduced or terminated, such Commitment may not be reinstated.

Section 2.8. Certain Notices. Notices by the Borrowers to the Bank of each Borrowing pursuant to Section 2.4, and each prepayment or conversion pursuant to Section 2.5(a), and each reduction or termination of a Commitment pursuant to Section 2.7 shall be irrevocable and shall be effective only if received by the Bank not later than 12:00 noon Hartford, Connecticut time, and (a) in the case of Borrowings and prepayments of, conversions into and (in the case of LIBOR Loans) renewals of (i) Prime Rate Loans, given one Banking Day prior thereto; and (ii) LIBOR Loans, given two Banking Days prior thereto; and (b) in the case of reductions or termination of the Commitments, given three Banking Days prior thereto. Each such Notice of Borrowing shall be in the form of Exhibit E hereto and shall specify the Loans to be borrowed, prepaid, converted or renewed and the amount (subject to Section 2.9) and type of the Loans to be borrowed, or converted, or renewed or prepaid and the date of the Borrowing or prepayment, or conversion or renewal (which shall be a Banking Day). Each such notice of reduction or termination shall specify the amount of the Commitment to be reduced or terminated.

Section 2.9. Minimum Amounts. Except for Borrowings which exhaust the full remaining amount of the unused portion of either of the Commitments or prepayments or conversions which result in the prepayment or conversion of all Loans, as the case may be, of a particular type, each Borrowing, optional prepayment, conversion and renewal of principal of Loans of a particular type shall be in an amount at least equal to (a) \$100,000 with respect to Prime Rate Loans, and (b) \$500,000 and integral multiples of \$100,000 in excess thereof with respect to LIBOR Loans (borrowings, prepayments, conversions or renewals of or into Loans of different types or, in the case of LIBOR Loans, having different Interest Periods at the same time hereunder to be deemed separate borrowings, prepayments, conversions and renewals for the purposes of the foregoing, one for each type of Interest Period).

Section 2.10. Interest.

(a) Interest shall accrue on the outstanding and unpaid principal amount of each Loan for the period from and including the date of such Loan to but excluding the date such Loan is due at the following rates per annum: (i) for Prime Rate Loans, at a variable rate per annum equal to the Prime Rate plus the Margin and; (ii) for LIBOR Loans, at a fixed rate equal to the LIBO Rate plus the Margin, for the period from and including the first day of the Interest Period therefore to but excluding the last day of such Interest Period. If the principal amount of any Loan and any other amount payable by the Borrowers hereunder or under the Notes shall not be paid when due (at stated maturity, by acceleration or otherwise), interest shall accrue on such amount to the fullest extent permitted by law from and including such due date to but excluding the date such amount is paid in full at the Default Rate for such type of Loan.

(b) The interest rate on Prime Rate Loans shall change when the Prime Rate changes and interest on each such Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed. Interest on each LIBOR Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed.

(c) Accrued interest on all types of Loans shall be due and payable in arrears upon any payment of principal and on the last day of each calendar month, commencing February 28, 1998, and on the Revolving Credit Termination Date, and on the Termination Date; provided that interest accruing at the Default Rate shall be due and payable from time to time on demand of the Bank.

Section 2.11. Interest Periods; Renewals.

(a) In the case of each LIBOR Loan, the Borrowers shall select an Interest Period of any duration in accordance with the definition of Interest Period in Section 1.1, subject to the following limitations: (i) no Interest Period may extend beyond the Revolving Credit Termination Date, except with respect to the Term Loan for which no Interest Period may extend beyond an Amortization Date unless, after giving effect thereto, the aggregate principal amount of the LIBOR Loans having Interest Periods which end after such Amortization Date shall be equal to or less than the principal amount to be outstanding hereunder after such Amortization Date; (iii) notwithstanding clauses (i) and (ii) above, no Interest Period shall have a duration less than one month, and if any such proposed Interest Period would otherwise be for a shorter period, such Interest Period shall not be available; (iv) if an Interest Period would end on a day which is not a Banking Day, such Interest Period shall be extended to the next Banking Day; and (v) no more than five Interest Periods may be outstanding at any one time.

(b) Upon notice to the Bank as provided in Section 2.8, the Borrowers may renew any LIBOR Loan on the last day of the Interest Period therefor as the same type of Loan with an Interest Period of the same or different duration in

accordance with the limitations provided above. If the Borrowers shall fail to give notice to the Bank of such a renewal, such LIBOR Loan shall automatically become a Prime Rate Loan on the last day of the current Interest Period.

Section 2.12. Fees.

(a) Commitment Fee. During the period ending on the Revolving Credit Termination Date, there will be a per annum commitment fee payable on the average unused daily availability under each Commitment, payable quarterly in arrears on the first Banking Day after the end of each quarter and calculated on a 360 day year for actual days elapsed. The commitment fee rate will vary based on the then prevailing ratio of total consolidated Funded Debt to EBITDA of the Borrowers (the applicable ratio for such quarter will be the ratio determined as of the last day of the previous quarter for the twelve month period then ended), as follows:

Total Consolidated Funded Debt/EBITDA
of the Borrowers

Commitment Fee

Greater than 2.00	0.50%
Greater than 1.00, but less than or equal to 2.00	0.375%
Less than or equal to 1.00	0.25%

(b) Facility Fee. The Borrowers shall pay to the Bank, on the Closing Date, \$12,500, representing the unpaid balance of the \$25,000 facility fee in respect of the Acquisition Commitment.

Section 2.13. Payments Generally. All payments under this Agreement or the Notes shall be made in Dollars in immediately available funds not later than 1:00 p.m. Hartford, Connecticut, time on the relevant dates specified above (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Banking Day) at the Lending Office of the Bank. The Bank may (but shall not be obligated to) debit the amount of any such payment which is not made by such time to any ordinary deposit account of the Borrowers with the Bank. Until the Bank and the Borrowers otherwise agree, the Bank shall debit the Borrowers' account number 9368994710 with the Bank for the amount of any payment required hereunder, but the Bank may also debit any ordinary deposit account of the Borrowers if the amount in account number 9368994710 is insufficient to make any required payment. The Borrowers shall, at the time of making each payment under this Agreement or the Notes, specify to the Bank the principal or other amount payable by the Borrowers under this Agreement or the Note to which such payment is to be applied (and in the event that it fails to so specify, or if a Default or Event of Default has occurred and is continuing, the Bank may apply

such payment as it may elect in its sole discretion). If the due date of any payment under this Agreement or the Notes would otherwise fall on a day which is not a Banking Day, such date shall be extended to the next succeeding Banking Day and interest shall be payable for any principal so extended for the period of such extension.

ARTICLE 3. YIELD PROTECTION; ILLEGALITY; ETC.

Section 3.1. Additional Costs.

(a) The Borrowers shall pay to the Bank from time to time on demand such amounts as the Bank may determine to be necessary to compensate it for any costs which the Bank determines are attributable to its making or maintaining any LIBOR Loans under this Agreement or the Notes or its obligation to make any such Loans hereunder, or any reduction in any amount receivable by the Bank hereunder in respect of any such Loans or such obligation (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), resulting from any Regulatory Change which: (i) changes the basis of taxation of any amounts payable to the Bank under this Agreement or the Notes in respect of any of such Loans (other than taxes imposed on the overall net income of the Bank or of its Lending Office for any of such Loans by the jurisdiction in which the Principal Office or such Lending Office is located); or (ii) imposes or modifies any reserve, special deposit, deposit insurance or assessment, minimum capital, capital ratio or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, the Bank (including any of such Loans or any deposits referred to in the definition of "LIBO Rate" in Section 1.1); or (iii) imposes any other condition affecting this Agreement or the Notes (or any of such extensions of credit or liabilities). The Bank will notify the Borrowers of any event occurring after the date of this Agreement which will entitle the Bank to compensation pursuant to this Section 3.1(a) as promptly as practicable after it obtains knowledge thereof and determines to request such compensation.

(b) Without limiting the effect of the foregoing provisions of this Section 3.1, in the event that, by reason of any Regulatory Change, the Bank either (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of the Bank which includes deposits by reference to which the interest rate on LIBOR Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of the Bank which includes LIBOR Loans or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold, then, if the Bank so elects by notice to the Borrowers, the obligation of the Bank to make or renew, and to convert Loans of any other type into, Loans of such type hereunder shall be suspended until the date such Regulatory Change ceases to be in effect, and the Borrowers shall on the last day(s) of the then current Interest Period(s) for the outstanding Loans of such type, either prepay such Loans or convert such Loans into another type of Loan in accordance with Section 2.5.

(c) Without limiting the effect of the foregoing provisions of this Section 3.1 (but without duplication), the Borrowers shall pay to the Bank from time to time on request such amounts as the Bank may determine to be necessary to compensate the Bank for any costs which it determines are attributable to the maintenance by it or any of its affiliates pursuant to any law or regulation of any jurisdiction or any interpretation, directive or request (whether or not having the force of law and whether in effect on the date of this Agreement or thereafter) of any court or governmental or monetary authority of capital in respect of its Loans hereunder or its obligation to make Loans hereunder (such compensation to include, without limitation, an amount equal to any reduction in return on assets or equity of the Bank to a level below that which it could have achieved but for such law, regulation, interpretation, directive or request). The Bank will notify the Borrowers if it is entitled to compensation pursuant to this Section 3.1(c) as promptly as practicable after it determines to request such compensation.

(d) Determinations and allocations by the Bank for purposes of this Section 3.1 of the effect of any Regulatory Change pursuant to subsections (a) or (b), or of the effect of capital maintained pursuant to subsection (c), on its costs of making or maintaining Loans or its obligation to make Loans, or on amounts receivable by, or the rate of return to, it in respect of Loans or such obligation, and of the additional amounts required to compensate the Bank under this Section 3.1, shall be conclusive, provided that such determinations and allocations are made on a reasonable basis; provided, however, that the Bank shall provide ninety days' notice of any additional amounts required to compensate the Bank under this Section 3.1 (the "Adjustment"), and the Borrowers may thereafter attempt to negotiate the amount of the Adjustment in good faith with the Bank within ninety days of the day on which the Borrowers are so notified. If the Borrowers and the Bank are unable to agree on the amount of the Adjustment within such ninety-day period, then the amount of the Adjustment shall be the amount set forth in the aforementioned notice from the Bank to the Borrowers. Whatever the final Adjustment may be, if the Bank shall still have any Loans outstanding to the Borrowers upon the expiration of such ninety-day period, then the Adjustment shall be effective retroactive to the date on which the Borrowers first received notice of the Adjustment. The Bank shall not be obligated to offer LIBO Rates with respect to Interest Periods commencing during the period following any such notice and prior to agreement by the Bank and the Borrowers as to the amount of the Adjustment.

Section 3.2. Limitation on Types of Loans. Anything herein to the contrary notwithstanding, if the Bank determines (which determination shall be conclusive) that:

(a) quotations of interest rates for the relevant deposits referred to in the definition of "LIBO Rate" in Section 1.1 are not being provided in the relevant amounts or for the relevant maturities for purposes of determining the rate of interest for any LIBOR Loans as provided in this Agreement; or

(b) the relevant rates of interest referred to in the definition of "LIBO Rate" in Section 1.1 upon the basis of which the rate of interest for any LIBOR Loans is to be determined do not adequately cover the cost to the Bank of making or maintaining such Loans; then the Bank shall give the Borrowers prompt notice thereof, and so long as such condition remains in effect, the Bank shall be under no obligation to make or renew Loans of such type or to convert Loans of any other type into Loans of such type and the Borrowers shall, on the last day(s) of the then current Interest Period(s) for the outstanding Loans of the affected type, either prepay such Loans or convert such Loans into another type of Loans in accordance with Section 2.5.

Section 3.3. Illegality. Notwithstanding any other provision in this Agreement, in the event that it becomes unlawful for the Bank or its Lending Office to (a) honor its obligation to make or renew LIBOR Loans hereunder or convert Loans of any type into Loans of such type, or (b) maintain LIBOR Loans hereunder, then the Bank shall promptly notify the Borrowers thereof and the Bank's obligation to make or renew LIBOR Loans and to convert other types of Loans into Loans of such type hereunder shall be suspended until such time as the Bank may again make, renew or convert and maintain such affected Loans and the Borrowers shall, on the last day(s) of the then current Interest Period for the outstanding LIBOR Loans, as the case may be (or on such earlier date as the Bank may specify to the Borrowers), either prepay such Loans or convert such Loans into another type of Loans in accordance with Section 2.5.

Section 3.4. Certain Compensation. The Borrowers shall pay to the Bank, upon the request of the Bank, such amount or amounts as shall be sufficient (in the reasonable opinion of the Bank) to compensate it for any loss, cost or expense which the Bank determines is attributable to:

(a) any payment, prepayment, conversion or renewal of a LIBOR Loan on a date other than the last day of an Interest Period for such Loan (whether by reason of acceleration or otherwise); or

(b) any failure by the Borrowers to borrow, convert into or renew a LIBOR Loan to be made, converted into or renewed by the Bank on the date specified therefor in the relevant notice under Section 2.4, 2.5 or 2.11, as the case may be.

Without limiting the foregoing, such compensation shall include an amount equal to the excess, if any, of: (i) the amount of interest which otherwise would have accrued on the principal amount so paid, prepaid, converted or renewed or not borrowed, converted or renewed for the period from and including the date of such payment, prepayment or conversion or failure to borrow, convert or renew to but excluding the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or renew, to but excluding the last day of the Interest Period for such Loan which would have commenced on the date specified therefor in the relevant notice) at the applicable rate of

interest for such Loan provided for herein; over (ii) with respect to a LIBOR Loan, the amount of interest (as reasonably determined by the Bank) the Bank would have bid in the London interbank market for Dollar deposits for amounts comparable to such principal amount and maturities comparable to such period. A determination of the Bank as to the amounts payable pursuant to this Section 3.4 shall be conclusive absent manifest error.

ARTICLE 4. CONDITIONS PRECEDENT

Section 4.1. Documentary Conditions Precedent. The obligation of the Bank to make the Loans is subject to the conditions precedent that the Bank shall have received on or before the date of such Borrowing each of the following, in form and substance satisfactory to the Bank and its counsel:

(a) the Notes duly executed by the Borrowers;

(b) the Security Agreement duly executed by the Borrowers, together with (i) acknowledgment copies of the financing statements (UCC-1) duly filed under the Uniform Commercial Code of all jurisdictions necessary or, in the opinion of the Bank, desirable to perfect the security interest created by the Security Agreement; (ii) certified copies of requests for information (Form UCC-11) identifying all of the financing statements on file with respect to the Borrowers in all jurisdictions referred to under (i), including the financing statements filed by the Bank against the Borrowers, indicating that no party claims an interest in any of the Collateral (as defined in the Security Agreement);

(c) a certificate of the Secretary or Assistant Secretary of each Borrower, dated the Closing Date, attesting to all corporate action taken by such Borrower, including resolutions of its Board of Directors authorizing the execution, delivery and performance of the Facility Documents to which it is a party and each other document to be delivered pursuant to this Agreement and certifying copies of the Certificate of Incorporation and by-laws of such Borrower;

(d) a certificate of the Secretary or Assistant Secretary of each Borrower, dated the Closing Date, certifying the names and true signatures of the officers of such Borrower authorized to sign the Facility Documents to which it is a party and the other documents to be delivered by such Borrower under this Agreement;

(e) a certificate of a duly authorized officer of each Borrower, dated the Closing Date, stating that the representations and warranties in Article 5 of this Agreement, and Article 2 of the Security Agreement, and in each other Facility Document, are true and correct on such date as though made on and as of such date and that no event has occurred and is continuing which constitutes a Default or Event of Default;

(f) an Environmental Indemnification Agreement duly signed by the Borrowers in form and substance satisfactory to the Bank;

(g) a certificate of good standing for each Borrower from the Secretary of the State of the state in which such Borrower is incorporated and each other jurisdiction in which such Borrower is qualified to do business;

(h) payment by the Borrowers to the Bank of the balance of the facility fee as required by Section 2.12(b), and all other expenses and fees incurred by the Bank;

(i) a favorable opinion of counsel for the Borrowers, dated the Closing Date, in substantially the form of Exhibit D and as to such other matters as the Bank may reasonably request;

(j) copies of all instruments evidencing any Subordinated Debt of any Borrower and a satisfactory review of the same;

(k) evidence of no material adverse change in the business, management, operations, properties, prospects or condition (financial or otherwise) of any Borrower or any of their respective Subsidiaries since the date of the commitment letter; and

(l) evidence of the absence of any change in market conditions which, in the Bank's opinion, would materially impair a financial institution's ability to fund Loans of this type.

Section 4.2. Additional Conditions Precedent. The obligation of the Bank to make the Loans pursuant to a Borrowing which increases the amount outstanding hereunder (including the initial Borrowing) shall be subject to the further conditions precedent that on the date of such Borrowing:

(a) the following statements shall be true:

(i) the representations and warranties contained in Article 5 herein, and in Article 2 of the Security Agreement, and in each other Facility Document, are true and correct on and as of the date of such Loan as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing, or would result from such Loan; and

(iii) there has been no material adverse change in the business, management, operations, properties, prospects or condition (financial or otherwise) of any Borrower or any of their respective Subsidiaries since the Closing Date;

(b) the Bank shall have received such approvals, opinions or documents as the Bank may reasonably request.

Section 4.3. Deemed Representations. Each Notice of Borrowing hereunder and acceptance by any Borrower of the proceeds of such Borrowing shall constitute a representation and warranty that the statements contained in Section 4.2(a) are true and correct both on the date of such notice and, unless any Borrower otherwise notifies the Bank prior to such Borrowing, as of the date of such Borrowing.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES

Each Borrower hereby represents and warrants that:

Section 5.1. Incorporation, Good Standing and Due Qualification. Each of such Borrowers and its Subsidiaries is duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its assets and to transact the business in which it is now engaged or proposed to be engaged, and is duly qualified as a foreign corporation and in good standing under the laws of each other jurisdiction in which such qualification is required.

Section 5.2. Corporate Power and Authority; No Conflicts. The execution, delivery and performance by such Borrower of the Facility Documents to which it is a party have been duly authorized by all necessary corporate action and do not and will not: (a) require any consent or approval of its stockholders; (b) contravene its charter or by-laws; (c) violate any provision of, or require any filing (other than the filing of the financing statements contemplated by the Security Agreement), registration, consent or approval under, any law, rule, regulation (including, without limitation, Regulation U), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to such Borrower or any of its Subsidiaries or Affiliates; (d) result in a breach of or constitute a default or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which such Borrower is a party or by which it or its properties may be bound or affected; (e) result in, or require, the creation or imposition of any Lien (other than as created under the Security Agreement), upon or with respect to any of the properties now owned or hereafter acquired by such Borrower; or (f) cause such Borrower (or any Subsidiary or Affiliate, as the case may be) to be in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument.

Section 5.3. Legally Enforceable Agreements. Each Facility Document to which such Borrower is a party is, or when delivered under this Agreement will be, a legal, valid and binding obligation of such Borrower enforceable against such Borrower in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

Section 5.4. Litigation. There are no actions, suits or proceedings pending or, to the knowledge of such Borrower, threatened, against or affecting such Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator, which may, in any one case or in the aggregate, materially adversely affect the financial condition, operations, properties or business of such Borrower or any such Subsidiary or of or the ability of such Borrower to perform its obligation under the Facility Documents to which it is a party.

Section 5.5. Financial Statements. The consolidated and consolidating balance sheet of such Borrower and its Consolidated Subsidiaries as at December 31, 1996, and the related consolidated and consolidating income statement and statements of cash flows and changes in stockholders' equity of such Borrower and its Consolidated Subsidiaries for the fiscal year then ended, and the accompanying footnotes, together with the opinion thereon as to the consolidated statements, of Price Waterhouse, independent certified public accountants, and the interim consolidated and consolidating balance sheet of such Borrower and its Consolidated Subsidiaries as at September 27, 1997, and the related consolidated and consolidating income statement and statements of cash flows and changes in stockholders' equity for the nine-month period then ended, copies of which have been furnished to the Bank, are complete and correct and fairly present the financial condition of such Borrower and its Consolidated Subsidiaries as at such dates and the results of the operations of such Borrower and its Consolidated Subsidiaries for the periods covered by such statements, all in accordance with GAAP consistently applied (subject to year-end adjustments in the case of the interim financial statements). There are no liabilities of such Borrower or any of its Consolidated Subsidiaries, fixed or contingent, which are material but are not reflected in the financial statements or in the notes thereto, other than liabilities arising in the ordinary course of business since September 27, 1997. No information, exhibit or report furnished by such Borrower to the Bank in connection with the negotiation of this Agreement contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statement contained therein not materially misleading. Since September 27, 1997, there has been no material adverse change in the condition (financial or otherwise), business, operations or prospects of such Borrower or any of its Subsidiaries.

Section 5.6. Ownership and Liens. Such Borrower and each of its Consolidated Subsidiaries has title to, or valid leasehold interests in, all of its properties and assets, real and personal, including the properties and assets, and leasehold interests reflected in the financial statements referred to in Section 5.5 (other than any properties or assets disposed of in the ordinary course of business), and none of the properties and assets owned by such Borrower or any of its Subsidiaries and none of its leasehold interests is subject to any Lien, except as disclosed in such financial statements or as may be permitted hereunder and except for the Lien created by the Security Agreement.

Section 5.7. Taxes. Such Borrower and each of its Subsidiaries has filed all tax returns (federal, state and local) required to be filed and has paid all taxes, assessments and governmental charges and levies thereon to be due, including interests and penalties.

Section 5.8. ERISA. Each Plan, and, to the best knowledge of such Borrower, each Multiemployer Plan, is in compliance in all material respects with, and has been administered in all material respects in compliance with, the applicable provisions of ERISA, the Code and any other applicable federal or state law, and no event or condition is occurring or exists concerning which such Borrower would be under an obligation to furnish a report to the Bank in accordance with Section 6.8(k) hereof. As of the most recent valuation date for each Plan, each Plan was "fully funded," which for purposes of this Section 5.8 shall mean that the fair market value of the assets of the Plan is not less than the present value of the accrued benefits of all participants in the Plan, computed on a Plan termination basis. To the best knowledge of such Borrower, no Plan has ceased being fully funded as of the date these representations are made with respect to any Loan under this Agreement.

Section 5.9. Subsidiaries and Ownership of Stock. Schedule 5.9 is a complete and accurate list of the Subsidiaries of such Borrower, showing the jurisdiction of incorporation or organization of each Subsidiary and showing the percentage of such Borrower's ownership of the outstanding stock or other interest of each such Subsidiary. All of the outstanding capital stock or other interest of each such Subsidiary has been validly issued, is fully paid and nonassessable and is owned by such Borrower free and clear of all Liens.

Section 5.10. Credit Arrangements. Schedule 5.10 is a complete and correct list of all credit agreements, indentures, purchase agreements, guaranties, Capital Leases and other investments, agreements and arrangements presently in effect providing for or relating to extensions of credit (including agreements and arrangements for the issuance of letters of credit or for acceptance financing) in respect of which such Borrower or any of its Subsidiaries is in any manner directly or contingently obligated; and the maximum principal or face amounts of the credit in question, outstanding and which can be outstanding, are correctly stated, and all Liens of any nature given or agreed to be given as security therefor are correctly described or indicated in such Schedule.

Section 5.11. Operation of Business. Such Borrower and each of its Subsidiaries possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, or rights thereto, to conduct its business substantially as now conducted and as presently proposed to be conducted, and neither such Borrower nor any of its Subsidiaries is in violation of any valid rights of others with respect to any of the foregoing.

Section 5.12. Hazardous Materials. Such Borrower and each of its Subsidiaries have obtained all permits, licenses and other authorizations which are required under all Environmental Laws, except to the extent failure to have any such permit, license or authorization would not have a material adverse effect on the consolidated financial condition, operations, business or prospects of such Borrower and its Consolidated Subsidiaries. Such Borrower and each of its Subsidiaries are in compliance with the terms and conditions of all such permits, licenses and authorizations, and are also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply would not have a material adverse effect on the consolidated financial condition, operations, business or prospects of such Borrower and its Consolidated Subsidiaries.

In addition, except as set forth in Schedule 5.12 hereto:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by such Borrower or any of its Subsidiaries to have any permit, license or authorization required in connection with the conduct of the business of such Borrower or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, release or disposal, or any release as defined in 42 U.S.C. s/s 9601(22) ("Release") of any substance regulated under Environmental Laws ("Hazardous Materials") generated by such Borrower or any of its Subsidiaries.

(b) Neither such Borrower nor any of its Subsidiaries has handled any Hazardous Material, other than as a generator, on any property now or previously owned or leased by such Borrower or any of its Subsidiaries to an extent that it has, or may reasonably be expected to have, a material adverse effect on the consolidated financial condition, operations, business or prospects taken as a whole of the Borrowers and their Consolidated Subsidiaries; and

(i) to the best of its knowledge, no PCB is or has been present at any property now or previously owned or leased by such Borrower or any of its Subsidiaries;

(ii) to the best of its knowledge, no asbestos is or has been present at any property now or previously owned or leased by such Borrower or any of its Subsidiaries;

(iii) there are no underground storage tanks for Hazardous Materials, active or abandoned, at any property now or previously owned or leased by such Borrower or any of its Subsidiaries;

(iv) no Hazardous Materials have been Released, in a reportable quantity, where such a quantity has been established by statute, ordinance, rule, regulation or order, at, on or under any property now or previously owned by such Borrower or any of its Subsidiaries.

(c) Neither such Borrower nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Material to any location which is listed on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), listed for possible inclusion on the National Priorities List by the Environmental Protection Agency in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLIS") or on any similar state or foreign list or which is the subject of federal, state, foreign or local enforcement actions or other investigations which may lead to claims against such Borrower or any of its Subsidiaries for clean-up costs, remedial work, damages to natural resources or for personal injury claims, including, but not limited to, claims under CERCLA.

(d) No Hazardous Material generated by such Borrower or any of its Subsidiaries has been recycled, treated, stored, disposed of or Released by such Borrower or any of its Subsidiaries at any location other than those listed in Schedule 5.12 hereto.

(e) No oral or written notification of a Release of a Hazardous Material has been filed by or on behalf of such Borrower or any of its Subsidiaries and no property now or previously owned or leased by such Borrower or any of its Subsidiaries is listed or proposed for listing on the National Priority List promulgated pursuant to CERCLA, on CERCLIS or on any similar state or foreign list of sites requiring investigation or clean-up.

(f) There are no Liens arising under or pursuant to any Environmental Laws on any of the real property or properties owned or leased by such Borrower or any of its Subsidiaries, and no government actions have been taken or are in process which could subject any of such properties to such Liens and neither such Borrower nor any of its Subsidiaries would be required to place any notice or restriction relating to the presence of Hazardous Materials at any property owned by it in any deed to such property.

(g) There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or which are in the possession of such Borrower or any of its Subsidiaries in relation to any property or facility now or previously

owned or leased by such Borrower or any of its Subsidiaries which have not been made available to the Bank.

Section 5.13. No Default on Outstanding Judgments or Orders. Such Borrower and each of its Subsidiaries has satisfied all judgments and neither such Borrower nor any of its Subsidiaries is in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court, arbitrator or federal, state, municipal or other governmental authority, commission, board, bureau, agency or instrumentality, domestic or foreign.

Section 5.14. No Defaults on Other Agreements. Neither such Borrower nor any of its Subsidiaries is a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any charter or corporate restriction which could have a material adverse effect on the business, properties, assets, operations or conditions, financial or otherwise, of such Borrower or any of its Subsidiaries, or the ability of such Borrower to carry out its obligations under the Facility Documents to which it is a party. Neither such Borrower nor any of its Subsidiaries is in default in any respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument material to its business to which it is a party.

Section 5.15. Labor Disputes and Acts of God. Neither the business nor the properties of such Borrower or of any of its Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), materially and adversely affecting such business or properties or the operation of such Borrower or such Subsidiary.

Section 5.16. Governmental Regulation. Neither such Borrower nor any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940, the Interstate Commerce Act, the Federal Power Act or any statute or regulation limiting its ability to incur indebtedness for money borrowed as contemplated hereby.

Section 5.17. Partnerships. Neither such Borrower nor any of its Subsidiaries is a partner in any partnership.

Section 5.18. No Forfeiture. Neither such Borrower nor any of its Subsidiaries or Affiliates is engaged in or proposes to be engaged in the conduct of any business or activity which could result in a Forfeiture Proceeding and no Forfeiture Proceeding against any of them is pending or threatened.

(a) The present fair salable value of the assets of such Borrower after giving effect to all the transactions contemplated by the Facility Documents and the funding of all Commitment hereunder exceeds the amount that will be required to be paid on or in respect of the existing debts and other liabilities (including contingent liabilities) of such Borrower and its Subsidiaries as they mature.

(b) The property of such Borrower does not constitute unreasonably small capital for such Borrower to carry out its business as now conducted and as proposed to be conducted, including the capital needs of such Borrower.

(c) Such Borrower does not intend to, nor does it believe that it will, incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be received by such Borrower, and of amounts to be payable on or in respect of debt of such Borrower). The cash available to such Borrower, after taking into account all other anticipated uses of the cash of such Borrower, is anticipated to be sufficient to pay all such amounts on or in respect of debt of such Borrower when such amounts are required to be paid.

(d) Such Borrower does not believe that final judgments against it in actions for money damages will be rendered at a time when, or in an amount such that, such Borrower will be unable to satisfy any such judgments promptly in accordance with their terms (taking into account the maximum reasonable amount of such judgments in any such actions and the earliest reasonable time at which such judgments might be rendered). The cash available to such Borrower after taking into account all other anticipated uses of the cash of such Borrower (including the payments on or in respect of debt referred to in paragraph (c) of this Section 5.19), is anticipated to be sufficient to pay all such judgments promptly in accordance with their terms.

ARTICLE 6. AFFIRMATIVE COVENANTS

So long as either of the Notes shall remain unpaid or the Bank shall have either of the Commitments under this Agreement, the Borrowers shall:

Section 6.1. Maintenance of Existence. Preserve and maintain, and cause each of their respective Subsidiaries to preserve and maintain, their corporate existence and good standing in the jurisdiction of their incorporation, and qualify and remain qualified, and cause each of their respective Subsidiaries to qualify and remain qualified, as a foreign corporation in each jurisdiction in which such qualification is required.

Section 6.2. Conduct of Business. Continue, and cause each of their respective Subsidiaries to continue, to engage in an efficient and economical manner in a business of the same general type as conducted by it on the date of this Agreement.

Section 6.3. Maintenance of Properties. Maintain, keep and preserve, and cause each of their respective Subsidiaries to maintain, keep and preserve, all of their properties (tangible and intangible), necessary or useful in the proper conduct of their business in good working order and condition, ordinary wear and tear excepted.

Section 6.4. Maintenance of Records. Keep, and cause each of their respective Subsidiaries to keep, adequate records and books of account, in which complete entries will be made in accordance with GAAP, reflecting all financial transactions of the Borrowers and their respective Subsidiaries.

Section 6.5. Maintenance of Insurance. Maintain, and cause each of their respective Subsidiaries to maintain, insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, which insurance may provide for reasonable deductibility from coverage thereof.

Section 6.6. Compliance with Laws. Comply, and cause each of their respective Subsidiaries to comply, in all respects with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon its property.

Section 6.7. Right of Inspection. At any reasonable time and from time to time, permit the Bank or any agent or representative thereof, to examine and make copies and abstracts from the records and books of account of, and visit the properties of, the Borrowers and any of their respective Subsidiaries, and to discuss the affairs, finances and accounts of the Borrowers and any such Subsidiary with any of its officers and directors and the Borrowers' independent accountants.

Section 6.8. Reporting Requirements. Furnish to the Bank:

(a) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrowers, a consolidated and consolidating balance sheet of the Borrowers and their respective Consolidated Subsidiaries as of the end of such fiscal year and a consolidated and consolidating income statement and statements of cash flows and changes in stockholders' equity and working capital of the Borrowers and their respective Consolidated Subsidiaries for such fiscal year, all in reasonable detail and stating in comparative form the respective consolidated and consolidating figures for the corresponding date and period in the prior fiscal year and all prepared in accordance with GAAP and as to the consolidated statements accompanied by an opinion thereon acceptable to the Bank by Price Waterhouse or other independent accountants of national standing selected by the Borrowers;

(b) as soon as available and in any event within 45 days after the end of each fiscal quarter of the Borrowers, a true and complete copy of TransAct's Report on Form 10-Q;

(c) as soon as available and in any event within 45 days after the end of each fiscal quarter, a consolidating balance sheet of the Borrowers and their respective Consolidated Subsidiaries as of the end of such month and a consolidating income statement and statements of cash flows and changes in stockholders' equity and working capital, of the Borrowers and their respective Consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such month, all in reasonable detail and stating in comparative form the consolidating figures for the corresponding date and period in the previous fiscal year and all prepared in accordance with GAAP and certified by the Chairman or Chief Financial Officer of each Borrower (subject to year-end adjustments);

(d) promptly upon receipt thereof, copies of any reports, inclusive of any management letters, submitted to any Borrower or any of its Subsidiaries by independent certified public accountants in connection with examination of the financial statements of such Borrower or any such Subsidiary made by such accountants;

(e) promptly at the end of each fiscal quarter, a certificate of the Chairman or Chief Financial Officer of each Borrower (i) certifying that to the best of his knowledge no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto, and (ii) with computations demonstrating compliance with the covenants contained in Articles 7 and 8;

(f) as soon as available and in any event within 90 days after the end of each fiscal year of TransAct, a true and complete copy of TransAct's Report on Form 10-K;

(g) within 30 days after the Closing Date, and thereafter, as soon as available and in any event within 90 days after the end of each fiscal year of the Borrowers, management's projected financial statements inclusive of a balance sheet, an income statement and a statement of cash flow (supported by key assumptions) for each upcoming fiscal year, prepared on a quarter-by-quarter basis;

(h) simultaneously with the delivery of the projected financial statements referred to in Section 6.8(g), a copy of the Borrowers' business plan for each upcoming fiscal year;

(i) simultaneously with the delivery of the annual financial statements referred to in Section 6.8(a), a certificate of the independent public accountants who audited such statements to the effect that, in making the examination necessary for the

audit of such statements, they have obtained no knowledge of any condition or event which constitutes a Default or Event of Default, or if such accountants shall have obtained knowledge of any such condition or event, specifying in such certificate each such condition or event of which they have knowledge and the nature and status thereof;

(j) promptly after the commencement thereof, notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting any Borrower or any of its Subsidiaries which, if determined adversely to such Borrower or such Subsidiary, could have a material adverse effect on the financial condition, properties or operations of such Borrower or such Subsidiary;

(k) as soon as possible and in any event within five days after the occurrence of each Default or Event of Default a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken by any Borrower with respect thereto;

(l) as soon as possible, and in any event within ten days after any Borrower knows or has reason to know that any of the events or conditions specified below with respect to any Plan or Multiemployer Plan have occurred or exist, a statement signed by a senior financial officer of such Borrower setting forth details respecting such event or condition and the action, if any, which such Borrower or its ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be filed with or given to PBGC by such Borrower or an ERISA Affiliate with respect to such event or condition):

(i) any reportable event, as defined in section 4043(b) of ERISA, with respect to a Plan, as to which PBGC has not by regulation waived the requirement of section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (provided that a failure to meet the minimum funding standard of section 412 of the Code or section 302 of ERISA including, without limitation, the failure to make on or before its due date a required installment under section 412(m) of the Code or section 302(e) of ERISA, shall be a reportable event regardless of the issuance of any waivers in accordance with section 412(d) of the Code) and any request for a waiver under section 412(d) of the Code for any Plan;

(ii) the distribution under section 4041 of ERISA of a notice of intent to terminate any Plan or any action taken by such Borrower or an ERISA Affiliate to terminate any Plan;

(iii) the institution by PBGC of proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by such Borrower or any ERISA Affiliate of a notice from a

Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

(iv) the complete or partial withdrawal from a Multiemployer Plan by such Borrower or any ERISA Affiliate that results in liability under section 4201 or 4204 of ERISA (including the obligation to satisfy secondary liability as a result of a purchaser default) or the receipt of such Borrower or any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency pursuant to section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under section 4041A of ERISA;

(v) the institution of a proceeding by a fiduciary of any Multiemployer Plan against such Borrower or any ERISA Affiliate to enforce section 515 of ERISA, which proceeding is not dismissed within 30 days;

(vi) the adoption of an amendment to any Plan that pursuant to section 401(a)(29) of the Code or section 307 of ERISA would result in the loss of tax-exempt status of the trust of which such Plan is a part if such Borrower or an ERISA Affiliate fails to timely provide security to the Plan in accordance with the provisions of said Sections;

(vii) any event or circumstance exists which may reasonably be expected to constitute grounds for such Borrower or any ERISA Affiliate to incur liability under Title IV of ERISA or under sections 412(c)(11) or 412(n) of the Code with respect to any Plan; and

(viii) the Unfunded Benefit Liabilities of one or more Plans increase after the date of this Agreement in an amount which is material in relation to the financial condition of such Borrower and its Subsidiaries, on a consolidated basis; provided, however, that such increase shall not be deemed to be material so long as it does not exceed during any consecutive 2-year period \$200,000;

(m) promptly after the request of the Bank, copies of each annual report filed pursuant to section 104 of ERISA with respect to each Plan (including, to the extent required by section 104 of ERISA, the related financial and actuarial statements and opinions and other supporting statements, certifications, schedules and information referred to in section 103) and each annual report filed with respect to each Plan under section 4065 of ERISA; provided, however, that in the case of a Multiemployer Plan, such annual reports shall be furnished only if they are available to such Borrower or an ERISA Affiliate;

(n) promptly after the furnishing thereof, copies of any statement or report furnished to any other party pursuant to the terms of any indenture, loan or credit

or similar agreement and not otherwise required to be furnished to the Bank pursuant to any other clause of this Section 6.8;

(o) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports which any Borrower or any of its Subsidiaries sends to its stockholders, and copies of all regular, periodic and special reports, and all registration statements which any Borrower or any of its Subsidiary files with the Securities and Exchange Commission or any governmental authority which may be substituted therefor, or with any national securities exchange;

(p) as soon as available, and in any event within 10 days of the end of each fiscal month, an aging schedule with respect to Receivables of each Borrower with names of all account debtors, as of the end of such calendar month and certified by the Chairman or Chief Financial Officer of each Borrower;

(q) promptly after the commencement thereof or promptly after any Borrower knows of the commencement or threat thereof, notice of any Forfeiture Proceeding; and

(r) such other information respecting the condition or operations, financial or otherwise, of any Borrower or any of its Subsidiaries as the Bank may from time to time reasonably request.

Section 6.9. Operating Accounts. Maintain, and cause each of their respective Subsidiaries to maintain, all United States operating accounts at the Bank.

ARTICLE 7. NEGATIVE COVENANTS

So long as either of the Notes shall remain unpaid or the Bank shall have either of the Commitments under this Agreement, the Borrowers shall not:

Section 7.1. Debt. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist any Debt, except:

(a) Debt of the Borrowers under this Agreement or the Notes;

(b) Debt described in Schedule 5.10, including renewals, extensions or refinancings thereof, provided that the principal amount thereof does not increase; and

(c) Debt of the Borrowers or any of their respective Subsidiaries secured by purchase money Liens permitted by Section 7.3.

Section 7.2. Guaranties, Etc. Assume, guaranty, endorse or otherwise be or become directly or contingently responsible or liable, or permit any of their respective

Subsidiaries to assume, guarantee, endorse or otherwise be or become directly or indirectly responsible or liable (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods or services or to supply or advance any funds, assets, goods or services, or an agreement to maintain or cause such Person to maintain a minimum working capital or net worth or otherwise to assure the creditors of any Person against loss) for the obligations of any Person, except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

Section 7.3. Liens. Create, incur, assume or suffer to exist, or permit any of their respective Subsidiaries to create, incur, assume or suffer to exist, any Lien, upon or with respect to any of its properties, now owned or hereafter acquired, except:

(a) Liens for taxes or assessments or other government charges or levies if not yet due and payable or if due and payable if they are being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained;

(b) Liens imposed by law, such as mechanic's, materialmen's, landlord's, warehousemen's and carrier's Liens, and other similar Liens, securing obligations incurred in the ordinary course of business which are not past due for more than 30 days, or which are being contested in good faith by appropriate proceedings and for which appropriate reserves have been established;

(c) Liens under workers' compensation, unemployment insurance, social security or similar legislation (other than ERISA);

(d) Liens, deposits or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases (permitted under the terms of this Agreement), public or statutory obligations, surety, stay, appeal, indemnity, performance or other similar bonds, or other similar obligations arising in the ordinary course of business;

(e) judgment and other similar Liens arising in connection with court proceedings; provided that the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(f) easements, rights-of-way, restrictions and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use and enjoyment by any Borrower or any such Subsidiary of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto;

(g) Liens securing obligations of such a Subsidiary to a Borrower or another such Subsidiary;

(h) Liens set forth on Schedule 7.3, provided the Debt secured by such Liens is permitted by Section 7.1;

(i) purchase money Liens on any property hereafter acquired or the assumption of any Lien on property existing at the time of such acquisition, or a Lien incurred in connection with any conditional sale or other title retention agreement or a Capital Lease; provided that:

(i) any property subject to any of the foregoing is acquired by a Borrower or any such Subsidiary in the ordinary course of its business and the Lien on any such property is created contemporaneously with such acquisition or such property is acquired pursuant to an Acceptable Acquisition and is subject to a pre-existing purchase money Lien;

(ii) the obligation secured by any Lien so created, assumed or existing shall not exceed 80 percent of the lesser of cost or fair market value as of the time of acquisition of the property covered thereby to a Borrower or any such Subsidiary acquiring the same;

(iii) each such Lien shall attach only to the property so acquired and fixed improvements thereon; and

(iv) the obligations secured by such Lien are permitted by the provisions of Section 7.1; and

Section 7.4. Leases. Create, incur, assume or suffer to exist, or permit their respective Subsidiaries to create, incur, assume or suffer to exist, any obligation as lessee for the rental or hire of any real or personal property, except: (a) leases existing on the date of this Agreement and any extensions or renewals thereof; (b) leases (other than Capital Leases) which do not in the aggregate require the Borrowers and their respective Subsidiaries on a consolidated basis to make payments (including taxes, insurance, maintenance and similar expense which any Borrower or any Subsidiary is required to pay under the terms of any lease) in any fiscal year of the Borrowers in excess of \$250,000; (c) Capital Leases permitted by Section 7.3.

Section 7.5. Investments. Make, or permit any of their respective Subsidiaries to make, any loan or advance to any Person or purchase or otherwise acquire, or permit any such Subsidiary to purchase or otherwise acquire, any capital stock, assets, obligations or other securities of, make any capital contribution to, or otherwise invest in, or acquire any interest in, any Person, except: (a) direct obligations of the United States of America or any agency thereof with maturities of one year or less from the date of

acquisition; (b) commercial paper of a domestic issuer rated at least "A-1" by Standard & Poor's Corporation or "P-1" by Moody's Investors Service, Inc.; (c) certificates of deposit with maturities of one year or less from the date of acquisition issued by any commercial bank operating within the United States of America having capital and surplus in excess of \$500,000,000; (d) for stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to a Borrower or any such Subsidiary and (e) Acceptable Acquisitions.

Section 7.6. Dividends. Declare or pay any dividends, purchase, redeem, retire or otherwise acquire for value any of its capital stock now or hereafter outstanding, or make any distribution of assets to its stockholders as such whether in cash, assets or in obligations of any Borrower, or allocate or otherwise set apart any sum for the payment of any dividend or distribution on, or for the purchase, redemption or retirement of any shares of its capital stock, or make any other distribution by reduction of capital or otherwise in respect of any shares of its capital stock or permit any of their respective Subsidiaries to purchase or otherwise acquire for value any stock of any Borrower or another such Subsidiary, except that: (a) any Borrower may declare and deliver dividends and make distributions payable solely in common stock of such Borrower; (b) any Borrower may purchase or otherwise acquire shares of its capital stock by exchange for or out of the proceeds received from a substantially concurrent issue of new shares of its capital stock; (c) TransAct may make the payments to Tridex as permitted under the Subordination Agreement; and (d) any Subsidiary may declare and deliver dividends and make distributions to the Parent.

Section 7.7. Sale of Assets. Sell, lease, assign, transfer or otherwise dispose of, or permit any of their respective Subsidiaries to sell, lease, assign, transfer or otherwise dispose of, any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and indebtedness of such Subsidiaries, receivables and leasehold interests); except: (a) for inventory disposed of in the ordinary course of business; (b) the sale or other disposition of assets no longer used or useful in the conduct of its business; and (c) that any such Subsidiary may sell, lease, assign or otherwise transfer its assets to the Parent.

Section 7.8. Stock of Subsidiaries, Etc. Sell or otherwise dispose of any shares of capital stock of any of their respective Subsidiaries or permit any such Subsidiary to issue any additional shares of its capital stock, except directors' qualifying shares.

Section 7.9. Transactions with Affiliates. Enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate or permit any of their respective Subsidiaries to enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of such Borrower's or such Subsidiary's business

and upon fair and reasonable terms no less favorable to such Borrower or such Subsidiary than it would obtain in a comparable arms' length transaction with a Person not an Affiliate, and except as set forth on Schedule 7.9.

Section 7.10. Mergers, Etc. Merge or consolidate with, or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or acquire all or substantially all of the assets or the business of any Person (or enter into any agreement to do any of the foregoing), or permit any of their respective Subsidiaries to do so except that any such Subsidiary may merge into or transfer assets to a Borrower, and except for Acceptable Acquisitions.

Section 7.11. No Activities Leading to Forfeiture. Neither the Borrowers nor any of their respective Subsidiaries or Affiliates shall engage in or propose to be engaged in the conduct of any business or activity which could result in a Forfeiture Proceeding.

ARTICLE 8. FINANCIAL COVENANTS

So long as either of the Notes shall remain unpaid or the Bank shall have either of the Commitments under this Agreement:

Section 8.1. Minimum Tangible Net Worth. The Borrowers, on a consolidated basis, shall maintain at all times, as measured at the end of each fiscal quarter, commencing March 28, 1998, Tangible Net Worth of not less than \$15,000,000, and such minimum dollar amount shall increase from quarter to quarter by the sum of (a) 50% of the Borrowers' Net Income for each previous quarter (including the quarter ending on March 31, 1998) (with no reduction for losses) plus (b) 100% of net proceeds from the sale of stock or asset sales after January 1, 1998, and provided further that this minimum dollar amount will be adjusted downward by 100% of the cost of common stock of TransAct repurchased in open-market transactions by TransAct, but in no event shall such minimum dollar amount fall below \$9,000,000.

Section 8.2. Maximum Leverage Ratio. The Borrowers, on a consolidated basis, shall maintain at all times, as measured at the end of each fiscal quarter, commencing March 28, 1998, a ratio of Total Liabilities to Tangible Net Worth of not greater than 2.75 to 1.0.

Section 8.3. Maximum Debt to Cash Flow Ratio. The Borrowers, on a consolidated basis, shall maintain at all times, as measured at the end of each fiscal quarter, commencing March 28, 1998 for the twelve month period then ended (a rolling twelve month calculation measured as of the end of each successive quarter), a ratio of total Funded Debt to EBITDA, of not more than 3.0 to 1.0.

Section 8.4. Minimum Interest Coverage Ratio. The Borrowers, on a consolidated basis, shall maintain at all times, as measured at the end of each fiscal quarter, commencing March 28, 1998 for the twelve month period then ended (a rolling twelve month calculation measured as of the end of each successive quarter), an Interest Coverage Ratio of not less than 3.0 to 1.0.

Section 8.5. Minimum Fixed Charge Coverage Ratio. The Borrowers, on a consolidated basis, shall maintain at all times, as measured at the end of each fiscal quarter, commencing March 28, 1998 for the twelve month period then ended (a rolling twelve month calculation measured as of the end of each successive quarter), a Fixed Charge Coverage Ratio of not less than 1.50 to 1.0.

Section 8.6. Minimum Collateral Coverage. The Borrowers, on a consolidated basis, shall maintain at all times, as measured at the end of each fiscal quarter, commencing March 28, 1998, a ratio of (a) the sum of (i) 80% of Receivables less than 90 days of invoice date plus (ii) 60% of Inventory adjusted for obsolescence plus (iii) 50% of the net book value of fixed assets, divided by (b) Current Funded Bank Debt, of not less than 1.0 to 1.0.

ARTICLE 9. EVENTS OF DEFAULT

Section 9.1. Events of Default. Any of the following events shall be an "Event of Default":

(a) the Borrowers shall: (i) fail to pay the principal of any Note as and when due and payable; or (ii) fail to pay interest on any Note or any fee or other amount due hereunder as and when due and payable;

(b) any representation or warranty made or deemed made by any Borrower in this Agreement or in any other Facility Document or which is contained in any certificate, document, opinion, financial or other statement furnished at any time under or in connection with any Facility Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made;

(c) any Borrower shall: (i) fail to perform or observe any term, covenant or agreement contained in Section 2.3 or Articles 7 or 8; or (ii) fail to perform or observe any term, covenant or agreement on its part to be performed or observed (other than the obligations specifically referred to elsewhere in this Section 9.1) in any Facility Document and such failure shall continue for 20 consecutive days;

(d) any Borrower, or any of its respective Subsidiaries: (i) shall generally not, or be unable to, or shall admit in writing its inability to, pay its debts as such debts become due; or (ii) shall make an assignment for the benefit of creditors, petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a

substantial part of its assets; or (iii) shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (iv) shall have had any such petition or application filed or any such proceeding shall have been commenced against it, in which an adjudication or appointment is made or order for relief is entered, or which petition, application or proceeding remains undismissed for a period of 30 days or more; or shall be the subject of any proceeding under which its assets may be subject to seizure, forfeiture or divestiture (other than a proceeding in respect of a Lien permitted under Section 7.3(b)); or (v) by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of its property; or (vi) shall suffer any such custodianship, receivership or trusteeship to continue undischarged for a period of 30 days or more;

(e) one or more judgments, decrees or orders for the payment of money in excess of \$100,000 in the aggregate shall be rendered against any Borrower, or any of its respective Subsidiaries and such judgments, decrees or orders shall continue unsatisfied and in effect for a period of 30 consecutive days without being vacated, discharged, satisfied or stayed or bonded pending appeal;

(f) any event or condition shall occur or exist with respect to any Plan or Multiemployer Plan concerning which any Borrower is under an obligation to furnish a report to the Bank in accordance with Section 6.8(h) hereof and as a result of such event or condition, together with all other such events or conditions, such Borrower or any ERISA Affiliate has incurred or in the opinion of the Bank is reasonably likely to incur a liability to a Plan, a Multiemployer Plan, the PBGC or a section 4042 Trustee (or any combination of the foregoing) which is material in relation to the financial position of such Borrower and its Subsidiaries, on a consolidated basis; provided, however, that any such amount shall not be deemed to be material so long as all such amounts do not exceed in the aggregate during any consecutive 2-year period \$200,000;

(g) the Unfunded Benefit Liabilities of one or more Plans have increased after the date of this Agreement in an amount which is material (as specified in Section 9.1(g) hereof);

(h) (A) any Forfeiture Proceeding shall have been commenced or any Borrower shall have given the Bank written notice of the commencement of any Forfeiture Proceeding as provided in Section 6.8 or (B) the Bank has a good faith basis to believe that a Forfeiture Proceeding has been threatened or commenced;

(i) there shall be any material adverse change in the condition (financial or otherwise), business, management, operations, properties or prospects of the Borrowers and their respective Subsidiaries since the Closing Date; or

(j) the Security Agreement shall at any time after its execution and delivery and for any reason cease: (A) to create a valid and perfected first priority security interest in and to the property purported to be subject to such agreement; or (B) to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by the party thereto, or such party shall deny it has further liability or obligation thereunder or such party shall fail to perform any of its obligations thereunder.

Section 9.2. Remedies. If any Event of Default shall occur and be continuing, the Bank may, by notice to the Borrowers, (a) declare the Commitments to be terminated, whereupon the same shall forthwith terminate, and (b) declare the outstanding principal of the Notes, all interest thereon and all other amounts payable under this Agreement and the Notes or any one of them to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrowers; provided that, in the case of an Event of Default referred to in Section 9.1(d) or Section 9.1(i)(A) above, the Commitments shall be immediately terminated, and the Notes, all interest thereon and all other amounts payable under this Agreement shall be immediately due and payable without notice, presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Borrowers.

ARTICLE 10. MISCELLANEOUS

Section 10.1. Amendments and Waivers. Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be amended or modified only by an instrument in writing signed by the Borrowers and the Bank, and any provision of this Agreement may be waived by the Borrowers and the Bank. No failure on the part of the Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof or preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 10.2. Usury. All agreements between the Borrowers and the Bank are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the indebtedness evidenced by the Notes or otherwise, shall the amount paid or agreed to be paid to the Bank for the use or the forbearance of the indebtedness evidenced by the Notes exceed the maximum permissible under applicable law. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof provided, however that in the event there is a change in the law which results in a higher permissible rate of interest, then the Notes shall be governed by such new law as of its effective date. In this regard, it is expressly agreed that it is the intent of the Borrowers and the Bank in the execution, delivery and acceptance of the Notes to contract in strict

compliance with the laws of the State of Connecticut from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof or of any of the Facility Documents at the time of performance of such provision shall be due, shall involve transcending the limit of such validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limits of such validity, and if under or from circumstances whatsoever the Bank should ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal balance evidenced hereby and not to the payment of interest. This provision shall control every other provision of all agreements between the Borrowers and the Bank.

Section 10.3. Expenses. The Borrowers shall reimburse the Bank on demand for all reasonable costs, expenses and charges (including, without limitation, telephone, telex, courier expenses, printing costs, reasonable fees and charges of external legal counsel for the Bank and reasonable costs allocated after the Closing Date by its internal legal department) incurred by the Bank in connection with the preparation, negotiation, execution, delivery, filing, recording, performance, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes or any Facility Document (subject to a limit of \$20,000, plus disbursements, for the fees of external counsel in preparing the Facility Documents). The Borrowers agree to indemnify the Bank and its directors, officers, employees and agents from, and hold each of them harmless against, any and all losses, liabilities, claims, damages or expenses incurred by any of them arising out of or by reason of any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings) relating to any actual or proposed use by the Borrowers or any of their respective Subsidiaries of the proceeds of the Loans, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation or litigation or other proceedings (but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified).

Section 10.4. Survival. The obligations of the Borrowers under Section 10.3 shall survive the repayment of the Loans and the termination of the Commitments.

Section 10.5. Assignment; Participations. This Agreement shall be binding upon, and shall inure to the benefit of, the Borrowers, the Bank and their respective successors and assigns, except that no Borrower may assign or transfer its rights or obligations hereunder. The Bank may assign, or sell participations in, all or any part of any Loan to another bank or other entity, in minimum amounts of \$5,000,000, in which event (a) in the case of an assignment, upon notice thereof by the Bank to the Borrowers, the assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights, benefits and obligations as it would have if it were the Bank hereunder; and (b) in the case of a participation, the participant shall have no rights under

the Facility Documents. The agreement executed by the Bank in favor of the participant shall not give the participant the right to require the Bank to take or omit to take any action hereunder except action directly relating to (i) the extension of a payment date with respect to any portion of the principal of or interest on any amount outstanding hereunder allocated to such participant, (ii) the reduction of the principal amount outstanding hereunder or (iii) the reduction of the rate of interest payable on such amount or any amount of fees payable hereunder to a rate or amount, as the case may be, below that which the participant is entitled to receive under its agreement with the Bank. The Bank may furnish any information concerning the Borrowers in the possession of the Bank from time to time to assignees and participants (including prospective assignees and participants); provided that the Bank shall require any such prospective assignee or such participant (prospective or otherwise) to agree in writing to maintain the confidentiality of such information. The Bank shall have the right at any time to pledge all or any portion of its rights under the Loans or this Agreement or the Notes to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or enforcement thereof shall release the Bank from its obligations under any of the Facility Documents.

Section 10.6. Notices. Unless the party to be notified otherwise notifies the other party in writing as provided in this Section, and except as otherwise provided in this Agreement, notices shall be delivered in person or sent by overnight courier, facsimile, ordinary mail, cable or telex addressed to such party at its "Address for Notices" on the signature page of this Agreement. Notices shall be effective: (a) on the day on which delivered to such party in person, (b) on the first Banking Day after the day on which sent to such party by overnight courier, (c) if given by mail, 48 hours after deposit in the mails with first-class postage prepaid, addressed as aforesaid, and (d) if given by facsimile, cable or telex, when the facsimile, cable or telex is transmitted to the facsimile, cable or telex number as aforesaid; provided that notices to the Bank shall be effective upon receipt.

Section 10.7. Setoff. The Borrowers hereby grant to the Bank, a lien, security interest and right of setoff as security for all liabilities and obligations to the Bank, whether now existing or hereafter in the possession, custody, safekeeping or control of the Bank or any entity under the control of Fleet Financial Group, Inc., or in transit to any of them. At any time, without demand or notice, the Bank may set off the same or any part thereof and apply the same to any liability or obligation of the Borrowers even though unmatured and regardless of the adequacy of any other collateral securing the Loans. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE LOANS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWERS OR ANY GUARANTOR, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

SECTION 10.8. JURISDICTION; IMMUNITIES. EACH BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY CONNECTICUT STATE OR UNITED STATES FEDERAL COURT SITTING IN CONNECTICUT OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTES, AND EACH BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH CONNECTICUT STATE OR FEDERAL COURT. EACH BORROWER IRREVOCABLY CONSENT TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO EACH BORROWER AT ITS ADDRESS SPECIFIED IN SECTION 10.6. EACH BORROWER AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. EACH BORROWER FURTHER WAIVES ANY OBJECTION TO VENUE IN SUCH STATE AND ANY OBJECTION TO AN ACTION OR PROCEEDING IN SUCH STATE ON THE BASIS OF FORUM NON CONVENIENS. EACH BORROWER FURTHER AGREES THAT ANY ACTION OR PROCEEDING BROUGHT AGAINST THE BANK SHALL BE BROUGHT ONLY IN CONNECTICUT STATE OR UNITED STATES FEDERAL COURT SITTING IN CONNECTICUT. EACH BORROWER WAIVES ANY RIGHT IT MAY HAVE TO JURY TRIAL.

(a) Nothing in this Section 10.8 shall affect the right of the Bank to serve legal process in any other manner permitted by law or affect the right of the Bank to bring any action or proceeding against any Borrower or its property in the courts of any other jurisdictions.

(b) To the extent that any Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Borrower hereby irrevocably waives such immunity in respect of its obligations under this Agreement and the Note.

Section 10.9. Table of Contents; Headings. Any table of contents and the headings and captions hereunder are for convenience only and shall not affect the interpretation or construction of this Agreement.

Section 10.10. Severability. The provisions of this Agreement are intended to be severable. If for any reason any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

Section 10.11. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

Section 10.12. Integration. The Facility Documents set forth the entire agreement between the parties hereto relating to the transactions contemplated thereby and supersede any prior oral or written statements or agreements with respect to such transactions.

SECTION 10.13. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND INTERPRETED AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CONNECTICUT.

Section 10.14. Confidentiality. The Bank agrees (on behalf of itself and each of its affiliates, directors, officers, employees and representatives) to use reasonable precautions to keep confidential, in accordance with safe and sound banking practices, any nonpublic information supplied to it by the Borrowers pursuant to this Agreement which is identified by the Borrowers as being confidential at the time the same is delivered to the Bank, provided that nothing herein shall limit the disclosure of any such information (i) to the extent required by statute, rule, regulation or judicial process, (ii) to counsel for the Bank, (iii) to bank examiners, auditors or accountants, (iv) in connection with any litigation to which the Bank is a party or (v) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant) agrees to maintain the confidentiality of such information; and provided finally that in no event shall the Bank be obligated or required to return any materials furnished by the Borrowers.

Section 10.15. Treatment of Certain Information. Each Borrower (a) acknowledges that services may be offered or provided to it (in connection with this Agreement or otherwise) by the Bank or by one or more of its subsidiaries or affiliates and (b) acknowledges that information delivered to the Bank by any Borrower may be provided to each such subsidiary and affiliate.

SECTION 10.16. COMMERCIAL WAIVER. EACH BORROWER ACKNOWLEDGES THAT THE LOANS EVIDENCED BY THE NOTES ARE FOR COMMERCIAL PURPOSES AND WAIVES ANY RIGHT TO NOTICE AND HEARING UNDER SECTIONS 52-278a THROUGH 52-278n OF THE CONNECTICUT GENERAL STATUTES AS NOW OR HEREAFTER AMENDED AND AUTHORIZES THE ATTORNEY OF THE BANK, OR ANY SUCCESSOR THERETO, TO ISSUE A WRIT OF PREJUDGMENT REMEDY WITHOUT COURT ORDER. FURTHER, EACH BORROWER HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, THE BENEFITS OF ALL VALUATION, APPRAISEMENTS, HOMESTEAD,

EXEMPTION, STAY, REDEMPTION AND MORATORIUM LAWS NOW IN FORCE OR WHICH MAY HEREAFTER BECOME LAWS. EACH BORROWER ACKNOWLEDGES THAT IT MAKES THESE WAIVERS AND THE WAIVERS CONTAINED IN SECTION 10.8 KNOWINGLY, VOLUNTARILY AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS OF THESE WAIVERS WITH ITS ATTORNEYS.

SECTION 10.17. WAIVER OF JURY TRIAL BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE BORROWERS AND THE BANK WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE BORROWERS AND THE BANK DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE BORROWERS AND THE BANK HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER IN CONTRACT, TORT, OR OTHERWISE ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO, THIS AGREEMENT OR ANY OF THE OTHER FACILITY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 10.18. Multiple Borrowers.

(a) It is understood and agreed by each Borrower that the handling of this credit facility on a joint borrowing basis as set forth in this Agreement is solely as an accommodation to the Borrowers and at their request, and that the Bank shall not incur liability to the Borrowers as a result thereof. To induce the Bank to do so and in consideration thereof, each Borrower hereby agrees to indemnify the Bank and to hold the Bank harmless from and against any and all liabilities, expenses, losses, damages and claims of damage or injury asserted against the Bank by any Borrower or by any other Person arising from or incurred by reason of the Bank's handling of the financing arrangements of the Borrowers as provided herein, reliance by the Bank on any request or instruction from any other Borrower or any other action taken by the Bank with respect to this Section 10.18.

(b) Each Borrower represents and warrants to the Bank that the request for joint handling of the Loans to be made by the Bank hereunder was made because the Borrowers are engaged in an integrated operation which required financing on a basis permitting the availability of credit from time to time to each Borrower as required for the continued successful operation of each Borrower of the integrated operation of the Borrowers. Each Borrower expects to derive benefit, directly or indirectly, from such

availability because the successful operation of the Borrowers is dependent on the continued successful performance of the functions of the integrated group.

(c) Each Borrower hereby irrevocably designates TransAct as its attorney to borrow, sign and endorse notes, and execute and deliver all instruments, documents, writings and further assurances now or hereafter required hereunder, on behalf of each Borrower, and does hereby authorize the Bank to pay over or credit all Loan proceeds hereunder to TransAct as the Borrowers' attorney in fact, recognizing, however, that Lender is not bound by such authorization and may elect either to disburse loan proceeds to each Borrower directly for its use, to TransAct as attorney for any Borrower or to TransAct for its own account, in which case TransAct may advance or lend such proceeds to the other Borrowers. Each Borrower further agrees that all obligations hereunder or referred to herein or under any other Facility Document shall be joint and several, and that each Borrower shall make payment upon any notes issued pursuant hereto and any and all other obligations hereunder or referred to herein or under any other Facility Document upon their maturity by acceleration or otherwise, and that such obligation and liability on the part of each Borrower shall in no way be affected by any extensions, renewals and forbearances granted by the Bank to any Borrower, failure of the Bank to give any Borrower notice of borrowing or any other notice, any failure of the Bank to pursue or preserve its rights against any other Borrower, the release by the Bank of any collateral now or hereafter acquired from any Borrower, failure of the Bank to realize upon such collateral in a commercially reasonable manner, and that such agreement by each Borrower to pay upon any notice issued pursuant hereto is unconditional and unaffected by prior recourse by the Bank to the other Borrowers or any collateral for such Borrowers' obligations or the lack thereof.

(d) Each Borrower hereby grants a right of contribution to each other Borrower for any amount paid by such other Borrower in satisfaction of any obligations under this Agreement, the Note or any other Facility Document; provided, however, that the aggregate of the rights of contribution against any Borrower hereunder shall not exceed such Borrower's net worth. In calculating the net worth of any Borrower for purposes of this paragraph, such Borrower's obligations under the Facility Documents will not be included in its liabilities and such Borrower's rights of contribution against other Borrowers for amounts paid under the Facility Documents will not be included in its assets.

(e) All notices to, or other communications with, the Borrowers or any one of them shall be sufficient if given to any of the Borrowers. Although the Bank may require that all of the Borrowers or a particular Borrower execute any document (including any Notice of Borrowing) in any matter pertaining to this Agreement or any of the other Facility Documents, any one of the Borrowers may bind all of the Borrowers and any document (including any Notice of Borrowing) signed by any Borrower, and any and all action taken by any Borrower, is sufficient to represent all of the Borrowers. Without

limiting the foregoing, any single Borrower may make representations and warranties on behalf of all the Borrowers or any other Borrower, and such representations and warranties shall be of the same force and effect as if made directly by such other Borrowers.

Section 10.19. Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or Event of Default if such action is taken or condition exists.

Section 10.20. Time of the Essence. Time and punctuality shall be of the essence with respect to this instrument, but no delay or failure of the Bank to enforce any of the provisions herein contained and no conduct or statement of the Bank shall waive or affect any of the Bank's rights hereunder.

Section 10.21. Reference to and Effect on the Facility Documents.

(a) Upon the effectiveness of this Agreement, on and after the date hereof each reference in the Facility Documents to the Credit Agreement or the Note, shall mean and be a reference to this Credit Agreement as amended and restated hereby or the Note as amended and restated in connection with the execution and delivery of this Agreement.

(b) The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Bank under any of the Facility Documents, nor constitute a waiver of any provision of any of the Facility Documents.

Section 10.22. Replacement Promissory Note. Upon receipt of an affidavit of an officer of the Bank as to the loss, theft, destruction or mutilation of any Note or any other security document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon surrender and cancellation of such Note or other security document, Borrower will issue, in lieu thereof, a replacement Note or other security document in the same principal amount thereof and otherwise of like tenor.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

TRANSACT TECHNOLOGIES INCORPORATED

By /s/ Richard L. Cote

Richard L. Cote
Title: Executive Vice President and
Chief Financial Officer

MAGNETEC CORPORATION

By /s/ Richard L. Cote

Richard L. Cote
Title: Vice President
Address for Notices to Borrowers:
7 Laser Lane
Wallingford, Connecticut 06492

FLEET NATIONAL BANK

By /s/ Frederick A. Meagher

Frederick A. Meagher
Vice President

Address for Notices and Lending Office:
One Landmark Square
Stamford, Connecticut 06901
Attn: Frederick A. Meagher
Vice President
Facsimile No.: (203) 964-4836

EXHIBITS

- Exhibit A-1 - Acquisition Note
- Exhibit A-2 - Working Capital Note
- Exhibit B - Subordination Agreement (Reserved)
- Exhibit C - Security Agreement
- Exhibit D - Opinion of Counsel for Borrowers*
- Exhibit E - Notice of Borrowing*

SCHEDULES*

- Schedule 5.9 - Subsidiaries of Borrowers
- Schedule 5.10 - Credit Arrangements
- Schedule 5.12 - Hazardous Materials
- Schedule 7.3 - Liens
- Schedule 7.9 - Transactions with Affiliates Outside the Ordinary
Course of Business

* Exhibits D and E and Schedules are not filed herewith as they do not contain information which is material to an investment decision which is not otherwise disclosed in the Form 10-K. Any omitted Exhibit or Schedule will be furnished supplementally to the Commission upon request.

PROMISSORY NOTE

\$10,000,000

Stamford, Connecticut
January 29, 1998

For value received, TRANSACT TECHNOLOGIES INCORPORATED, and MAGNETEC CORPORATION (the "Borrowers"), hereby jointly and severally promise, to pay to the order of FLEET NATIONAL BANK, (the "Bank") at the office of the Bank at One Landmark Square, Stamford, Connecticut 06901, for the account of the appropriate Lending Office of the Bank, the principal sum of TEN MILLION DOLLARS (\$10,000,000) or, if less, the amount of Acquisition Loans made by the Bank to the Borrowers pursuant to the Credit Agreement referred to below, in lawful money of the United States of America and in immediately available funds, on the date(s) and in the manner provided in said Credit Agreement. The Borrowers also promise to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, at said principal office for the account of said Lending Office, in like money, at the rates of interest as provided in the Credit Agreement referred to below, on the date(s) and in the manner provided in said Credit Agreement.

The date and amount of each Acquisition Loan made by the Bank to the Borrowers under the Credit Agreement referred to below, and each payment of principal thereof, shall be recorded by the Bank on its books and, prior to any transfer of this Note (or, at the discretion of the Bank, at any other time), endorsed by the Bank on the schedule attached hereto or any continuation thereof.

This is the Acquisition Note referred to in that certain Credit Agreement (as amended from time to time the "Credit Agreement") dated of even date herewith among the Borrowers and the Bank and evidences the Acquisition Loans made by the Bank thereunder and upon any conversion of the Acquisition Loans to the Term Loan, this Note will thereafter evidence the Term Loan. All terms not defined herein shall have the meanings given to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain Events of Default and for prepayments on the terms and conditions specified therein.

The Borrowers waive presentment, notice of dishonor, protest and any other notice or formality with respect to this Note.

This Note shall be governed by, and interpreted and construed in accordance with, the laws of the State of Connecticut.

THE BORROWERS AND THE BANK MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HERewith OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR THE BANK TO ACCEPT THIS NOTE AND MAKE THE ACQUISITION LOANS.

TRANSACT TECHNOLOGIES INCORPORATED

By /s/ Richard L. Cote

Richard L. CoteTitle: Executive Vice President and
Chief Financial Officer

MAGNETEC CORPORATION

By /s/ Richard L. Cote

Richard L. Cote

Title: Vice President

PROMISSORY NOTE

\$5,000,000

Stamford, Connecticut
January 29, 1998

For value received, TRANSACT TECHNOLOGIES INCORPORATED. and MAGNETEC CORPORATION (the "Borrowers"), hereby jointly and severally promise, to pay to the order of FLEET NATIONAL BANK, (the "Bank") at the office of the Bank at One Landmark Square, Stamford, Connecticut 06901, for the account of the appropriate Lending Office of the Bank, the principal sum of FIVE MILLION DOLLARS (\$5,000,000) or, if less, the amount of Working Capital Loans made by the Bank to the Borrowers pursuant to the Credit Agreement referred to below, in lawful money of the United States of America and in immediately available funds, on the date(s) and in the manner provided in said Credit Agreement. The Borrowers also promise to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, at said principal office for the account of said Lending Office, in like money, at the rates of interest as provided in the Credit Agreement referred to below, on the date(s) and in the manner provided in said Credit Agreement.

The date and amount of each Working Capital Loan made by the Bank to the Borrowers under the Credit Agreement referred to below, and each payment of principal thereof, shall be recorded by the Bank on its books and, prior to any transfer of this Note (or, at the discretion of the Bank, at any other time), endorsed by the Bank on the schedule attached hereto or any continuation thereof.

This is the Working Capital Note referred to in that certain Credit Agreement (as amended from time to time the "Credit Agreement") dated of even date herewith among the Borrowers and the Bank and evidences the Working Capital Loans made by the Bank thereunder. All terms not defined herein shall have the meanings given to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain Events of Default and for prepayments on the terms and conditions specified therein.

The Borrowers waive presentment, notice of dishonor, protest and any other notice or formality with respect to this Note.

This Note shall be governed by, and interpreted and construed in accordance with, the laws of the State of Connecticut.

THE BORROWERS AND THE BANK MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HEREWITH OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR THE BANK TO ACCEPT THIS NOTE AND MAKE THE WORKING CAPITAL LOANS.

TRANSACT TECHNOLOGIES INCORPORATED

By /s/ Richard L. Cote

Richard L. CoteTitle: Executive Vice President and
Chief Financial Officer

MAGNETEC CORPORATION

By /s/ Richard L. Cote

Richard L. Cote

Title: Vice President

EXHIBIT C

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of January 29, 1998, made by TRANSACT TECHNOLOGIES INCORPORATED and MAGNETEC CORPORATION (collectively, the "Grantors" and each, individually, a "Grantor"), to FLEET NATIONAL BANK, a national banking association organized under the laws of the United States of America (the "Bank").

PRELIMINARY STATEMENT. The Bank has entered into a Credit Agreement dated as of even date herewith (said Credit Agreement, as it may hereafter be amended or otherwise modified from time to time, being the "Credit Agreement," the terms defined therein and not otherwise defined herein being used herein as therein defined) with the Grantors. It is a condition precedent to the making of Loans by the Bank under the Credit Agreement that the Grantors shall have granted the security interest contemplated by this Security Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Bank to make Loans under the Credit Agreement, the Grantors hereby agree for the benefit of the Bank as follows:

ARTICLE 1. THE COLLATERAL

Section 1.1. Grant of Security. As security for the Obligations (as defined in Section 1.2 hereof), the Grantors hereby assign and pledge to the Bank and hereby grant to the Bank a security interest in, general lien upon and/or right of setoff of all of the Grantors' right, title and interest in and to all of their personal property (the "Collateral"), including the following:

(a) All equipment in all of its forms, wherever located, now or hereafter existing (including, but not limited to, any specific items or types of equipment set forth in the Schedule hereto), and all parts thereof and all accessions thereto (any and all such equipment, parts and accessions being the "Equipment");

(b) All inventory in all of its forms, wherever located, now or hereafter existing (including, but not limited to (i) any specific items or types of inventory set forth in the Schedule hereto and raw materials and work in process therefor, finished goods thereof, and materials used or consumed in the manufacture or production thereof, (ii) goods in which a Grantor has an interest in mass or a joint or other interest or right of any kind and (iii) goods which are returned to or repossessed by a Grantor), and all accessions thereto and products thereof (any and all such inventory, accessions and products being the "Inventory");

(c) All accounts, contract rights, receivables, chattel paper, instruments, general intangibles and other obligations of any kind now or hereafter existing arising out of or in connection with the sale or lease of goods or the rendering of services, and all rights now or hereafter existing in and to all security agreements, leases and other

contracts securing or otherwise relating to any such accounts, contract rights, chattel paper, instruments, general intangibles or obligations (any and all such accounts, contract rights, chattel paper, instruments, general intangibles and obligations being the "Receivables," and any and all such leases, security agreements and other contracts being the "Related Contracts");

(d)

(i) all United States or other patents and applications for patents, including without limitation those listed on Exhibit A to this Agreement and all licenses thereof (collectively, the "Patents");

(ii) all United States or other trademarks, service marks, trade names, logos, registrations and applications for trademarks and service marks, filed and unfiled, including without limitation those listed on Exhibit B to this Agreement, together with the goodwill of the business connected with the use of, and symbolized by, all such trademarks, service marks, trade names, logos, registrations and applications and all licenses of United States or other trademarks and service marks, including without limitation those listed on said Exhibit B (collectively, the "Trademarks");

(iii) all United States or other copyrights (including without limitation those listed as Exhibit C to this Agreement), registered and unregistered, published and unpublished, under or pursuant to the domestic law of all countries and any applicable convention or treaty, including all rights of reproduction, publication, modification, derivation and the like owned or used by a Grantor (collectively, the "Copyrights"), and good will relating to the same;

(iv) all reissues, divisions, continuations, renewals, extensions and continuations-in-part of the items referred to in the preceding clauses (i), (ii) and (iii);

(v) all licenses, sublicenses or other agreements granted to a Grantor with respect to any of the items referred to in the preceding clauses (i), (ii), (iii) and (iv);

(vi) the right to sue for past, present and future infringements and dilutions of the foregoing; and

(vii) all rights corresponding to all of the foregoing throughout the world, including utility models, utility patents, patents of addition confirmation patents, registration patents, petty patents, registered designs, and all priority and convention rights in connection with any of the foregoing;

(e) all inventions, processes, production methods, proprietary information, know-how and trade secrets used or useful in the business of a Grantor, all rights in and to any improvements or modifications thereof, and all licenses, sublicenses or other agreements granted to a Grantor with respect to any of the foregoing, in each

case whether now or hereafter owned, used, or granted, by any party; all information, customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, recorded knowledge, surveys, engineering reports, test reports, manuals, materials standards, processing standards, performance standards, catalogues, computer and automatic machinery software and programs, and the like pertaining to present or future operations by a Grantor in, on or about any of its plants, facilities or warehouses; all field repair data, sales data and other information relating to sales or service of products now or hereafter manufactured on or about any of its plants or facilities; and all accounting information pertaining to operations in, on or about any of its plants or facilities and all media in which or on which is now or hereafter recorded or stored any of the foregoing information, knowledge, records or data and all computer programs used for the compilation or printout of such information, knowledge, records or data;

(f) all licenses and sublicenses given, granted or conveyed by a Grantor, to the full extent of and subject to such Grantor's rights therein; and

(g) all products and proceeds of any and all of the foregoing Collateral (including, without limitation, proceeds which constitute property of the types described in clauses (a)-(f) of this Section 1.1 and proceeds of infringement suits) and, to the extent not otherwise included, all (i) payments under insurance (whether or not the Bank is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral, (ii) license royalties and (iii) cash.

Section 1.2. Security for Obligations. This Agreement secures the payment of all obligations of the Grantors now or hereafter existing under the Facility Documents, whether for principal, interest, fees, expenses or otherwise (all such obligations being the "Obligations").

Section 1.3. Grantors Remain Liable. Anything herein to the contrary notwithstanding, (a) the Grantors shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Bank of any of the rights hereunder shall not release the Grantors from any of their duties or obligations under the contracts and agreements included in the Collateral, and (c) the Bank shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall the Bank be obligated to perform any of the obligations or duties of the Bank thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 1.4. Continuing Agreement. This Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until the indefeasible payment in full of the Obligations and until the Commitments shall no longer be in effect. Upon the indefeasible payment in full of the Obligations and when the Commitments shall no longer be in effect, the security interest granted hereby shall

terminate and all rights to the Collateral shall revert to the Grantor. Upon any such termination, the Bank shall, at the Grantor's expense, execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination.

Section 1.5. Security Interest Absolute. All rights of the Bank and security interests hereunder, and all obligations of the Grantors hereunder, shall be absolute and unconditional, irrespective of any defenses whatsoever available to the Grantors, including but not limited to the following:

(a) any extension of credit by the Bank to or for the account of a Grantor other than under the Credit Agreement and Notes;

(b) any lack of validity or enforceability of any Facility Document;

(c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from any Facility Document;

(d) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations; or

(e) any law, regulation or order of any jurisdiction affecting or purporting to affect any term of any Obligation or any Facility Document or the Bank's rights with respect thereto.

ARTICLE 2. REPRESENTATIONS AND WARRANTIES

The Grantors represent and warrant as follows:

Section 2.1. Location of Collateral. All of the Equipment and Inventory are located at the places specified in the Schedule hereto. The chief place of business and chief executive office of the Grantors and the office where the Grantors keep their records concerning the Receivables, and all originals of all chattel paper which evidence Receivables, are located at the address specified for the Grantors in Section 6.3. None of the Receivables is evidenced by a promissory note or other instrument.

Section 2.2. Ownership and Liens. The Grantors own the Collateral free and clear of any Lien, except for the security interest created by this Agreement. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Bank relating to this Agreement.

Section 2.3. Perfection.. This Agreement creates a valid and perfected first priority security interest in the Collateral, securing the payment of the Obligations, and

all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken.

Section 2.4. No Authorization Required. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (a) for the grant by the Grantors of the security interest granted hereby or for the execution, delivery or performance of this Agreement by the Grantors or (b) for the perfection of or the exercise by the Bank of its rights and remedies hereunder.

Section 2.5. Solvency of Account Debtors. Each account debtor, to the best of the Grantors' knowledge, as of the date each Receivable is created, is and will be solvent and able to pay all Receivables on which the account debtor is obligated in full when due or, with respect to such account debtors of the Grantors who are not solvent, the Grantors have set up on their books and financial records bad debt reserves adequate to cover such Receivables.

Section 2.6. Nature of Receivables. Each of the Receivables shall be a bona fide and valid account representing a bona fide indebtedness incurred by the account debtor therein named, for a fixed sum as set forth in the invoice relating thereto (provided immaterial or unintentional invoice errors shall not be deemed to be a breach hereof) with respect to an absolute sale or lease and delivery of goods upon stated terms of a Grantor, or work, labor and/or services theretofore rendered by a Grantor and as of the date each Receivable is created, shall be due and owing in accordance with a Grantor's standard terms of sale without dispute, setoff or counterclaim except as may be stated on the accounts receivable schedules delivered by such Grantor to the Bank.

ARTICLE 3. COVENANTS

Section 3.1. Further Assurances.

(a) The Grantors agree that from time to time, at the expense of the Grantors, the Grantors shall promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Bank may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Bank to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Grantors shall: (i) mark conspicuously each item of chattel paper included in the Receivables and each Related Contract and, at the request of the Bank, each of their recordings pertaining to the Collateral with a legend, in form and substance satisfactory to the Bank, indicating that such chattel paper, Related Contract or Collateral is subject to the security interest granted hereby; (ii) if any Receivable shall be evidenced by a promissory note or other instrument or chattel paper, deliver and pledge to the Bank hereunder such note, instrument or chattel paper duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Bank; and (iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or

desirable, or as the Bank may request, in order to perfect and preserve the security interests granted or purported to be granted hereby.

(b) Each Grantor hereby authorizes the Bank to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of such Grantor where permitted by law.

(c) The Grantors shall furnish to the Bank from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Bank may reasonably request, all in reasonable detail.

Section 3.2. As to Equipment and Inventory. The Grantors shall:

(a) Keep the Equipment and Inventory (other than Inventory sold in the ordinary course of business) at the places therefore specified in Section 2.1 or, upon 30 days' prior written notice to the Bank, at such other places in jurisdictions where all action required by Section 3.1 shall have been taken with respect to the Equipment and Inventory.

(b) Cause the Equipment to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with any manufacturer's manual and shall forthwith, or in the case of any loss or damage to any of the Equipment as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements and other improvements in connection therewith which are necessary or desirable to such end. The Grantors shall promptly furnish to the Bank a statement respecting any loss or damage to any of the Equipment.

(c) Pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Equipment and Inventory except to the extent the validity thereof is being contested in good faith.

Section 3.3. Insurance.

(a) The Grantors shall, at their own expense, maintain insurance with respect to the Equipment and Inventory to such amounts against such risks, in such form and with such insurers as shall be satisfactory to the Bank from time to time. Each policy for (i) liability insurance shall provide for all losses to be paid to the Bank and the Grantors as their respective interests may appear and (ii) property damage insurance shall provide for all losses (except for losses of less than \$100,000 per occurrence) to be paid directly to the Bank. Each such policy shall in addition (i) name the Grantors and the Bank as insured parties thereunder (without any representation or warranty by or obligation upon the Bank) as their interests may appear, (ii) contain the agreement by the insurer that any loss thereunder shall be payable to the Bank notwithstanding any action,

inaction or breach of representation or warranty by a Grantor, (iii) provide that there shall be no recourse against the Bank for payment of premiums or other amounts with respect thereto and (iv) provide that at least ten days' prior written notice of cancellation or of lapse shall be given to the Bank by the insurer. The Grantors shall, if so requested by the Bank, deliver to the Bank original or duplicate policies of such insurance and, as often as the Bank may reasonably request, a report of a reputable insurance broker with respect to such insurance. Further, the Grantors shall, at the request of the Bank, duly execute and deliver instruments of assignment of such insurance policies to comply with the requirements of Section 3.1 and cause the respective insurers to acknowledge notice of such assignment.

(b) Reimbursement under any liability insurance maintained by a Grantor pursuant to this Section 3.3 may be paid directly to the person who shall have incurred liability covered by such insurance. In case of any loss involving damage to Equipment or Inventory when subsection (c) of this Section 3.3 is not applicable, the Grantors shall make or cause to be made the necessary repairs to or replacements of such Equipment or Inventory, and any proceeds of insurance maintained by the Grantors pursuant to this Section 3.3 shall be paid to the Grantors as reimbursement for the costs of such repairs or replacements.

(c) Upon (i) the occurrence and during the continuance of any event which permits or would permit the Bank to declare the entire Loan to be immediately due and payable, with the giving of notice, if required (any such event being an "Event of Default"), or (ii) the actual or constructive total loss (in excess of \$100,000 per occurrence) of any Equipment or Inventory, all insurance payments in respect of such Equipment or Inventory shall be paid to and applied by the Bank as specified in Section 5.1.

Section 3.4. As to Receivables.

(a) The Grantors shall keep their chief place of business and chief executive office and the office where they keep their records concerning the Receivables, and all originals of all chattel paper which evidence Receivables, at the location therefor specified in Section 2.1 or, upon 30 days' prior written notice to the Bank, at such other locations in a jurisdiction where all action required by Section 3.1 shall have been taken with respect to the Receivables. The Grantors shall hold and preserve such records and chattel paper and shall permit representatives of the Bank at any time during normal business hours to inspect and make abstracts from such records and chattel paper.

(b) Except as otherwise provided in this subsection (b), the Grantors shall continue to collect, at their own expense, all amounts due or to become due the Grantors under the Receivables. In connection with such collections, the Grantors may take (and, at the Bank's direction, shall take) such action as the Grantors or the Bank may deem necessary or advisable to enforce collection of the Receivables; provided, however, that the Bank shall have the right at any time upon the occurrence and during the continuance

of an Event of Default or an event which, with the giving of notice or the lapse of time, or both, would become an Event of Default and upon written notice to the Grantors of its intention to do so, to notify the account debtors or obligors under any Receivables of the assignment of such Receivables to the Bank and to direct such account debtors or obligors to make payment of all amounts due or to become due to a Grantor thereunder directly to the Bank and, upon such notification and at the expense of the Grantors, to enforce collection of any such Receivables, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as a Grantor might have done. After receipt by the Grantors of the notice from the Bank referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including instruments) received by a Grantor in respect of the Receivables shall be received in trust for the benefit of the Bank hereunder, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Bank in the same form as so received (with any necessary endorsement) to be held as cash collateral and either (A) released to the Grantors so long as no Event of Default shall have occurred and be continuing or (B) if any Event of Default shall have occurred and be continuing, applied as provided by Section 5. 1(b), and (ii) no Grantor shall adjust, settle or compromise the amount or payment of any Receivable, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

(c) The Grantors shall take all steps necessary to protect the Bank's interest in the Collateral under the Federal Assignment of Claims Act, the Social Security Act, or other applicable federal, state, or local statutes, ordinances or regulations and deliver to the Bank appropriately endorsed, any instrument or chattel paper connected with any Receivable, arising out of contracts between any Grantor and the United States, any state or any department, agency or instrumentality of any of them.

Section 3.5. Transfers and Other Liens. The Grantors shall not:

(a) Except as permitted by the Credit Agreement, sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, except Inventory in the ordinary course of business.

(b) Create or suffer to exist any Lien upon or with respect to any of the Collateral to secure Debt of any Person, except for Liens permitted by this Agreement.

ARTICLE IV. THE BANK

Section 4.1. Bank Appointed Attorney-in-Fact. Each Grantor hereby irrevocably appoints the Bank such Grantor's attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, from time to time in the Bank's discretion, to take any action and to execute any instrument which the Bank may deem necessary or advisable to accomplish the purposes of this Agreement (subject to the rights of such Grantor under Section 3.4), including without limitation:

(a) to obtain and adjust insurance required to be paid to the Bank pursuant to Section 3.3,

(b) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral,

(c) to receive, endorse and collect any drafts or other instruments, documents and chattel paper, in connection with clause (a) or (b) above, and

(d) to file any claims or take any action or institute any proceedings which the Bank may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Bank with respect to any of the Collateral.

Section 4.2. Bank May Perform. If a Grantor fails to perform any agreement contained herein, the Bank may itself perform, or cause performance of, such agreement and the expenses of the Bank incurred in connection therewith shall be payable by the Grantors under Section 6.2.

Section 4.3. The Bank's Duties. The powers conferred on the Bank hereunder are solely to protect the Bank's interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Bank shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

ARTICLE V. DEFAULT

Section 5.1. Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Bank may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code (the "UCC") (whether or not the UCC applies to the affected Collateral) and also may (i) require any Grantor to, and each Grantor hereby agrees that it shall at its expense and upon request of the Bank forthwith, assemble all or part of the Collateral as directed by the Bank and make it available to the Bank at a place to be designated by the Bank which is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Bank's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Bank may deem commercially reasonable. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to such Grantor of the time and place of any public sale or

the time after which any private sale is to be made shall constitute reasonable notification. The Bank shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Bank may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) All cash proceeds received by the Bank in respect of any sale of, collection from or other realization upon all or any part of the Collateral may, in the discretion of the Bank, be held by the Bank as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Bank pursuant to Section 6.2) in whole or in part by the Bank against, all or any part of the Obligations in such order as the Bank shall elect. Any surplus of such cash or cash proceeds held by the Bank and remaining after payment in full of all the Obligations shall be paid over to the Grantors or to whomsoever may be lawfully entitled to receive such surplus.

ARTICLE VI. MISCELLANEOUS

Section 6.1. Amendments; Etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure by any Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank.

Section 6.2. Expenses; Etc. The Grantors shall reimburse the Bank on demand for all reasonable costs, expenses and charges (including, without limitation, reasonable fees and charges of external legal counsel for the Bank and reasonable costs allocated by its internal legal department) incurred by the Bank in connection with the preparation, performance or enforcement of this Agreement. The Grantors agree to indemnify the Bank from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting from the Bank's gross negligence or willful misconduct. The obligations of the Grantors under this Section are joint and several and shall survive the termination of this Agreement.

Section 6.3. Notices. Unless the party to be notified otherwise notifies the other party in writing as provided in this Section, notices shall be delivered in person or sent by overnight courier, facsimile, ordinary mail, cable or telex, to such party at its address specified in the Credit Agreement. Notices shall be effective: (a) on the day on which delivered to such party in person, (b) on the first Banking Day after the day on which sent to such party by overnight courier, (c) if given by mail, 72 hours after deposit in the mails with first-class postage prepaid, addressed as aforesaid; and (d) if given by facsimile, cable or telex, when the facsimile, cable or telex is transmitted to the facsimile, cable or telex number as aforesaid; provided that notices to the Bank shall be effective upon receipt.

Section 6.4. Transfer of Facility Documents. This Agreement shall (a) be binding upon the Grantors, their respective successors and assigns and (b) inure together with the rights and remedies of the Bank hereunder, to the benefit of the Bank and its

successors, transferees and assigns. Without limiting the generality of the foregoing clause (b), the Bank may assign or otherwise transfer the Facility Documents held by it, or grant participations therein, to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Bank herein or otherwise.

Section 6.5. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut. Unless otherwise defined herein or in the Agreement, terms used in Article 9 of the Uniform Commercial Code in the State of Connecticut are used herein as therein defined.

Section 6.6. COMMERCIAL WAIVER. EACH GRANTOR ACKNOWLEDGES THAT THE OBLIGATIONS ARE FOR COMMERCIAL PURPOSES AND WAIVES ANY RIGHT TO NOTICE AND HEARING UNDER SECTIONS 52-278a THROUGH 52-278n OF THE CONNECTICUT GENERAL STATUTES AS NOW OR HEREAFTER AMENDED AND AUTHORIZES THE ATTORNEY OF THE BANK, OR ANY SUCCESSOR THERETO, TO ISSUE A WRIT OF PREJUDGMENT REMEDY WITHOUT COURT ORDER. FURTHER, EACH GRANTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, THE BENEFITS OF ALL VALUATION, APPRAISEMENTS, HOMESTEAD, EXEMPTION, STAY, REDEMPTION AND MORATORIUM LAWS NOW IN FORCE OR WHICH MAY HEREAFTER BECOME LAWS. EACH GRANTOR ACKNOWLEDGES THAT IT MAKES THESE WAIVERS KNOWINGLY, VOLUNTARILY AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS OF THESE WAIVERS WITH ITS ATTORNEYS.

Section 6.7. WAIVER OF JURY TRIAL. THE GRANTORS AND THE BANK MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HERewith OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR THE BANK TO ACCEPT THIS AGREEMENT AND MAKE THE LOANS.

ARTICLE VII. INTELLECTUAL PROPERTY

Section 7.1. Special Provisions Concerning Trademarks.

(a) Additional Representations and Warranties. Each Grantor represent and warrant that they are the true and lawful exclusive owners of the Trademarks listed in Exhibit B attached hereto and that said listed Trademarks constitute all the trademarks registered in the United States Patent and Trademark Office that the Grantors now own or use in connection with their business. Each Grantor represents and warrants that it

owns or is licensed to use all Trademarks that it uses. Each Grantor further warrants that it is aware of no third-party claim that any aspect of such Grantor's present or contemplated business operations infringes or will infringe any Trademark.

(b) Licenses and Assignments. Each Grantor hereby agrees not to divest itself of any right under a Trademark absent prior written approval of the Bank.

(c) Infringements. Each Grantor agrees, promptly upon learning thereof, to notify the Bank in writing of the name and address of, and to furnish such pertinent information that may be available with respect to, any party who may be infringing or otherwise violating any of such Grantor's rights in and to any significant Trademark, or with respect to any party claiming that such Grantor's use of any significant Trademark violates any property right of that party.

(d) Preservation of Trademarks. To the extent such Trademarks are material to its business, each Grantor agrees to use its significant Trademarks in interstate commerce during the time in which this Agreement is in effect, sufficiently to preserve such Trademarks as trademarks or service marks registered under the laws of the United States.

(e) Maintenance of Registration. To the extent such Trademarks are material to its business, each Grantor shall, at its expense, diligently process all documents required by the Trademark Act of 1946, 15 U.S.C. Sections 1051 et seq., to maintain trademark registration, including but not limited to affidavits of use and applications for renewals of registration in the United States Patent and Trademark Office for all of its Trademarks pursuant to 15 U.S.C. Sections 1058(a), 1059 and 1065, and shall pay all fees and disbursements in connection therewith, and shall not abandon any such filing of affidavit of use or any such application of renewal prior to the exhaustion of all administrative and judicial remedies without prior written consent of the Bank. Each Grantor agrees to notify the Bank six (6) months prior to the dates on which the affidavits of use or the applications for renewal registration are due that the affidavit of use or the renewal is being processed.

(f) Future Registered Trademarks. If any trademark registration issues hereafter to a Grantor as a result of any application now or hereafter pending before the United States Patent and Trademark Office, within thirty (30) days of receipt of such certificate such Grantor shall deliver a copy of such certificate and an updated Exhibit B to Annex I and, if Annex I has previously been filed, an agreement in proper form for filing, modifying Annex I to include such Trademark.

(g) Remedies. If an Event of Default shall occur and be continuing, the Bank may, by written notice to any Grantor, take any or all of the following actions: (i) declare the entire right, title and interest of such Grantor in and to each of the Trademarks, together with all trademark rights and rights of protection to the same, vested, in which event such rights, title and interest shall immediately vest, in the Bank, in which case such Grantor agrees to execute an assignment in form and substance

satisfactory to the Bank, of all its rights, title and interest in and to the Trademarks to the Bank; (ii) take and use or sell the Trademarks and the goodwill of such Grantor's business symbolized by the Trademarks and the right to carry on the business and use the assets of such Grantor in connection with which the Trademarks have been used; and (iii) direct such Grantor to refrain, in which event such Grantor shall refrain, from using the Trademarks in any manner whatsoever, directly or indirectly, and, if requested by the Bank, change such Grantor's corporate name to eliminate therefrom any use of any Trademark and execute such other and further documents that the Bank may request to further confirm this and to transfer ownership of the Trademarks and registrations and any pending trademark application in the United States Patent and Trademark Office to the Bank.

Section 7.2. Special Provisions Concerning Patents and Copyrights.

(a) Additional Representations and Warranties. The Grantors represents and warrants that they are the true and lawful exclusive owner or licensee of all rights in the Patents listed in Exhibit A attached hereto and in the Copyrights listed in Exhibit C attached hereto, that said Patents constitute all the United States patents and applications for United States patents that the Grantors now own and that said Copyrights constitute all the United States copyrights that the Grantors now own. Each Grantor represents and warrants that it owns or is licensed to practice under all Patents and Copyrights that it now owns, uses or practices under. Each Grantor further warrants that it is aware of no third-party claim that any aspect of such Grantor's present or contemplated business operations infringes or will infringe any Patent or any Copyright.

(b) Licenses and Assignments. Each Grantor hereby agrees not to divest itself of any right under a Patent or Copyright absent prior written approval of the Bank.

(c) Infringements. Each Grantor agrees, promptly upon learning thereof, to furnish the Bank in writing with all pertinent information available to such Grantor with respect to any infringement or other violation of such Grantor's rights in any significant Patent or Copyright, or with respect to any claim that practice of any significant Patent or Copyright violates any property right of that party. Each Grantor further agrees, absent direction of the Bank to the contrary, diligently to prosecute any person infringing any significant Patent or Copyright.

(d) Maintenance of Patents. At its own expense, to the extent such Patents are material to its business, the Grantors shall make timely payment of all post-issuance fees required pursuant to 35 U.S.C. Section 41 to maintain in force rights under each Patent.

(e) Prosecution of Patent Application. At its own expense, to the extent such Patents are material to its business, each Grantor shall diligently prosecute all applications for United States patents listed on Exhibit A hereto, and shall not abandon any such application prior to exhaustion of all administrative and judicial remedies, absent written consent of the Bank.

(f) Other Patents and Copyrights. Within thirty (30) days of acquisition of a United States Patent or Copyright, or of filing of an application for a United States Patent or Copyright, each Grantor shall deliver to the Bank a copy of said Patent or Copyright, as the case may be, and an updated Exhibit A or Exhibit C to Annex I and, if Annex I has previously been filed, an agreement in proper form for filing, modifying Annex I to include such Patent or Copyright, as the case may be.

(g) Remedies. If an Event of Default shall occur and be continuing, the Bank may by written notice to any Grantor take any of all of the following actions: (i) declare the entire right, title and interest of such Grantor in each of the Patents and Copyrights vested, in which event such right, title and interest shall immediately vest in the Bank, in which case such Grantor agrees to execute an assignment in form and substance satisfactory to the Bank of all its right, title and interest to such Patents and Copyrights to the Bank; (ii) take and practice or sell the Patents and Copyrights; (iii) direct such Grantor to refrain, in which event such Grantor shall refrain, from practicing the Patents and Copyrights directly or indirectly, and such Grantor shall execute such other and further documents as the Bank may request further to confirm this and to transfer ownership of the Patents and Copyrights to the Bank.

IN WITNESS WHEREOF, the Grantors have caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

TRANSACT TECHNOLOGIES INCORPORATED

By /s/ Richard L. Cote

Richard L. Cote
Title: Executive Vice President and
Chief Financial Officer

MAGNETEC CORPORATION

By /s/ Richard L. Cote

Richard L. Cote
Title: Vice President

TRANSACTION TECHNOLOGIES INCORPORATED

EXHIBIT 10.27

LEASE AMENDMENT

This Lease Amendment, dated as of December 2, 1996, is by and between BOMAX PROPERTIES, a New York general partnership with an office at 42 Esty Drive, Ithaca, New York 14850 ("Lessor"), ITHACA PERIPHERALS, a division of MAGNETEC CORPORATION, a Connecticut corporation with an office at 20 Bomax Drive, Ithaca, New York 14850 ("Lessee"), THE TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY, a New York public benefit corporation organized pursuant to the New York Public Authorities Law ("IDA"), and TRANSACTION TECHNOLOGIES INCORPORATED, a Delaware corporation with an office at 7 Laser Lane, Wallingford, Connecticut 06492 ("Guarantor").

RECITALS

A. Lessor and Lessee are parties to a Lease Agreement dated as of March 23, 1992 ("Lease"), pursuant to which Lessor leased to Lessee approximately 5.34 acres of land in the Village of Lansing, Tompkins County, State of New York, and agreed to construct a manufacturing and office building for Lessee on the Premises. Permanent occupancy of the building was obtained by Lessee on or about November 20, 1992 and the Lease commencement date under the Lease was November 20, 1992.

B. Lessor transferred the Premises to the IDA, subject to the Lease, on or about June 11, 1993 and entered into an installment sales contract to purchase the property back from the IDA. Under the installment sales contract, Lessor retained all beneficial rights and interest in the Premises.

C. The Lease was guaranteed by Tridex Corporation, the then parent company of Lessee.

D. Lessee previously requested Lessor to construct an Addition of approximately 10,476 square feet (hereafter referred to as "Addition No. 1") to the Leased Property (as defined in the Lease) and the parties entered into a Lease Amendment dated as of October 18, 1993 providing for the construction of such Addition No. 1 and to amend the Lease accordingly.

E. Pursuant to the provisions of Article I, Section B of the Lease, Lessee is granted the option to lease Parcel 2 as shown on the map annexed hereto as Exhibit A, subject to agreement of the Landlord.

F. Lessee has requested Lessor to construct another Addition of approximately 23,000 square feet (hereafter referred to as "Addition No. 2") in part on the Leased Property (as defined in the Lease and the Amendment of October 18, 1993) and in part on Parcel 2 as shown on Exhibit A. The purpose of this Lease Amendment is to provide for the construction of the new Addition No. 2, to add Parcel 2 as shown on the annexed Exhibit A to the premises leased, and to amend the Lease and the Amendment above mentioned accordingly.

NOW, THEREFORE, in consideration of the following mutual covenants, the parties agree as follows:

1. All capitalized terms used herein which are not otherwise defined shall have the same meaning given to those

terms in the Lease.

2. Lessee hereby exercises the option to lease Parcel 2. Accordingly, the last sentence of Article I, Section A is amended to read as follows.

Exhibit A depicts two parcels of land, Parcel 1 of approximately 5.3 4 acres and Parcel 2 of approximately 2 acres (Parcels 1 and 2 hereafter referred to as the "Premises").

3. The last sentence of the first paragraph of Article I, Section C of the Lease (and the Amendment of October 18, 1993) is amended to read as follows-

The Premises, building and improvements, including the Addition No. 1 constructed pursuant to the Lease Amendment of October 18, 1993 and the Addition No. 2 referenced below are hereafter referred to as the "Leased Property".

4. The following paragraph is hereby added to Article I, Section C and the Amendment thereto:

Lessor agrees to construct on the Premises, at its own cost and expense, an Addition of approximately 23,000 sq. ft. on the west side of the building currently located on the Premises (along with parking space for 35 additional cars) (hereinafter referred to as the "Addition No. 2"). The Addition No. 2 shall be constructed in accordance with the following plans and drawings prepared by Tallman & Tallman, Architects, which plans have previously been reviewed and approved by Lessor and Lessee, along with such other changes thereto as may be hereinafter approved by Lessor and Lessee.

	Description -----	Date ----	Revised -----
A-1	Addition to Ithaca Peripherals, Inc. Site Plan	6/25/96	8/19/96
A-2	Overall Plan	6/25/96	8/26/96
A-3	Foundation Plan	6/25/96	8/26/96
A-4	First Floor Plan	6/25/96	8/26/96

A-5	Elevations and Details	6/25/96	8/26/96
A-6	Wall Sections	6/25/96	8/26/96
A-7	Details/Elevations/Schedules	8/20/96	
H-1	Addition HVAC Plan	8/26/96	
H-2	HVAC Plan Existing Plant	8/26/96	
H-3	Details and Schedules	8/26/96	
P-1	Addition - Plumbing Plan	8/26/96	
P-2	Schedules and Details	8/26/96	
SP-1	Floor Plan- Sprinkler System	8/26/96	
SP-2	Existing Plant - Sprinkler Plan	8/26/96	
E-1	Addition to Power Plan	8/26/96	
E-2	Addition to Lighting Plan	8/26/96	
E-3	Existing Plant - Power Plan	8/26/96	
E-4	Lighting Plan Existing Plant	8/26/96	
E-5	Schedules and Details	8/26/96	

5. The following new paragraph shall be added at the end of Article I, Section. E (as previously amended):

Construction of the Addition No. 2 shall commence within one week of the date this Lease Amendment is executed and shall be completed and delivered to Lessee for lawful occupation by January 1, 1997. The Addition No. 2 shall be constructed, and the Addition shall be rendered to Lessee for occupancy, in compliance with the Building Code of the Town and Village of Lansing, County of Tompkins and State of New York for use as a light manufacturing facility.

6. Article I, Section F(1) of the Lease (as previously amended) is hereby amended to read as follows.

(1) The Lessor has obtained or will obtain all governmental permits, licenses, certificates and approvals, including subdivision approval, if

required, necessary to construct and occupy the building and improvements (including the Addition No. 2) set forth in the plans as described in paragraph C of the Lease.

7. The Lessor repeats each of the other representations and warranties set forth in Article I, Section F and acknowledges that the representations and warranties apply with equal force to Addition No. 2 and to the construction to be undertaken hereunder.

8. The first sentence of Article II of the Lease and the Amendment of October 18, 1993 is amended as follows:

Upon completion of the Addition No. 2 provided for by this Amendment and issuance of a certificate of occupancy, the term of this Lease shall extend for a period of ten (10) years thereafter.

9. Effective upon the date of the issuance of a certificate of occupancy for the Premises (including the Addition No. 2 to be constructed pursuant to this Amendment), Article III, Section A of the Lease (including the Amendment of October 18, 1993 thereto) is hereby amended as follows.

Lessee shall pay to Lessor rent for the Leased Property during the term of this Lease on a gross square footage basis as determined by the exterior dimensions of the building, including the Addition No. 1 previously constructed and the Addition No. 2 to be constructed pursuant to this Amendment (but excluding the courtyard) at the following annual rates:

Years 1 through 5 - \$7.00 per gross square foot

Years 6 through 10 - \$7.50 per gross square foot

Payment of rent pursuant to this Amendment shall commence only upon completion of the Addition No. 2 and issuance of a certificate of occupancy for the Addition. If the Addition No. 2 is completed on a day other than the first of a month, the first and last month's rent for the Addition No. 2 shall be

prorated accordingly. Until such date, rent shall continue to be paid in accordance with the provisions of the Lease Amendment of October 18, 1993.

10. During the construction of Addition No. 2, Lessor agrees to use its best efforts to coordinate construction so as to minimize disruption of Lessee's business operations.

11. All references in the Lease to the "building and improvements" or phrases of similar meaning shall be deemed to include the Addition No. 1 constructed pursuant to the Amendment of October 18, 1993 and the Addition No. 2 as described herein after the issuance of a certificate of occupancy for Addition No. 2.

12. Except as specifically amended hereby, the Lease Agreement and the Lease Amendment of October 18, 1993 remain in full force and effect in accordance with their terms.

13. The IDA is signing this Lease Amendment solely for the purpose of signifying its consent to this Amendment, but does not undertake and shall not be liable or responsible for any of the obligations or liabilities of the landlord under the Lease Agreement, as amended.

14. Lessor consents to the substitution of Transact Technologies Incorporated for Tridex Corporation as Guarantor of the Lease. Tridex Corporation is released from all obligations under its guarantee of the Lease. Transact Technologies Incorporated shall guarantee Lessee's performance of this Lease by signing the guarantee form attached to this Amendment.

15. This Amendment is subject to and contingent upon Landlord obtaining subdivision and site plan approval from the Village of Lansing and Parcel 2 being conveyed to IDA.

16. This Lease Amendment may be signed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have subscribed this Lease Amendment as of the date first written above.

BOMAX PROPERTIES LLC

TRANSACT TECHNOLOGIES
INCORPORATED

By: /s/ Robert T. Dean

By /s/ Richard L. Cote

Title: Manager

Title: Executive VP & CFO

ITHACA PERIPHERALS, a division
of MAGNETEC CORPORATION

THE TOMPKINS COUNTY
INDUSTRIAL DEVELOPMENT
AGENCY

By: /s/ Lucy H. Staley

By /s/ Stuart W. Seton

Title: Sr. Vice President and General Manager

Title: Chairman

GUARANTEE OF LEASE

WHEREAS, BOMAX PROPERTIES as Lessor, and ITHACA PERIPHERALS, a division of MAGNETEC CORPORATION, as Lessee, have entered into a Lease Agreement dated as of March 23, 1992, a Lease Amendment dated as of October 18, 1993, and a further Lease Amendment dated December 2, 1996,

WHEREAS, BOMAX PROPERTIES has required that ITHACA PERIPHERALS, a division of MAGNETEC CORPORATION furnish a guarantee of the Lease and Amendment executed by its parent, - TRANSACT TECHNOLOGIES INCORPORATED;

NOW, THEREFORE, in consideration of One Dollar (\$1.00) and other good and valuable consideration, TRANSACT TECHNOLOGIES INCORPORATED ("Guarantor") hereby guarantees unto BOMAX PROPERTIES the full and faithful performance of all of the obligations of ITHACA PERIPHERALS, a division of MAGNETEC CORPORATION, under the Lease and Amendments, including without limitation, the prompt payment of all rent and fees due under the Lease and Amendments or under any renewal or extension thereof.

BOMAX PROPERTIES agrees to give to Guarantor written notice of any default by ITHACA PERIPHERALS under the Lease and Amendments at the address set forth below (or at such other address as the Guarantor may designate in writing), and to permit Guarantor to cure any such default within any

applicable cure period set forth in the Lease.

Dated: December 2, 1996

Address for Notices:

TRANSACT TECHNOLOGIES
INCORPORATED

7 Laser Lane

By: /s/ Richard L. Cote

Wallingford, CT 06492..

Title: Executive VP & CFO

42 Esty Drive

BOMAX PROPERTIES LLC

By: /s/ Robert T. Dean

Ithaca, NY 14850

Title: Manager

TRANSACTION TECHNOLOGIES INCORPORATED
EXHIBIT 10.28

LEASE OF INDUSTRIAL PROPERTY

FOR AND IN CONSIDERATION of the mutual covenants herein contained, the parties hereto do hereby agree as follows:

1. Incorporated Terms. The following terms are incorporated by reference into this Agreement:

- (a) DATE OF LEASE: July 30, 1997
- (b) NAME AND ADDRESS OF LANDLORD: PYRAMID CONSTRUCTION COMPANY
275 North Franklin Turnpike
P.O. Box 369
Ramsey, NJ 07446-0369
- (c) NAME AND ADDRESS OF TENANT: MAGNETEC CORP.
7 Laser Lane
Wallingford, CT 06492
- (d) DESCRIPTION OF PROPERTY: 5,013 square feet of office space in Wallingford, CT through March 31, 2005.

*Effective April 1, 2005 through March 31, 2008, nine (9) acres in Wallingford, CT, consisting of 15,013 s.f. of office space and 32,000 s.f. of light manufacturing located in Medway Park, and shown as Lot 2 on the Resubdivision Plan prepared by Angus L. McDonald & Associates dated November 2, 1993.
- (e) TERM OF LEASE: Approximately Ten (10) Years
Commencement Date: At Completion
Expiration Date: March 31, 2008
- (f) PERMITTED USE: Office and light manufacturing and use incidental thereto.
- (g) SECURITY DEPOSIT: None
- (h) BROKER: None
- (i) RIDER TO LEASE: Option to Renew # 1
Option to Renew # 2
- (j) TENANT'S S.I.C. NUMBER: 3577
- (k) FIXED RENTAL SCHEDULE:

The Fixed Rent payable by Tenant to Landlord shall be at the annual rate and payable in the monthly installments as follows'

Period -----	Monthly Installment -----	Annual Rate -----
Completion-03/31/99	\$ 3,500.00	\$ 42,000.00
04/01/99-03/31/00	\$ 3,570.00	\$ 42,840.00
04/01/00-03/31/01	\$ 3,641.33	\$ 43,696.00
04/01/01-03/31/02	\$ 3,714.17	\$ 44,570.00
04/01/02-03/31/03	\$ 3,788.50	\$ 45,462.00
04/01/03-03/31/04	\$ 3,864.25	\$ 46,371.00
04/01/04-03/31/05	\$ 3,941.50	\$ 47,298.00

04/01/05-03/31/06	\$34,056.83*	\$408,682.00*
04/01/06-03/31/07	\$34,137.25*	\$409,647.00*
04/01/07-03/31/08	\$34,219.25*	\$410,631.00*

If Tenant chooses not to exercise option at Lease expiration, Tenant must pay to Landlord the unamortized portion of the addition. If tenant vacates at Lease end, the calculation formula for the unamortized portion of the addition will be figured at 9-1/4% over a twenty (20) year amortization on \$350,000.00 as indicated on the attached loan progress chart. If, however, the warehouse is expanded where the percentage of office space is twenty percent (20%) or less, then no moneys will be due for the unamortized portion of this \$350,000.00 office expansion.

(l) ESTIMATED MONTHLY ADDITIONAL RENT: \$ 540.00
 *04/01/05-03/31/08: \$5,265.00

(m) GUARANTOR: TransAct Technologies, Inc.

2. Description of Property. Landlord hereby leases to Tenant and Tenant hereby hires from Landlord, the land (the "Land"), building (the "Building") and other improvements described in Section 1(d) (collectively the "Property") and shown on the site plan attached hereto as Exhibit A. Exhibit A sets forth the general layout of the building and property and no material changes shall be made to the plan without Tenant's consent. Landlord shall, at its sole cost and expense, obtain all necessary governmental approvals for construction of the building, and Landlord shall perform all work with respect to the building and site improvements in conformance with Exhibits B and C attached hereto. Landlord and Tenant acknowledge that complete construction drawings will replace Exhibits B and C in this Lease once said drawings are prepared. The substituted Exhibits B and C shall be in conformance with Exhibits B and C as originally made a part hereto.

3. Term. The term of the Lease (the "Term") shall commence on the date set forth in Section 1(e) (the "Commencement Date") and terminate on the date set forth in Section 1(e) (the "Expiration Date"), except as hereinafter provided.

Notwithstanding the above, the Lease Term shall commence on the Occupancy Date, which shall be deemed to mean the earlier of (a) the date on which Tenant takes occupancy and conducts business, or (b) the date on which Landlord has obtained a Certificate of Occupancy or temporary Certificate of Occupancy (provided the municipal authorities allow use and occupancy under a temporary certificate of occupancy) for the Property and has substantially completed same and made same available for Tenant's occupancy, provided that Landlord shall have given Tenant thirty (30) days' written notice of the date on which the Building is to be substantially completed and available to Tenant. "Substantially completed" shall mean that Landlord's work is in compliance with the plans and specs in Exhibits B and C and subject only to minor punchlist items on the punchlist provided by Tenant pursuant to Article 10 which will not materially interfere with Tenant's use and occupancy of the Premises.

When the commencement and expiration dates of the Lease term have been determined, as provided herein, Landlord and Tenant shall execute and deliver a written statement, in recordable form, specifying the commencement and expiration dates of the Lease Term. Such statement, when so executed and delivered, will be deemed to be incorporated in, and become a part of, this Lease.

Landlord may not be able to deliver possession of the Property to Tenant on the date specified in Section 1(e) as the Commencement Date. Landlord shall not be liable to Tenant if Landlord does not deliver possession of the Property to Tenant on the specified Commencement Date. In such event the Commencement Date shall be delayed until possession of the Property is delivered to Tenant and the Term shall be extended for a period equal to the delay in delivery of possession of the Property to Tenant, plus the number of days necessary to end the Term on the last day of a month. If Landlord does not deliver possession of the Property to Tenant within six (6) months after the specified Commencement Date, Landlord or Tenant may elect to cancel

this Lease by giving written notice to the other at any time after the six month period ends, and neither party shall have any further obligations to the other under this Lease.

If Tenant occupies and uses the Property for normal operations prior to the Commencement Date, the Term of the Lease shall then commence, but the Expiration Date shall not be advanced. Tenant's early occupancy of the Property shall be subject to all of the provisions of this Lease and Tenant shall pay the rent and all other charges specified in this Lease from the Tenant's occupancy date.

If delivery of possession of the Property to Tenant is on a date other than the specified Commencement Date, at the request of either party, Landlord and Tenant shall execute an instrument setting forth the Commencement Date and Expiration Date.

The first Lease year shall be the period commencing on the Commencement Date and ending twelve calendar months thereafter, provided, however, that if the Commencement Date is not the first day of a month, the first Lease Year shall commence on the Commencement Date and end twelve calendar months from the last day of the month in which the Commencement Date occurs. Each succeeding twelve calendar month period thereafter shall be a Lease Year.

4. Fixed Rent. Tenant shall pay to Landlord at the address(es) set forth in Section 1(b), or to such other person or at such other place as Landlord may from time to time designate, without previous demand therefor and without counterclaim, deduction or set-off, the rent ("Fixed Rent") set forth in Section 1(k), such Fixed Rent to be payable in monthly installments in advance on the first business day of each month during the term of the Lease. If the Commencement Date shall be other than the first day of a calendar month, Tenant shall pay on the Commencement Date, the proportionate amount of Fixed Rent for the balance of such month. The first monthly installment of Fixed Rent will be paid by Tenant upon closing title for the purchase of the property by Landlord for Tenant's building.

5. Net Lease. It is the intention of Landlord and Tenant that this is a net Lease and that the Fixed Rent shall be absolutely net to Landlord and that Tenant shall be solely responsible for and pay all costs for the use, operation, maintenance, care and repair of the Property, except as otherwise expressly provided herein. All obligations with respect to the Property payable by tenant other than the Fixed Rent are additional rent under this Lease. The term "rent" means the Fixed Rent and additional rent.

6. Real Property Taxes. (a) Tenant shall pay all real property impositions during the Term. As used herein, the term "real property impositions" means (i) any tax, assessment or other governmental charge of any kind which at any time during the Term may be assessed, levied, imposed upon or become due and payable with respect to the Property; (ii) any tax on the Landlord's right to receive, or the receipt of rent or income from the Property (excluding all federal or state income tax), or against Landlord's business of leasing the Property; (iii) any tax or charge for fire protection, refuse collection, streets, sidewalks or road maintenance or other services provided to the Property by any governmental agency; and (iv) any tax replacing or supplementing in whole or in part any tax previously included within the definition of real property impositions under this Lease. During the first and last years of the Term, the real property impositions payable by Tenant shall be prorated for the fraction of the tax fiscal year included in the Term.

(b) Tenant shall pay real property impositions (as defined in Paragraph (a) of this Section) to Landlord in monthly installments (in the manner set forth in Section 4) on an estimated basis as determined by Landlord. Landlord may adjust such estimate at any time and from time to time based upon Landlord's experience and anticipation of such impositions. After the end of each calendar year during the term, Landlord shall deliver to Tenant a statement setting forth the actual real property impositions for such calendar year for which estimated payments were made, the amount paid by Tenant on account thereof, and the amount due to or from Tenant. If Tenant has paid less than the actual amount due, Tenant shall pay the difference to Landlord (in the manner set forth in Section 4) within ten (10) days after Landlord's request therefor. Any amount paid by Tenant which exceeds the amount due shall be credited against the

next succeeding estimated payments due hereunder, unless the Term has then expired, in which amount the excess amount shall be refunded to Tenant.

(c) If an assessment for public improvements is levied against the Property, Landlord shall be deemed to have elected to pay such assessment in the maximum number of installments then permitted by law (whether or not Landlord actually so elects), and Tenant shall pay the installments payable during or attributable to the Term, together with any interest due as a result of the installment payments. Any installment for a period during which the Commencement Date or Expiration Date occurs shall be prorated for the fraction of the period included in the Term. Tenant may prepay the entire assessment in one installment on the balance at any time if this will result in a net tax savings on the property.

(d) Real property impositions do not include Landlord's federal or state income, franchise, inheritance or estate taxes and Tenant shall have no obligation in connection therewith.

(e) Tenant shall not, without Landlord's prior written consent, which shall not be unreasonably withheld, institute or prosecute any appeal or other proceeding with respect to any assessments for real property impositions or assessments for public improvements levied, assessed or imposed upon or against the Property. Landlord will bring such proceeding at Tenant's cost. In the event Landlord is not using a contingency firm to appeal taxes, and Landlord is in the process of finding a firm to appeal the taxes, then Tenant may provide a proposed contract with a firm to handle the appeal and Landlord will use said firm so long as the cost for the firm proposed by Tenant is materially less than one the Landlord would have employed.

7. Insurance. (a) Landlord's Insurance. At all times during the term of this Lease, Landlord will carry and maintain fire and extended coverage insurance at full replacement cost agreed value, boiler, rental value insurance, and sprinkler insurance covering the Property, and public liability (at a minimum of \$5,000,000 on a per occurrence basis) and property damage insurance in such amounts as Landlord determines from time to time in its reasonable discretion. Tenant will pay Landlord, as additional rent, for the costs of all such insurance in accordance with the manner set forth for real property taxes under Section 6(b) of the Lease.

(b) Tenant's Insurance. At all times during the term of this Lease, Tenant will carry and maintain, at Tenant's expense, the following insurance, in the amounts specified below or such other amounts as Landlord may from time to time reasonably request, with insurance companies and on forms satisfactory to landlord:

(i) Public liability and property damage liability insurance, with a combined single occurrence limit of not less than \$1,000,000.00. All such insurance will specifically include, without limitation, contractual liability coverage for the performance by Tenant of the indemnity agreements set forth in Section 25 of this Lease.

(ii) Fire and extended coverage. insurance covering all leasehold improvements in the Premises and all of Tenant's merchandise, equipment, trade fixtures, appliances, furniture, furnishings and personal property, from time to time in, on, or upon the Premises, in an amount not less than the full replacement cost without deduction for depreciation from time to time during the term of this lease, providing protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extended peril (all risk), boiler, flood, glass breakage and sprinkler leakage. All policy proceeds will be used for the repair or replacement of the property damaged or destroyed; however, if this Lease ceases under the provisions of Section 19, Tenant will be entitled to any proceeds resulting from damage to Tenant's merchandise, equipment, trade fixtures, appliances, furniture and personal property, and Landlord will be entitled to all other proceeds.

(iii) Workmen's compensation insurance insuring against and satisfying Tenant's obligations and liabilities under the workmen's compensation laws of the state in which the Premises are located.

(c) Forms of the Policies. All policies of liability insurance which Tenant is obligated to maintain according to this Lease (other than any policy of workmen's compensation insurance) will name Landlord and such other persons or firms as Landlord specifies from time to time as additional insureds. Original or true copies of original policies (together with copies of the endorsements naming Landlord and any others specified by Landlord as additional insureds) and evidence of the payment of all premiums of such policies will be delivered to Landlord prior to Tenant's occupancy of the Premises and from time to time at least thirty (30) days prior to the expiration of the term of each such policy. All public liability and property damage liability policies maintained by Tenant will contain a provision that Landlord and any other additional insureds, although named as an insured, will nevertheless be entitled to recover under such policies for any loss sustained by Landlord and such other additional insureds, its agents and employees as a result of the acts or omissions of Tenant. All such policies maintained by Tenant will provide that they may not be terminated or amended except after thirty (30) days' prior written notice to Landlord. All public liability, property damage liability and casualty policies maintained by Tenant will be written as primary policies, not contributing with and not supplemental to the coverage that Landlord may carry. No insurance required to be maintained by Tenant by this Section 7 will be subject to more than a \$5,000.00 deductible limit without Landlord's prior written consent. All Tenant's policies required to be maintained under this Lease shall contain "severability of interests" and "cross liability" endorsements, and such policies shall be written by an insurance company having a Best Rating of A (VI) or better.

(d) Adequacy of Coverage. Landlord, its agents and employees make no representation that the limits of liability specified to be carried by Tenant pursuant to this Section 7 are adequate to protect Tenant. If Tenant believes that any of such insurance coverage is inadequate, Tenant will obtain, at Tenant's sole expense, such additional insurance coverage as Tenant deems adequate.

(e) Inadequate Insurance. Upon failure of Tenant to comply with the provisions of Section 7, in addition to any other rights and remedies of the Landlord, Landlord shall have a right to obtain such insurance, to pay the premiums for the same, and to recover the cost of such insurance at once as additional rent due from Tenant to Landlord under this Lease. In the event Landlord fails to obtain insurance as specified in 7(a), Tenant, after notice to Landlord and Landlord not obtaining required insurance within seven (7) days, shall have a right to obtain and pay premiums for same and to recover the cost at once from Landlord.

(f) Waiver of Subrogation. Landlord and Tenant each waive any and all rights to recover against the other or against any other tenant or occupant of the property, or against the officers, directors, shareholders, partners, joint venturers, employees, agents, customers, invitees or business visitors of such other party or of such other tenant or occupant of the property, for any loss or damage to such waiving party arising from any cause covered by any insurance required to be carried by such party. Landlord and Tenant, from time to time, will use their respective insurers to issue appropriate waiver of subrogation rights endorsements to all policies of insurance carried in connection with the property or the Premises or the contents of the property or the Premises. Tenant agrees to cause all other occupants of the Premises claiming by, under, or through Tenant to execute and deliver to Landlord such a waiver of claims and to obtain such waiver of subrogation rights endorsements.

8. Utilities. Tenant shall pay, directly to the appropriate supplier, the cost of all light, power, natural gas, fuel, oil, sewer service, sprinkler stand-by service, water, telephone, refuse disposal and other utilities and services supplied to the Property. Landlord shall not be liable to Tenant, and Tenant's obligations under the Lease shall not be abated, in the event of any interruption or inadequacy of any utility or service supplied to the Property. Landlord will, however, be liable to Tenant in the event of interruption or inadequacy of any utility due to Landlord's negligence. Tenant shall have the right to contract for additional utilities supplied to the Premises, provided Tenant undertakes all costs necessary to bring such additional utilities to the property and subject to Landlord's review and approval of plans and specifications for additional utility service. Said Landlord consent is not to be unreasonably withheld.

9. Use of Property. (a) The Property may only be used for the use set forth in Section 1(f) and all uses incidental thereto.

(b) Notwithstanding the foregoing, Tenant shall not use or permit the Property to be used for (i) any unlawful purpose; (ii) in violation of any certificate of occupancy covering the Property; (iii) any use which may constitute a public or private nuisance or make voidable any insurance in force relating to the Property; (iv) any purpose which creates or produces noxious odors, smoke, fumes, emissions, noise or vibrations; or (v) any use which involves or results in the generation, manufacture, refining, transportation, treatment, storage, handling or disposal of petroleum products or hazardous substances or wastes. However, the Tenant may store and handle substances which are classified as hazardous provided they are incidental to the normal operation of an office and light industrial manufacturing facility, and further provided that such substances are stored, handles and disposed of in accordance with applicable State and Federal statutes and regulations.

(c) Tenant shall not cause or permit any overloading of the floors of the Building. Tenant shall not install any equipment or other items upon or through the roof, or cause openings to be made in the roof, without Landlord's prior written consent. Tenant shall not install any underground storage tanks or facilities at the Property.

(d) No storage of any goods, equipment or materials shall be permitted outside the Building on the Property; however, overnight parking of company vehicles not storing goods is permissible.

10. Existing Conditions. Upon five (5) days written notice by Landlord to Tenant, Tenant will conduct a walk-through inspection of the Premises with Landlord and prepare a punch-list of items needing additional work by Landlord. Other than the items specified in the punch-list, by taking possession of the Premises, Tenant will be deemed to have accepted the Premises in their condition on the date of delivery of possession; however, Landlord will be responsible for repairs of latent defects for twelve (12) months from the Commencement Date. The punch-list will not include any damage to the Premises caused by Tenant's move-in or early access, if permitted. Damage caused by Tenant will be repaired or correct by Landlord, at Tenant's expense. Tenant acknowledges that neither Landlord nor its agents or employees have made any representations or warranties as to the suitability or fitness of the Premises for the conduct of Tenant's business or for any other purpose, nor has Landlord or its agents or employees agreed to undertake any alterations or construct any improvements to the Premises except as expressly provided in this Lease and Exhibits B and C to this Lease. If Tenant fails to submit a punch-list to Landlord within three (3) days of Tenant's inspection, it will be deemed that there are no items needing additional work or repair (except for latent defects). Landlord's contractor will complete all reasonable punch-list items within thirty (30) days after the walk-through inspection or as soon as practicable after such walk-through.

11. Maintenance and Repairs. (a) Tenant shall keep and maintain the Property (including all structural, non-structural, exterior, interior and landscaped areas, and systems and equipment) in good order, condition and repair during the Term. Tenant shall promptly replace any portion of the property or any systems or equipment thereof which cannot be fully repaired. All repairs and replacements shall be performed in a good and workmanlike manner. All of Tenant's obligations to maintain and repair the Property shall be accomplished at Tenant's sole expense. Tenant shall not be responsible to repair damages occasioned by Landlord's gross negligence.

(b) Tenant shall keep and maintain all portions of the Property and the parking areas, sidewalks and landscaped areas, in the same condition as received from Landlord, reasonable wear and tear excepted, free of dirt and rubbish, and clear the parking areas and sidewalks of accumulations of snow and ice.

(c) During the Term, Tenant shall procure and maintain the following service contracts: (i) contract for inspection and maintenance of the roof of the Building (the inspections pursuant to such contract shall be made at least annually); (ii) contract for the inspection, service, maintenance and repair of all heating, ventilating and air conditioning equipment installed in the Building (the inspection pursuant to such contract shall be made at least quarterly); (iii) contract for maintenance of the landscaped areas of the Property; however, Tenant is not obligated to

provide a service contract for maintenance of landscaping provided Tenant adheres to the maintenance obligations set forth in (b) above; and (iv) contract for the inspection, testing, service, maintenance, and repair of the sprinkler system in accordance with the requirements of the National Fire Protection Association (NFPA) and the governmental bodies having jurisdiction. The identity of each contractor and each contract shall be subject to Landlord's reasonable approval. Copies of reports of inspections made hereunder shall be promptly supplied to Landlord.

12. Alterations and Improvements. (a) Tenant shall not make any alterations, additions or improvements to the Property (the "Alterations") without Landlord's prior written consent, except for interior non-structural Alterations which do not exceed \$10,000.00 in cost which are not visible from the outside of the Building and which meet all applicable laws and building codes, and which do not affect the insurability or cost of insuring the Premises. In no event shall Alterations reduce the size of the Building or reduce the value of the Property. Tenant shall submit to Landlord detailed plans and specifications for Alterations requiring Landlord's consent and reimburse Landlord for all reasonable expenses incurred by Landlord in connection with its review thereof. Tenant shall also provide to Landlord for its reasonable approval the identity of the contractor Tenant proposes to employ to construct the Alterations for those Alterations requiring Landlord's consent. All Alterations shall be accomplished in accordance with the following conditions:

(1) Tenant shall procure all governmental permits and authorizations for the Alterations, and obtain and provide to Landlord an official certificate of occupancy and/or compliance upon completion of the Alterations, if appropriate.

(2) Tenant shall arrange for extension of its general liability insurance to apply to the construction of the Alterations. Further, Tenant shall procure and maintain Builders Risk Casualty Insurance in the amount of the full replacement cost of the Alterations and statutory Workers Compensation Insurance covering persons employed in connection with the work.

(3) Tenant shall construct the Alterations in a good and workmanlike manner utilizing materials of quality commensurate with others in the building and in compliance with all laws and governmental regulations.

(b) Upon completion of the Alterations, if Landlord so requests, Tenant shall provide Landlord with "as built" reproducible transparency plans of the Alterations; however, Tenant will not be required to provide plans for non-structural alterations which do not require a building permit.

(c) Alterations shall be the property of Landlord and shall remain on the Property upon termination of the Lease or, if Landlord so requires, a portion of or all Alterations shall be removed by Tenant on or prior to the termination of the Lease and Tenant shall restore the Property to its condition prior to such Alterations, reasonable wear and tear excepted. Landlord will, upon Tenant's request, notify Tenant of those Alterations which must be removed at Lease end.

13. Covenant Against Liens. Tenant shall not have any right to subject Landlord's interest in the Property to any mechanic's lien or any other lien whatsoever. If any mechanic's lien or other lien, charge or order for payment of money shall be filed as a result of the act or omission of Tenant, Tenant shall cause such lien, charge or order to be discharged or appropriately bonded within twenty (20) days after written notice from Landlord thereof, and Tenant shall indemnify and save Landlord harmless from all liabilities and costs resulting therefrom.

14. Signs. Tenant shall not place any signs on the Property without Landlord's prior written approval of its design, location and manner of installation, such approval not to be unreasonably withheld. In no event shall any sign be installed on the roof or above the parapet height of the Building. Tenant shall remove its signs upon termination of this Lease and restore the Property to its condition prior to installation of the signs, reasonable wear and tear excepted.

15. Compliance with Law. Tenant shall take all necessary action to conform to and comply with all laws, orders and regulations of any governmental authority or Landlord's or Tenant's insurers, or any Landlord's Mortgagee, now or hereafter applicable to the Property or Tenant's use or occupancy. Tenant shall obtain all permits, including a certificate of occupancy, necessary for Tenant's occupancy or use of the Property. Tenant has no obligation to obtain a certificate of occupancy for any work specified to be done by Landlord in the approved plans and specifications in Exhibit B. If the Tenant must make any capital expenditure in accordance with this section, which expenditure is not due to Tenant's specific use, Tenant will only pay a portion of the expense, said portion to be calculated as the number of years remaining on the Lease Term, or Extended Lease Term, divided by the depreciable life of the capital expenditure under generally accepted accounting principles multiplied by the capital expenditure. Tenant will not be required to make any capital expenditures to conform the property to any laws, orders and regulation or any governmental authority which were in existence as of the date of receipt of a building permit for construction of the facility.

16. Environmental Representations and Compliance. (a) The Tenant, its officers, partners, employees, agents and subsidiaries, agree to indemnify, defend and hold the Landlord, its officers, partners, employees, successors or assigns, harmless from any and all claims, causes of action, and any and all damages, liabilities, costs and expenses of any kind whatsoever, including fines, assessments, clean-up costs, shut-down fees, contractor's costs and actual attorney fees, which arise out of, are asserted on account of, or traceable to Tenant's use, storage, manufacture, dumping, leakage or the carrying on of any activities or occurrence upon the Premises that is the subject of this Lease relating to oil, waste oil, thinners, spirits, materials all petro-chemical by-products, and any substance, material or compound classified as toxic or hazardous under any federal, state or local environmental law, and any other material or compound known to have an adverse environmental impact. However, nothing herein contained shall make Tenant responsible for conditions existing prior to Tenant's occupancy.

(b) In addition, Tenant hereby makes the following representations with respect to Tenant's occupancy and use of the Premises to Landlord, understanding that Landlord shall and does in fact rely thereon. Tenant shall also indemnify, defend and hold Landlord harmless from any and all claims, costs, damages, expenses, attorney fees, and causes of action arising as a result of, or associated with these representations made by Tenant. However, nothing herein contained shall make Tenant responsible for conditions existing prior to Tenant's occupancy. (Note: Although clauses (1) through (4) below are representations made in the present tense, these representations shall be considered in compliance provided the representations are in fact accurate at the time of occupancy and thereafter):

(1) Air Quality:

(i) Tenant represents that any and all air emission permits required by state, local or federal authorities have been properly obtained and will remain in force.

(ii) Tenant represents that its facility is in compliance with any conditions attendant to such permits.

(iii) Tenant represents that its facility is and will remain in compliance with Occupational Safety Health Act requirements governing exposure of workers to hazardous materials in the workplace.

(2) Water Pre-Treatment:

(i) Tenant represents that any present discharge of industrial waste water into the sewer system has been properly permitted by local, state or federal authorities.

(ii) Tenant represents that all permits have been properly complied with and that Tenant is not in violation of any permits, ordinances, or compliance requirements.

(3) Underground Storage Tanks:

(i) Tenant acknowledges that there are presently no underground storage tanks upon the property and that none will be installed without Landlord's specific written consent.

(4) Water Discharge:

(i) Tenant represents that any permits for such water discharge have been properly obtained and are current and that Tenant is in compliance therewith.

However, in the event of unintentional violation of any of these representations, Tenant shall be entitled to the notice and cure rights provided in Section 23 hereof.

(c) Tenant further understands and agrees that Landlord shall be entitled to enter upon the Premises to conduct environmental audit inspections, tests, borings, samplings and the like which Landlord deems reasonable and necessary to determine the environmental status of the property. Landlord shall provide prior notice and agrees not to interfere with Tenant's occupancy; Landlord to repair any damage done to Premises; Landlord to indemnify Tenant for any damage or accidents.

(d) Tenant agrees that it shall, at its sole cost and expense, fulfill, observe and comply with all of the terms and provisions of all federal, state and local environmental laws now in effect or hereinafter enacted, as any of the same may be amended from time to time, and all rules, regulations, ordinances, opinions, orders and directives issued or promulgated pursuant thereto or in connection therewith, as and to the extent any of the foregoing may be applicable to the Property and Tenant's use and occupancy thereof except that Tenant shall not be obligated to make any changes to the structural elements or building systems unless necessitated by Tenant's specific use.

(e) Within ten (10) days after written request by the Landlord or any mortgagee of Landlord, and, in any event, on each anniversary of the commencement date hereof, Tenant shall deliver to Landlord or Landlord's mortgagee, as the case may be, a duly executed and acknowledged affidavit of Tenant or Tenant's chief executive officer, certifying:

(1) The proper four digit Standard Industrial Classification number ("S.I.C. number") relating to Tenant's then current use of the Property (said S.I.C. number to be obtained by reference to the then current Standard Industrial Classification Manual prepared and published by the Executive Office of the President, Office of Management and Budget or the successor to such publication). Tenant hereby represents, warrants and covenants that its S.I.C. number as of the date of this Lease is as set forth in Section I (i) hereof; and

(2) (a) That Tenant's use of the Property does not involve and has not involved the generation, manufacture, refining, transportation, treatment, storage, handling, or disposal of petroleum products or hazardous substances or wastes (as hazardous substances and hazardous wastes are defined in any Environmental Laws) on site, above ground or below ground (all of the foregoing being hereinafter collectively referred to as the Presence of Hazardous Substances); or (b) that Tenant's use does involve or has involved the Presence of Hazardous Substances, in which event, such affidavit shall describe in detail that portion of Tenant's operations which involves or involved the Presence of Hazardous Substances. Said description shall identify each Hazardous Substance and describe the manner in which it is or was generated, handled, manufactured, refined, transported, treated, stored, and/or disposed of. Tenant shall supply Landlord or Landlord's mortgagee with such additional information relating to said Presence of Hazardous Substances as Landlord or Landlord's mortgagee may request. However, the Tenant may store and handle substances which are classified as hazardous provided they are incidental to the normal operation of an office and light industrial manufacturing facility, and further provided that such substances are stored, handles and disposed of in accordance with applicable State and Federal statutes and regulations.

(f) Tenant shall provide Landlord with copies of all reports, information and materials filed with or provided to any governmental agency or authority pursuant to any of the environmental laws.

(g) In the event that, upon the date of termination or expiration of the term of this Lease, Tenant has not satisfied and complied with all requirements imposed upon Landlord or Tenant under any environmental laws or by any governmental agency or authority pursuant to any environmental laws, Tenant shall continue to pay Fixed Rent at the annual rent payable immediately prior to such date of termination or expiration plus an increase for each year until such obligation terminates, each such annual increase to be determined by the percentage increase in the Consumer Price Index published by the Bureau of Labor Statistics of the United States for All Urban Consumers (1982-1984 = 100). Such increased portion of rent over the Fixed Rent shall be computed by the increase in the Index from three (3) months prior to the initial Term of the Lease or the later of three (3) months prior to the expiration of the Lease or three (3) months prior to the anniversary of each continuance of the Lease multiplied by the annual rental during the last year of the Lease. The increased rental when added to the previous Fixed Rent shall become the new Fixed Rent. In no event shall Fixed Rent be reduced below the amount payable for the prior year. Such Fixed Rent shall be payable notwithstanding that Tenant may be barred and precluded from occupying and using the Property. Such payments of Fixed Rent shall continue until Tenant has complied in full with the requirements imposed by environmental laws or by governmental agencies and authorities having jurisdiction with respect thereto and has provided to Landlord written confirmation from governmental agency or authority having jurisdiction that such compliance has in fact occurred. Tenant shall, in addition to payments of Fixed Rent as aforesaid, promptly pay any fines, penalties, levies or assessments against the Property or Landlord which are imposed at any time or from time to time as a result of any action, act or failure to act of the Tenant relating to environmental laws. For as long as Tenant shall remain liable for rent under this subparagraph (g), Tenant shall have control over any remediation efforts, provided such remediation is in compliance with all applicable federal, state and local laws.

(h) Tenant agrees that each and every provision of this Section shall survive the expiration or earlier termination of the Term of this Lease.

17. Landlord's Access. Landlord and its representatives may enter the Property at all reasonable times (or at any time in the event of emergency) for the purpose of inspecting the Property, or making any necessary repairs, or to show the Property to prospective purchasers, investors, encumbrancers, tenants or other parties, or for any other purpose Landlord deems necessary. During the final six (6) months of the Term, Landlord may place customary "For Sale" or "For Lease" signs on the Property. Landlord shall, in the exercise of its rights under this Section, use its best efforts not to unreasonably interfere with Tenant's use and occupancy of the Property.

18. Assignment and Subletting. Except as otherwise provided herein, Tenant shall not assign or encumber Tenant's interest in this Lease, sublet any portion of the Property, or grant concessions or licenses with respect to the Property.

(a) If Tenant requests Landlord's consent to an assignment of this Lease or a subletting of all of any part of the Premises, Tenant shall submit to Landlord: (1) the name of the proposed assignee or subtenant; (2) the terms of the proposed assignment or subletting together with a conformed or photostatic copy of the proposed assignment or sublease; (3) the nature of business of the proposed assignee or subtenant's business and its proposed use of the Premises; (4) such information as to its financial responsibility and general reputation as Landlord may require; and (5) a summary of plans and specifications for revising the floor layout of the Premises.

(b) Upon the receipt of such information from Tenant, Landlord shall have the option, to be exercised in writing within fifteen (15) days after such receipt, to cancel and terminate this Lease if the request is to assign this Lease or to sublet all of the Premises or, if the request is to sublet a portion of the Premises only, to cancel and terminate this Lease with respect

to such portion, in each case as of the date set forth in Landlord's notice of exercise of such option.

(c) If Landlord shall cancel this Lease, Tenant shall surrender possession of the Premises, or the portion of the Premises which is the subject of the request, as the case may be, on the date set forth in such notice in accordance with the provisions of this lease relating to surrender of the Premises. If this Lease shall be canceled as to a portion of the Premises only, the Minimum Rent and Additional Rent payable by Tenant hereunder shall be abated proportionately according to the ratio that the number of square feet in the portion of space surrendered (as computed by Landlord) bears to the Rentable Area of the Premises.

(d) If Landlord shall elect not to exercise its option to cancel and terminate this Lease with respect to all or part of the Premises as above provided, Landlord agrees not to unreasonably withhold its consent to the proposed assignment or sublease. However, if the proposed assignee or subtenant is or has been a tenant of Landlord or Landlord's affiliates, or if the proposed assignee or subtenant has had contact with Landlord or Landlord's affiliates within twelve (12) months preceding the proposed assignment or sublease regarding potentially leasing space from the Landlord or Landlord's affiliates, then failure of Landlord to consent shall not be unreasonable. Landlord shall notify Tenant, within twenty (20) days after Landlord's receipt of the information described herein, whether (i) Landlord consents to the proposed assignment or sublease or (ii) does not consent to the proposed assignment or sublease. The cumulative change of more than fifty-one (51%) percent of the ownership interest of Tenant shall be deemed to be an assignment of this Lease requiring Landlord's consent. However, Tenant may assign this Lease of sublet the Property, without Landlord's consent, to any corporation which controls, is controlled by or is under common control with Tenant, or to any corporation resulting from the merger of or consolidation with Tenant, provided such assignee shall assume all of Tenant's obligations under this Lease, and such assignee or sublessee shall then have a net worth at least equal to that of Tenant on the date hereof.

(e) In the event of a permitted assignment or subletting, Tenant shall remit to Landlord as additional rent each month during the remainder of the Base Term fifty (50%) percent of any rent or other sums received by Tenant from its assignee or sublessee in excess of the Fixed Rent and other charges paid by Tenant allocable to the Property or portion thereof sublet, as the case may be, and 100% of any rent or other sums received by Tenant from its assignee or sublessee in excess of the Fixed Rent and other charges paid by Tenant allocable to the Property or portion thereof sublet, as the case may be for any term in effect beyond a ten (10) year term.

(f) No assignment or subletting hereunder, whether or not with Landlord's consent, shall release Tenant from any obligations under this Lease, and Tenant shall continue to be primarily liable hereunder. Unless otherwise previously released from liability by Landlord, if Tenant's assignee or sublessee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing its remedies against the assignee or sublessee. Consent to one assignment or subletting shall not be deemed a consent to any subsequent assignment or subletting. Landlord may consent to subsequent assignments or modifications of this Lease or sublettings without notice to Tenant and Tenant shall not be relieved of liability under this Lease.

(g) Tenant shall pay to Landlord upon demand all costs, including reasonable legal fees, which Landlord shall incur in reviewing any proposed assignment or subletting; however, Landlord will provide an estimate of costs beforehand and Tenant may decline to have Landlord review or ask Landlord to review and pay such amounts as are due.

19. Casualty. If the Building is damaged by fire or other casualty, and (i) the insurance proceeds received by Landlord on account of such damage are sufficient to pay for the necessary repairs, (ii) Landlord's Mortgagee permits Landlord to utilize the insurance proceeds to repair such damage, and (iii) the Building can be fully repaired within one hundred thirty-five (135) days after such casualty occurred, this Lease shall remain in effect and Landlord shall repair the damage as soon as reasonably possible. If any of the foregoing conditions requiring Landlord to repair the Building is not met, Landlord may elect either to (i) terminate this Lease; or (ii) repair the damage as soon as reasonably possible, in which event this Lease shall remain in full force

and effect (but Tenant shall then have the right to terminate this Lease if the Building cannot be fully repaired within six (6) months after such casualty occurred). Landlord shall notify Tenant, in writing, of its election within thirty (30) days after Landlord receives notice of the occurrence of the casualty. Tenant's notification, if any, shall be required within ten (10) days thereafter. The Monthly Base Rent and other charges will be abated proportionately during any period in which, by reason of any damage or destruction not occasioned by the negligence or willful misconduct of Tenant or Tenant's employees or invitees, there is a substantial interference with the operation of the business of Tenant. Such abatement will be proportional to the measure of business in the Premises which Tenant may be required to discontinue. The abatement will continue for the period commencing with such destruction or damage and ending with the completion by the Landlord of such work, repair, or reconstruction as Landlord is obligated to do. Tenant waives the protection of any law which grants a tenant the right to terminate a lease in the event of the destruction of a leased property, and agrees that the provisions of this paragraph shall govern in the event of any destruction of the Building. Landlord shall not be required to repair improvements or alterations to the Property made by Tenant.

20. Condemnation. If more than twenty-five (25%) percent of the Land and/or Building shall be taken under the power of eminent domain or sold under the threat thereof ("Condemnation") and Tenant's use of the Property is materially adversely affected in the reasonable opinion of Tenant, this Lease shall terminate on the date on which title to the Property or portion thereof shall vest in the condemning authority. If this Lease shall remain in effect as to the portion of the Property not taken, Landlord shall restore the improvements of the Property not taken as nearly as reasonably practicable to their condition prior to the Condemnation, and the Fixed Rent and Additional Rent shall be reduced proportionately in accordance with the reduction in the square foot area of the Building following the Condemnation. Landlord shall be entitled to receive the entire award in any Condemnation proceeding relating to the Property, except that Tenant may assert a separate claim to an award for its moving expenses and for fixtures and personal property installed by Tenant at its expense. It is understood that Tenant shall have no claim against Landlord for the value of the unexpired Term of this Lease or any options granted under this lease. Landlord shall not be required to restore improvements or alterations to the Property made by Tenant.

21. Surrender of Property. Upon termination of the Lease, Tenant shall surrender the Property to Landlord, broom clean, and in good order and condition, except for ordinary wear and tear, and damage by casualty which Tenant was not obligated to remedy under Section 19. Tenant shall remove its machinery, equipment and personal property and repair any damage to the Property caused by such removal. Tenant shall not remove any power wiring or power panels, lighting or lighting fixtures, wall coverings, blinds or other window coverings, carpets or other floor coverings, heaters or air conditioners or fencing or gates, except if installed by Tenant and required by Landlord to be removed from the Property. All personal property of Tenant remaining on the Property after Tenant's removal shall be deemed abandoned and at Landlord's election may either be retained by Landlord or may be removed from the property at Tenant's expense.

22. Holdover. In the event Tenant remains in possession of the Property after the expiration of the Term of this Lease (the "Holdover Period"), in addition to any damages to which Landlord may be entitled or other remedies Landlord may have by law, Tenant shall pay to Landlord a rental for the Holdover Period at the rate of one hundred fifty (150%) percent the sum of (i) the annual rent payable during the last lease year of the Term, plus (ii) all items of additional rent and other charges with respect to the Property payable by Tenant during the last lease year of the Term. Nothing herein contained shall be deemed to give Tenant any right to remain in possession of the Property after the expiration of the Term of this lease. The sum due to Landlord hereunder shall be payable by Tenant upon demand. Prior to asserting a claim for damages due to a lost or delayed prospective tenant, Landlord must provide evidence of any claim against Tenant for missed rent or other damages from a lost prospective tenant due to holdover of Tenant.

23. Events of Default; Remedies. (a) Tenant shall be in default upon the occurrence of one or more of the following events (an "Event of Default")' (i) Tenant fails to pay rent or any other sum of money required to be paid by Tenant hereunder within five (5) days of the date

when due; however, Tenant shall be entitled to pay within five (5) days written notice from Landlord on two (2) occasions per year and not be in default; (ii) Tenant fails to perform any of Tenant's non-monetary obligations under this Lease for a period of thirty (30) days after written notice thereof from Landlord. If Tenant is diligently pursuing to cure any non-monetary default and such default cannot be effected within thirty (30) days, then Tenant will be allowed additional time as required to effect such cure; (iii) Tenant abandons the Property for thirty (30) days or more; or (iv) Tenant makes an assignment for the benefit of creditors, or if a petition for adjudication of bankruptcy or for reorganization is filed by or against Tenant and is not dismissed within thirty (30) days, or if a receiver or trustee is appointed for a substantial part of Tenant's property and such appointment is not vacated within thirty (30) days.

(b) On the occurrence of an Event of Default, without limiting any other right or remedy Landlord may have, Landlord may give written notice to Tenant of its intention to take the following actions on the earliest date permitted by law or any later date specified in such notice:

(i) Terminate this Lease and Tenant's right to possession of the Property by any lawful means, or, without terminating this Lease, take possession of the Property. In any such event Tenant shall immediately surrender possession of the Property to Landlord and shall remain liable to Landlord as follows. At its option, Landlord may occupy the Property or cause the Property to be redecorated, altered, divided, consolidated with other adjoining property, or otherwise prepared for reletting, and may relet the Property or any part thereof for a term or terms to expire prior to, at the same time or subsequent to the original Expiration Date, and receive the rent therefor, applying the sums received first to the payment of such expenses as Landlord may have incurred in connection with the recovery of possession, and restoring the Property to the condition in which Tenant was obligated to maintain the Property under this Lease, to brokerage and attorneys' fees, and then to the payment of damages in amounts equal to the rent hereunder and to the cost and expense of performance of the other covenants of Tenant under this Lease. Tenant agrees to pay to Landlord damages equal to the rent and other sums payable by Tenant under this Lease, reduced by the net proceeds of the reletting, if any, as ascertained from time to time. In reletting the Property, Landlord may grant rent concessions, and Tenant shall not be entitled to any credit therefor. Tenant shall not be entitled to any surplus resulting from any reletting. If Landlord elects to occupy the Property or any part thereof, there shall be allowed against Tenant's obligation for rent during the period of Landlord's occupancy, the reasonable value of such occupancy, not to exceed in any event the rent payable hereunder for such portion of the Property. Such occupancy shall not be construed as a release of Tenant's liability hereunder. In all respects hereto, the Landlord has an affirmative duty to mitigate its damages by attempting to relet the Property.

(ii) Permit Tenant to remain in possession of the Property, in which event this Lease shall continue in effect. Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to receive the rent as it becomes due under this lease.

(iii) Pursue any other remedy now or hereafter available under the laws of the jurisdiction in which the Property is located.

(c) The remedies available to Landlord herein specified are not intended to be exclusive and prevent Landlord from exercising any other remedy or means of redress to which Landlord may be lawfully entitled. In addition to other remedies provided in this Lease, Landlord shall be entitled to restraint by injunction of any violation or threatened violation by Tenant of any of the provisions of this Lease. Landlord's exercise of any right or remedy shall not prevent Landlord from exercising any other right or remedy.

(d) Tenant, for itself and any person claiming through or under Tenant, waives any equity or right of redemption provided by any law.

24. Service Fee; Interest. (a) Tenant's failure to pay rent promptly or make other payments required under this Lease may cause Landlord to incur unanticipated costs, which are impractical to ascertain. Therefore, if Landlord does not receive full payment of Fixed Rent,

additional rent or other sums due from Tenant to Landlord within five (5) days after it becomes due, Tenant shall pay Landlord as additional rent a service fee equal to five (5%) percent of the overdue amount; however, Tenant will be allowed one (1) written notice of delinquency per year without imposition of the service fee, providing Tenant pays all amounts due with three (3) days of receipt of Landlord's notice. This service fee shall be in addition to reasonable legal fees and costs incurred by Landlord in enforcing this Lease in the event of default.

(b) Any amount owed by Tenant to Landlord which is not paid when due shall bear interest at the rate per annum of three (3%) percent in excess of the then prime rate of CitiBank, N.A., of New York, New York ("Default Interest") from the date of default in payment of such amount. The payment of Default Interest on such amounts shall not extend the due date of any amount owed. If the interest rate specified in this Lease shall exceed the rate permitted by law, the Default Interest shall be deemed to be the maximum legal interest rate permitted by law.

25. Indemnification by Tenant. Tenant shall indemnify and hold harmless Landlord from and against all liability, claims or costs including reasonable legal fees, arising from (i) Tenant's use of the Property; (ii) any breach of this Lease by Tenant; (iii) any other act or omission of Tenant; or (iv) any injury including claims for death to person or damage to property occurring on or about the Property, except for acts of gross negligence by Landlord. Tenant shall defend Landlord against any such claim of a third party, with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for reasonable legal fees incurred by Landlord's employment of its own counsel.

26. Landlord's Right to Cure Tenant's Default. If Tenant fails to make any payment or perform any act on its part to be made or performed, then Landlord, without waiving or releasing Tenant from such obligation, may, but shall not be obligated to, make such payment or perform such act on Tenant's part, and the costs incurred by Landlord in connection with such payment or performance, together with Default Interest thereon, shall be paid on demand by Tenant to Landlord as additional rent.

27. Waiver of Liability. Landlord shall not be liable for any injury or damage to the business, equipment, merchandise or other property of Tenant or any of Tenant's employees or invitees or any other person on or about the Property, resulting from any cause, including, but not limited to: (i) fire, steam, electricity, water, gas or rain; (ii) leakage, obstruction or other defects of pipes, sprinklers, wires, plumbing, air conditioning, boilers or lighting fixtures; or (iii) condition of the Property. The preceding excludes any acts of gross negligence by Landlord.

28. Force Majeure. If either party is unable to perform any of its obligations due to events beyond such party's reasonable control, the time provided to such party for performing such obligations shall be extended by a period of time equal to the duration of such events, and the other party shall not be entitled to any claim against such party by reason thereof. Events beyond a party's reasonable control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, casualty, weather conditions, labor or material shortages, or government regulation or restriction. Nothing herein shall delay or affect Tenant's obligation to pay Fixed Rent, real property impositions or other items of additional rent payable by Tenant under this Lease as the same becomes due.

29. Notice of Landlord's Default. Tenant shall give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and any ground lessor or Landlord's Mortgagee whose name and address have been furnished to Tenant. Landlord shall not be in default under this Lease unless Landlord (or such ground lessor or Landlord's Mortgagee) fails to cure such non-performance within thirty (30) days after receipt of Tenant's notice. If more than thirty (30) days are required to cure such non-performance, Landlord shall not be in default if such cure is commenced within such thirty (30) day period and thereafter diligently pursued to completion. If Landlord shall be in default as aforesaid, Tenant's only right or remedy shall be to perform such work or take such action as shall be reasonably necessary to cure or correct such default. In no event shall Tenant have the right to terminate this Lease by reason of any such default, and in no event shall Tenant have the right to deduct from Fixed Rent or additional rent any amounts expended by Tenant pursuant to this Section.

30. Landlord's Liability Limited. (a) There shall be no personal liability of the Landlord or any partner, stockholder, officer, director or other principal of Landlord in connection with this Lease. Tenant agrees to look solely to the interest of Landlord in the Property for the collection of any judgment or other judicial process requiring the payment of money by Landlord in the event of any default or breach by Landlord with respect to this Lease or in any way relating to the Property. No other assets of landlord or any principal of Landlord shall be subject to levy, execution or other procedures for the satisfaction of Tenant's remedies.

(b) The term "Landlord" as used in this lease means only the owner or mortgagee in possession for the time being of the Property or the owner of a lease thereof so that, in the event of any sale of the Property, or an assignment or transfer of such lease, or an assignment of this Lease, Landlord shall be, and hereby is, entirely freed, relieved and released of all obligations of Landlord hereunder, and it shall be deemed, without further agreement between the parties and such purchaser(s) or assignee(s) that the purchaser or assignee has agreed to perform all of the obligations of Landlord hereunder. This provision shall relate only to obligations which arise after the date of such transfer and do not relieve Landlord for liability for obligations arising prior to such transfer.

31. Estoppel Statement; Financial Statement. (a) Upon Landlord's request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying: (i) the Commencement Date; (ii) the Expiration Date; (iii) that this Lease is in full force and effect and unmodified (or if modified, stating the modifications); (iv) the last date of payment of the Fixed Rent and other charges and the time period covered by each payment; (v) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating the nature of the default); and (vi) such other matters as may be reasonably required by Landlord or any Landlord's Mortgagee. Tenant shall deliver such statement to Landlord within ten (10) days after Landlord's written request. Any such statement may be given to and relied upon by any prospective purchaser or encumbrancer of the Property.

(b) Within ten (10) days after Landlord's request, Tenant shall deliver to Landlord such financial statements as are reasonably required to verify the net worth of Tenant. Any such statement may be given by Landlord to any Landlord's Mortgagee or prospective encumbrancer of the Property, but otherwise shall be kept confidential by Landlord. Tenant represents to Landlord that each such financial statement is a true and accurate statement as of the date of such statement.

32. Quiet Enjoyment. Landlord covenants that as long as Tenant pays the Fixed Rent and additional rent and performs its other obligations under this Lease, Tenant shall peaceably and quietly have, hold and enjoy the Property for the Term provided by this Lease, subject to the provisions of this Lease, any mortgage or other agreements to which this Lease is subordinate.

33. Subordination; Attornment. (a) This Lease is subject and subordinate to any mortgage and related documents or liens which may now or hereafter encumber the Property, and any renewals, modifications, consolidations, replacements or extensions thereof.

(b) If Landlord's interest in the Property is acquired by Landlord's Mortgagee, or purchaser at a foreclosure sale, Tenant shall attorn to the transferee of or successor to Landlord's interest in the Property and recognize such transferee or successor as landlord under this Lease. Such transferee or successor shall not be liable for any act or omission of any prior landlord, or be subject to any offsets or defenses which Tenant might have against any prior landlord, or be bound by any Fixed Rent which Tenant might have paid for more than the current month to any prior landlord, or be liable for any security deposit under this lease unless actually transferred to such transferee or successor.

(c) Tenant agrees that this Lease shall be modified in accordance with the reasonable request of any institutional Landlord's Mortgagee, provided no such modification adversely affects the business terms, or operation of Tenant's business, of this lease.

(d) The foregoing provisions shall be self-operative and no further instrument or act on the part of Tenant shall be necessary to effect the same, so long as Tenant is provided with a non-disturbance agreement. Tenant shall nevertheless sign and deliver any document necessary or appropriate to evidence the subordination, attornment or agreement above provided, providing Tenant is provided with a non-disturbance agreement, acceptable to Tenant, granting Tenant the right to have, hold and enjoy the Property for the Term (so long as Tenant pays the Fixed and Additional Rent and performs its other obligations under this Lease).

34. Brokerage. Each party represents to the other that it did not deal with any real estate broker in connection with this Lease, other than the real estate broker (if any) whose identity is set forth in Section 1(h). The commission of such broker (if any) shall be paid by the party as set forth in Section 1(h). Each party shall indemnify and hold the other harmless from any claim for a commission or other fee made by any broker with whom the indemnifying party has dealt, other than the broker identified in Section 1(h).

35. Notices. All notices in connection with this Lease or the Property shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid or by overnight carrier which obtains delivery receipts (e.g. Federal Express). Notices to Landlord shall be delivered to the address specified in Section 1(b). Notices to Tenant shall be delivered to the address specified in Section 1(c). All notices shall be effective upon the earlier of delivery or attempted delivery in accordance with this provision. Either party may change its notice address upon written notice to the other party given in accordance with this provision.

36. Memorandum of Lease. Tenant shall not record this lease. However, either Landlord or Tenant may require that a memorandum of this Lease executed by both parties be recorded. Such memorandum shall include such portions of this lease as either party may reasonably require, but shall not specify the amount of Fixed rent payable hereunder.

37. Miscellaneous. (a) The failure of either party to insist on strict performance of any provision of this Lease, or to exercise any right contained herein, shall not be construed as a waiver of such provision or right in any other instance. All amendments to this lease shall be in writing and signed by both parties.

(b) The captions in this lease are intended to assist the parties in reading this Lease and are not a part of the provisions of this Lease. Whenever required by the context of this lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other.

(c) Landlord and Tenant hereby waive trial by jury in any legal proceeding brought by either of them against the other with respect to any matters arising out of or in any way connected with this Lease or the Property.

(d) The laws of the state in which the Property is located shall govern this Lease.

(e) If Tenant is a corporation or partnership, each person signing this lease on behalf of Tenant represents that he has full authority to do so and that this Lease binds the corporation or partnership, as the case may be.

(f) This Lease shall be binding upon, and inure to the benefit of, Landlord and Tenant and their respective heirs, executors, administrators, successors (by operation of law or otherwise) and assigns, subject, however, to the limitations on Tenant's right to assign and sublet as set forth in Section 18 hereof.

(g) The submission of this lease to Tenant shall not be deemed to be an offer and shall not bind either party until duly executed by Landlord and Tenant.

(h) This Lease may be executed in counterparts, and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument.

(i) A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not invalidate the remainder of this Lease or such provision, which shall continue to be in effect.

(j) Waiver of Jury Trial. Landlord and Tenant by this Section 38 waive trial by jury in any action, proceeding or counterclaim brought by either of the parties to this Lease against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, or any other claims (including without limitation claims for personal injury or property damage), and any emergency statutory or any other statutory remedy.

The riders enumerated in Section 1(i) are attached hereto and make a part of this Lease as fully as if set forth herein at length. The Terms used in the rider have the same meanings as set forth in the Lease. The provisions of a rider shall prevail over any provisions of the Lease which are inconsistent or conflict with the provisions of the rider.

IN WITNESS WHEREOF, the parties hereby have duly executed this Lease as of the date set forth in Section 1(a).

WITNESS:

LANDLORD:
PYRAMID CONSTRUCTION COMPANY

/s/ Michelle A. Cabibbo

By: /s/ William J. Coleman

ATTEST:

TENANT:
MAGNETEC CORP.

By: /s/

By: /s/ Richard L. Cote

Executive Vice President

LOAN PROGRESS CHART

Showing dollar balance remaining on a \$1,000 loan... . . . 9-1/4%

ORIGINAL TERM IN YEARS

AGE OF LOAN	
-----	--
10	715
11	670
12	620
13	565
14	505
15	439
16	366
17	287
18	200
19	105

OPTION TO RENEW #1

The tenant shall have the option to renew this lease for an additional five (5) year period, commencing April 1, 2008 and terminating March 31, 2013 at the following rental rate:

YEAR -----	MONTHLY INSTALLMENT -----	ANNUAL RATE -----
04/01/08-03/31/09	\$ 34,302.92	\$ 411,635.00
04/01/09-03/31/10	\$ 34,388.25	\$ 412,659.00
04/01/10-03/31/11	\$ 37,601.50	\$ 451,218.00
04/01/11-03/31/12	\$ 37,690.25	\$ 452,283.00
04/01/12-03/31/13	\$ 37,780.83	\$ 453,370.00

In order for the Tenant to renew the Lease for an additional five (5) years, Tenant must provide written notice to the Landlord of the Tenant's intent to exercise the option to renew the Lease at least six (6) months prior to the expiration of the original Lease.

Upon Landlord's receipt of that written notice, the Lease will be renewed for an additional five (5) years as set forth above, provided and on condition that the Tenant has performed all the terms, conditions and covenants stated in the Lease provisions during the Lease term, and is not in default of any of the provisions of the Lease at the time the notice of intent to exercise the option is given.

All other terms and conditions of the Lease shall remain the same and in full force and effect.

OPTION TO RENEW #2

The tenant shall have the option to renew this lease for an additional five (5) year period, commencing April 1, 2013 and terminating March 31, 2018 at the following rental rate:

YEAR ----	MONTHLY INSTALLMENT -----	ANNUAL RATE -----
04/01/13-03/31/14	\$ 37,881.50	\$ 454,578.00
04/01/14-03/31/15	\$ 37,959.00	\$ 455,508.00
04/01/15-03/31/16	\$ 41,515.17	\$ 498,182.00
04/01/16-03/31/17	\$ 41,613.17	\$ 499,358.00
04/01/17-03/31/18	\$ 41,713.17	\$ 500,558.00

In order for the Tenant to renew the Lease for an additional five (5) years, Tenant must provide written notice to the Landlord of the Tenant's intent to exercise the option to renew the Lease at least six (6) months prior to the expiration of the original Lease.

Upon Landlord's receipt of that written notice, the Lease will be renewed for an additional five (5) years as set forth above, provided and on condition that the Tenant has performed all the terms, conditions and covenants stated in the Lease provisions during the Lease term, and is not in default of any of the provisions of the Lease at the time the notice of intent to exercise the option is given.

All other terms and conditions of the Lease shall remain the same and in full force and effect.

EXHIBIT A, B and C
MAGNETEC ADDITION 1997
COMPLETE SET OF CONSTRUCTION DOCUMENTS

Drawings and Specifications entitled "MAGNETEC BUILDING-ADDITION, WALLINGFORD, CT" by Dyami Architects, dated June 24, 1997:

EXHIBIT A	Site Plan
T- 1	Title, General Notes
01-AB1	Building Architectural and Demolition Plan
01-AA1	Architectural Plan
01-AA2	Reflected Ceiling Plan
01-AA3	Electric & Telephone Plan
01-AA4	Finish Plan
01-AA5	Roof Plan
IE-1	Interior Elevation
EEL	Exterior Elevation
DT1	Details Plan
DT2	Details Plan
DT3	Details Plan
S1	Foundation Plan (Revised 7/15/97)
S3	Structural Plan (Revised 7/15/97)
E-1	Power Plan
E-2	Lighting Plan
M-1	HVAC Plan
P-1	Plumbing Plan

GUARANTY OF LEASE

LANDLORD: PYRAMID CONSTRUCTION COMPANY
TENANT: MAGNETEC CORP.
LEASE: AT COMPLETION- MARCH 31, 2008
GUARANTOR: TRANSACT TECHNOLOGIES, INC.
DATE: July 31, 1997

The Tenant wishes to enter into the Lease dated July 30, 1997, with the Landlord. The Landlord is unwilling to enter into the Lease unless the Guarantor assures Landlord of the full performance of the Tenant's obligations under the Lease. The Guarantor is willing to do so.

Accordingly, in order to induce Landlord to enter into the Lease with the Tenant, and for good and valuable consideration, whose receipt and adequacy are acknowledged by Guarantor

1. The Guarantor unconditionally guarantees to the Landlord, and the successors and assigns of the Landlord, the Tenant's full and punctual performance of its obligations under the Lease. If Tenant defaults, Landlord will notify Guarantor at TransAct Technologies, Inc., 7 Laser Lane, Wallingford, CT 06492. If Tenant defaults in the performance of its obligations under the Lease, upon the Landlord's request, the Guarantor will perform the Tenant's obligations under the Lease.

2. Any act of the Landlord, or the successors or assigns of the Landlord, consisting of a waiver of any of the terms or conditions of the Lease, or the giving of any consent to any matter related to or thing relating to the Lease, or the granting of any indulgences or extensions of time to the Tenant, may be done without notice to the Guarantor and without affecting the obligations of the Guarantor under this Guaranty.

3. The obligations of the Guarantor under this Guaranty will not be released by the Landlord's receipt, application, or release of security given for the performance of the Tenant's obligations under the Lease, nor by any modification of the Lease. In case of any such modification, the liability of the Guarantor will be deemed modified in accordance with the terms of any such modification.

4. The liability of the Guarantor under this Guaranty will not be affected by (a) the release or discharge of the Tenant from its obligations under the Lease in any creditors' receivership, bankruptcy, or other proceedings, or the commencement or pendency of the liability of the Tenant or the estate of the Tenant in bankruptcy, or any remedy for the enforcement of the Tenant's liability under the Lease, resulting from the operation of any present or future bankruptcy code or other statute, or from the decision in any court; (c) the rejection or disaffirmance of the Lease in any such proceedings; (d) the assignment or transfer of the Tenant; or (f) the cessation from any cause (other than full performance of all Tenant's obligations under the Lease) whatsoever of the liability of the Tenant under the Lease.

5. Until all of the Tenant's obligations under the Lease are fully performed, the Guarantor; (a) waives any right of subrogation against the Tenant by reason of any payment or acts of performance by the Guarantor, in compliance with the obligations of the Guarantor under this Guaranty; and (c) subordinates any liability or indebtedness of the Tenant held by the Guarantor to the obligations of the Tenant to the Landlord under the Lease.

6. This Guaranty will apply to the Lease, any extension or renewal of the Lease, and any holdover term following the term, or any such extension or renewal.

7. This Guaranty may not be changed, modified, discharged, or terminated orally or in any manner other than by an agreement in writing signed by the Guarantor and the Landlord.

8. The Guarantor is primarily obligated under the Lease. Landlord may, at its option, proceed against the Guarantor without proceeding against the Tenant or anyone else obligated under the Lease.

9. The Guarantor will pay on demand the reasonable attorneys' fees and costs incurred by the Landlord, or its successors and assigns, in connection with the enforcement of this Guaranty.

10. The Guarantor irrevocably appoints the Tenant as its agent for service of process related to this Guaranty.

The Guarantor has executed this Guaranty as of the date written above.

ATTEST:

GUARANTOR: TRANSACT TECHNOLOGIES, INC.

By: /s/ Steven A. DeMartino

By: /s/ Richard L. Cote

Executive Vice President and CFO

TRANSACTION TECHNOLOGIES INCORPORATED
EXHIBIT 10.29

May 31, 1996

Mr. Bart Shuldman
Ithaca Peripherals Incorporated
7 Laser Lane
Wallingford, CT 06492

Re: OEM Agreement

Dear Bart:

The purpose of this letter is to renew our OEM Agreement for another two (2) year pricing term which will begin August 28, 1995 and expire August 28, 1997, with deliveries to be completed by February 28, 1998, and to replace Exhibit A with the new Exhibit A as attached. The terms and conditions of this new Agreement will be as stated in the OEM Agreement which we entered in January 21, 1991 and all subsequent agreed upon amendments made thereto.

This Agreement will be subject to the provisions of a Strategic Agreement dated May 9, 1996, between the Parties. Accordingly, the term of this Agreement will be five (5) years, coincident with the Strategic Agreement.

If you agree to this renewal contract, please indicate your acceptance by signing both originals in the space provided. Retain one duplicate original for your records and return the other to my attention.

Certainly we appreciate our long standing business relationship as we look forward to continued success in the future.

Sincerely,

Ithaca Peripherals Incorporated

/s/ Bart C. Shuldman

(Signature)

/s/ David L. Vaughn

David L. Vaughn
Manager, Legal Affairs

Bart C. Shuldman

(Name)

Enclosure

c: T. Donahue
E. Morris
J. Rowley

May 31, 1996

(Date)

TRANSACTION TECHNOLOGIES INCORPORATED
EXHIBIT 11.1
COMPUTATION OF EARNINGS PER SHARE

	Year Ended			Nine Months Ended	
	December 31, 1997	December 31, 1996	December 31, 1995 (Unaudited)	December 31, 1995	December 31, 1994 (Unaudited)
Net Income	\$ 4,893,000	\$ 3,340,000	\$ 1,332,000	\$ 916,000	\$ 1,883,000
SHARES:					
Basic - Weighted average common shares outstanding	6,767,000	5,864,000	5,400,000	5,400,000	5,400,000
Dilutive effect of outstanding options and warrants as determined by the treasury stock method	165,000	20,000	-	-	-
Diluted - Weighted average common and common equivalent shares outstanding	6,932,000	5,884,000	5,400,000	5,400,000	5,400,000
Net income per common and common equivalent share:					
Basic	\$ 0.72	\$ 0.57	\$ 0.25	\$ 0.17	\$ 0.35
Diluted	0.71	0.57	0.25	0.17	0.35

TRANSACT TECHNOLOGIES INCORPORATED
EXHIBIT 21.1
SUBSIDIARIES OF TRANSACT TECHNOLOGIES INCORPORATED

Name -----	Jurisdiction of Incorporation -----	Owner -----	Percentage Owned -----
Magnetec Corporation	Connecticut	TransAct Technologies Incorporated	100%
Ithaca Peripherals Limited	United Kingdom	Magnetec Corporation	100%
TransAct Technologies International Ltd	Barbados	TransAct Technologies Incorporated	100%

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM (A) TRANSACT TECHNOLOGIES INCORPORATED ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH (B) FINANCIAL STATEMENTS.

1,000

12-MOS		
	DEC-31-1997	
	JAN-01-1997	
	DEC-31-1997	391
		0
		7,337
		102
		8,570
		17,561
		11,283
		6,294
		24,699
	6,123	
		0
	0	
		0
		68
		17,835
24,699		
		58,400
		58,400
		40,227
		50,569
		19
		0
	(16)	
		7,828
		2,935
	4,893	
		0
		0
		0
		3,340
		0.72
		0.71