

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 28, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: to:
Commission file number:

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

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

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

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

Former address:
(Former name, former address and former fiscal year, if changed
since last report.)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 Months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

YES / / NO /X/

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDING DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents
and reports required to be filed by Sections 12, 13 or 15(d) of the Securities
Exchange Act of 1934 subsequent to the distribution of securities under a plan
confirmed by a court.

YES / / NO / /

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

CLASS -----	OUTSTANDING NOVEMBER 12, 1996 -----
COMMON STOCK, \$.01 PAR VALUE	6,722,500

TRANSACT TECHNOLOGIES INCORPORATED

INDEX

PART I.	Financial Information:	Page No.
-----	-----	-----
Item 1.	Financial Statements	
	Consolidated Condensed Balance Sheets September 28, 1996 and December 31, 1995	3
	Consolidated Statements of Income for the Three Months and Nine Months Ended September 28, 1996 and September 30, 1995	4
	Consolidated Statements of Cash Flows for the Nine Months Ended September 28, 1996 and September 30, 1995	5
	Notes to Consolidated Condensed Financial Statements	6
Item 2.	Management's Discussion and Analysis of the Results of Operations and Financial Condition	7
PART II.	Other Information:	
Item 6.	Exhibits and Reports on Form 8-K	11
Signatures		12

TRANSACT TECHNOLOGIES INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

	September 28, 1996	December 31, 1995
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,454	\$ --
Receivables	5,004	3,246
Inventories	7,084	6,353
Deferred tax assets	668	374
Other current assets	134	134
	-----	-----
Total current assets	14,344	10,107
	-----	-----
Plant and equipment, net	3,767	3,041
Excess of cost over fair value of net assets acquired	2,289	2,418
Other assets	101	403
	-----	-----
	\$20,501	\$15,969
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,239	\$ 2,711
Accrued liabilities	2,005	1,115
	-----	-----
Total current liabilities	5,244	3,826
	-----	-----
Long-term liabilities:		
Note payable	1,000	--
Deferred revenue	248	252
Deferred taxes	267	189
	-----	-----
	1,515	441
	-----	-----
Shareholders' equity:		
Common stock	67	--
Additional paid-in capital	13,186	--
Retained earnings	489	--
Unrealized gain on securities available for sale, net of taxes	--	57
Tridex investment in the Company	--	11,645
	-----	-----
	13,742	11,702
	-----	-----
	\$20,501	\$15,969
	=====	=====

SEE NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

TRANSACTION TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 28, 1996	September 30, 1995	September 28, 1996	September 30, 1995
	-----	-----	-----	-----
Net sales	\$ 10,794	\$ 8,809	\$ 31,019	\$ 24,993
Cost of sales	7,139	5,753	20,557	16,463
	-----	-----	-----	-----
Gross profit	3,655	3,056	10,462	8,530
	-----	-----	-----	-----
Operating expenses:				
Engineering, design and product development costs	572	535	1,878	1,446
Selling, general and administrative expenses	1,505	1,405	4,466	4,376
	-----	-----	-----	-----
	2,077	1,940	6,344	5,822
	-----	-----	-----	-----
Operating income	1,578	1,116	4,118	2,708
	-----	-----	-----	-----
Other income (expense):				
Interest expense, net	(5)	--	(5)	--
Other, net	(2)	(9)	279	9
	-----	-----	-----	-----
	(7)	(9)	274	9
	-----	-----	-----	-----
Income before income taxes	1,571	1,107	4,392	2,717
	-----	-----	-----	-----
Provision for income taxes	644	459	1,732	1,116
	-----	-----	-----	-----
Net income	\$ 927	\$ 648	\$ 2,660	\$ 1,601
	=====	=====	=====	=====
Pro forma earnings per common and common equivalent share:				
Primary	\$ 0.16	\$ 0.12	\$ 0.48	\$ 0.30
	=====	=====	=====	=====
Pro forma average common and common equivalent shares outstanding	5,909,000	5,400,000	5,570,000	5,400,000
	=====	=====	=====	=====

SEE NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

TRANSACT TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

	----- Nine Months Ended -----	
	September 28, 1996 -----	September 30, 1995 -----
Cash flows from operating activities:		
Net income	\$ 2,660	\$ 1,601
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	833	728
Deferred income taxes	(187)	86
Gain on sale of securities available for sale	(285)	--
Gain (loss) on disposal of equipment	9	(4)
Changes in operating assets and liabilities:		
Receivables	(1,758)	(339)
Inventory	(731)	(1,745)
Other current assets	--	(27)
Other assets	(18)	(6)
Accounts payable	528	90
Accrued liabilities and deferred revenue	886	214
	-----	-----
Net cash provided by operating activities	1,937	598
	-----	-----
Cash flows from investing activities:		
Purchases of plant and equipment	(1,398)	(1,358)
Proceeds from sale of securities available for sale	510	--
Proceeds from sale of equipment	7	--
Other	--	30
	-----	-----
Net cash used in investing activities	(881)	(1,328)
	-----	-----
Cash flows from financing activities:		
Net proceeds from issuance of stock	8,991	--
Payment of intercompany indebtedness	(7,500)	--
Net transactions with Tridex prior to initial public stock offering	(1,087)	730
Other	(6)	--
	-----	-----
Net cash provided by financing activities	398	730
	-----	-----
Increase in cash and cash equivalents	1,454	--
Cash and cash equivalents at beginning of period	--	--
	-----	-----
Cash and cash equivalents at end of period	\$ 1,454	\$ --
	=====	=====

SEE NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

TRANSACT TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. In the opinion of the Company, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly its financial position as of September 28, 1996, the results of its operations for the three months and nine months ended September 28, 1996 and September 30, 1995 and changes in its cash flows for the nine months ended September 28, 1996 and September 30, 1995. The December 31, 1995 consolidated condensed balance sheet has been derived from the Company's audited financial statements at that date. These interim financial statements should be read in conjunction with the audited financial statements for the nine months ended December 31, 1995 included in the Company's Registration Statement on Form S-1 (No. 333-06895).

The financial position and results of operations of the Company's foreign subsidiary are measured using local currency as the functional currency. Assets and liabilities of such subsidiary 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, which would ordinarily be included as a separate component of shareholders' equity, is de minimus. Transaction gains and losses are included in other income.

The results of operations for the three months and nine months ended September 28, 1996 and September 30, 1995 are not necessarily indicative of the results to be expected for the full year.

2. Pro forma primary earnings per common share is based on the pro forma weighted average number of shares outstanding during the period, as if all shares issued to Tridex prior to the Offering had been outstanding throughout the periods presented, after consideration of any dilutive effect of stock options.

3. Inventories:

Components of inventory are:

	September 28, 1996	December 31, 1995
	-----	-----
	(Dollars in Thousands)	
Raw materials and component parts	\$5,849	\$5,041
Work-in-process	544	794
Finished goods	691	518
	-----	-----
	\$7,084	\$6,353
	=====	=====

4. Other income, net:

Other income, net for the nine months ended September 28, 1996 includes a \$285,000 gain on the sale of securities available for sale.

5. Initial public offering:

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 issued 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.

5 Initial public offering (continued):

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 is due on March 31, 1998 and bears interest, payable monthly in arrears, at the rate paid by Tridex under its revolving credit facility (8.25% at September 28, 1996).

6. Commitments and contingencies:

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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following table summarizes certain components of net income as a percentage of net sales for the periods presented.

	Three Months Ended		Nine Months Ended	
	September 28, 1996	September 30, 1995	September 28, 1996	September 30, 1995
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	66.1	65.3	66.3	65.9
Gross profit	33.9	34.7	33.7	34.1
Operating expenses:				
Engineering, design and product development costs	5.3	6.1	6.0	5.8
Selling, general and administrative expenses	13.9	15.9	14.4	17.5
	19.2	22.0	20.4	23.3
Operating income	14.7	12.7	13.3	10.8
Other income (expense), net	(0.1)	(0.1)	0.9	0.1
Income before income taxes	14.6	12.6	14.2	10.9
Provision for income taxes	6.0	5.2	5.6	4.5
Net income	8.6%	7.4%	8.6%	6.4%

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 and operating income.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 28, 1996 COMPARED TO THREE MONTHS ENDED
SEPTEMBER 30, 1995

NET SALES. Net sales for the quarter ended September 28, 1996 increased \$1,985,000, or 23%, to \$10,794,000 from \$8,809,000 in the prior year's quarter. Approximately \$700,000 of the increase was due to increased shipments of the Company's on-line lottery printers. Sales of these printers increased to approximately \$1,800,000, or 16.7% of net sales, in the current quarter, from \$1,100,000, or 12.5%, in the prior year's quarter. The remainder of the increase primarily reflects increased shipments into the POS market.

GROSS PROFIT. Gross profit increased \$599,000, or 20%, to \$3,655,000 from \$3,056,000 in the prior year's quarter, primarily as a result of the higher volume of shipments of printers. The gross margin declined to 33.9% from 34.7% due primarily to a change in sales mix, particularly in the POS market. The Company expects that its gross profit will increase with increased net sales, while its 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 market. However, 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 \$37,000, or 7%, to \$572,000 from \$535,000 for the prior year's quarter, and decreased as a percentage of net sales to 5.3% from 6.1%. The increase reflects the development of new products, and to a lesser extent, the enhancement of existing products, primarily for the POS market.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses increased \$100,000, or 7%, to \$1,505,000 from \$1,405,000 for the 1995 quarter. Selling expenses increased slightly, by \$8,000. An increase of \$92,000 in general and administrative expenses was attributable primarily to operational start-up activities of the Company in its first period as a stand-alone entity subsequent to the Offering on August 22, 1996, and to a lesser extent, compensation related costs for additional employees. Selling, general and administrative expenses decreased as a percentage of net sales to 13.9% from 15.9% due primarily to management's continuing efforts to control these expenses.

OPERATING INCOME. Operating income increased \$462,000, or 41% to \$1,578,000 from \$1,116,000 in the prior year's quarter. Operating income increased as a percentage of net sales to 14.7% from 12.7%, reflecting the Company's ability to control operating expenses while increasing its level of sales.

PROVISION FOR INCOME TAXES. The provision for income taxes for the quarter ended September 28, 1996 reflects an effective tax rate of 41.0%. The effective tax rate was approximately 41.5% in the prior year's quarter.

NET INCOME. Net income for the current quarter was \$927,000, or \$0.16 per share (pro forma), as compared to \$648,000, or \$0.12 per share (pro forma), in the prior year's quarter. Pro forma weighted average shares outstanding increased to 5,909,000 shares from 5,400,000 shares in the prior year's quarter.

NINE MONTHS ENDED SEPTEMBER 28, 1996 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30,
1995

NET SALES. Net sales for the nine months ended September 28, 1996 increased \$6,026,000, or 24%, to \$31,019,000 from \$24,993,000 in the comparable prior period. Approximately \$3,800,000 of the increase was due to increased shipments of the Company's on-line lottery printers. Sales of these printers increased to approximately \$5,200,000, or 16.8% of net sales, from \$1,400,000, or 5.6% of net sales. The remainder of the increase reflects increased shipments of printers for the POS market and other applications in the gaming and lottery market.

GROSS PROFIT. Gross profit increased \$1,932,000, or 23%, to \$10,462,000 from \$8,530,000 in the prior year's period due primarily to increased sales in the gaming and lottery and POS markets. The gross margin declined to 33.7% from 34.1%. The decrease is due primarily to a change in sales mix, particularly in the POS market. The Company expects that its gross profit will increase with increased net sales, while its 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 market. However, 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 \$432,000, or 30%, to \$1,878,000 from \$1,446,000 for the prior year's comparable period, and increased as a percentage of net sales to 6.0% from 5.8%. 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 \$90,000, or 2%, to \$4,466,000 from \$4,376,000 in the prior period. Selling expenses declined slightly due primarily to sales staff reductions which were largely offset by increased commissions resulting from higher unit sales volume. An increase of approximately \$130,000 in general and administrative expenses was attributable primarily to an increased allocation of general and administrative expenses from Tridex and operational start-up activities of the Company in its first period as a stand-alone entity subsequent to the Offering in August 1996, largely offset by a decrease in compensation related costs resulting from the restructuring of the Ithaca and Magnetec businesses under unified management in December 1995. Selling, general and administrative expenses decreased as a percentage of net sales to 14.4% from 17.5% due primarily to management's continuing efforts to control these expenses.

OTHER INCOME. Other income (expense), net increased \$265,000, to \$274,00 from \$9,000 in the nine months ended September 30, 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 fiscal 1994.

OPERATING INCOME. Operating income increased \$1,410,000, or 52%, to \$4,118,000 from \$2,708,000. Operating income as a percentage of net sales increased to 13.3% from 10.8%, reflecting the Company's ability to control operating expenses while increasing its level of sales.

PROVISION FOR INCOME TAXES. The provision for income taxes for the nine months ended September 28, 1996 reflects an effective tax rate of 39.4%. The provision for this period includes a benefit resulting from certain tax credits. The effective rate in the comparable prior period was 41.1%.

NET INCOME. Net income for the current nine months ended was \$2,660,000, or \$0.48 per share (pro forma), as compared to \$1,601,000, or \$0.30 per share (pro forma), in the prior year's period. Pro forma weighted average shares outstanding increased to 5,570,000 shares from 5,400,000 shares in the comparable period of the prior year.

LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash flows from operations of \$1,937,000 and \$598,000 for the nine months ended September 28, 1996 and September 30, 1995, respectively. The Company's working capital at September 28, 1996 was \$9,100,000 compared with \$6,281,000 at December 31, 1995. The current ratio was 2.74 to 1.0 at September 28, 1996 and 2.64 to 1.0 at December 31, 1995. The increase in working capital and net operating assets was funded primarily through cash generated from operations and the net proceeds from the Offering.

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 issued 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 is due on March 31, 1998 and bears interest, payable monthly in arrears, at the rate paid by Tridex under its revolving credit facility (8.25% at September 28, 1996).

Prior to the Offering, the Company participated in Tridex's centralized cash management system which Tridex uses to finance its domestic operations. While under this system, cash deposits from the Company were transferred to Tridex on a daily basis and Tridex funded the Company's disbursement bank accounts as required. 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 expires on June 30, 1998, bears interest on outstanding borrowings at Fleet's prime rate (8.25% at September 28, 1996), and bears a commitment fee of one quarter of one percent 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 (including, among other things, a minimum tangible net worth, a maximum leverage ratio, a minimum current ratio and a minimum interest coverage ratio) and restricts the payment of cash dividends and the creation of liens. The Company was in compliance with all covenants under this facility at September 28, 1996 and expects to be in compliance with these covenants through 1997.

The Company expects to use borrowings under the Credit Facility to fund its short-term working capital requirements, as they arise.

The Company's capital expenditures were approximately \$1,398,000 and \$1,358,000 for the nine months ended September 28, 1996 and September 30, 1995, respectively. These expenditures primarily included tooling and factory machinery and equipment. The Company's capital expenditures for fiscal 1996 are expected to be approximately \$2,000,000 relating primarily to new product tooling.

The Company believes that cash flows generated from operations and borrowings available under the Credit Facility, if necessary, will provide sufficient resources to meet the Company's working capital needs, finance its capital expenditures and meet its liquidity requirements through December 31, 1997.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

a. Exhibits

- Exhibit 10.1 Plan of Reorganization dated as of June 24, 1996 among Tridex Corporation ("Tridex"), Magnetec Corporation ("Magnetec"), Transact Technologies Incorporated ("Transact") and Ithaca Peripherals Incorporated ("Ithaca"). *
- Exhibit 10.2 Amendment to Plan of Reorganization dated as of August 30, 1996 among Tridex, Transact, Magnetec and Ithaca.
- Exhibit 10.3 Agreement and Plan of Merger dated as of July 16, 1996 between Magnetec and Ithaca. *
- Exhibit 10.4 Asset Transfer Agreement dated as of July 31, 1996 between Magnetec and Tridex. *
- Exhibit 10.5 Manufacturing Support Services Agreement between Magnetec and Tridex, dated as of September 28, 1996.
- Exhibit 10.6 Corporate Services Agreement dated as of July 30, 1996 between Tridex and Transact.
- Exhibit 10.7 Printer Supply Agreement dated as of July 31, 1996 between Magnetec and Ultimate Technology Corporation. *
- Exhibit 10.8 Tax Sharing Agreement dated as of July 31, 1996 between Tridex and Transact.
- Exhibit 10.9 Credit Agreement dated as of August 29, 1996 among Transact, Magnetec and Fleet National Bank.
- Exhibit 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 Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)
- Exhibit 10.11 1996 Stock Plan, dated August 22, 1996.
- Exhibit 10.12 Non-Employee Directors' Stock Plan, dated August 22, 1996.
- Exhibit 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 1933, as amended (the "Securities Act"), the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.) *
- Exhibit 10.14 OEM Purchase Agreement by and between GTECH, Transact and Magnetec, commencing October 1, 1996, incorporated by reference to the Current Report on Form 8-K of Transact filed October 11, 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.)
- Exhibit 10.15 OEM Purchase Agreement by and between OKIDATA and Tridex, dated January 24, 1990. (Pursuant to Rule 477 under the Securities Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.) *
- Exhibit 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.) *
- Exhibit 10.17 Lease Agreement by and between Pyramid Construction Company and Magnetec, dated August 1, 1994. *
- Exhibit 10.18 Lease Agreement by and between Bomax Properties and Ithaca, dated as of March 23, 1992. *
- Exhibit 10.19 First Amendment to Lease Agreement by and between Bomax Properties and Ithaca, dated as of October 18, 1993. *
- Exhibit 10.20 Employment Agreement, dated July 31, 1996, by and between the Company and Bart C. Shuldman. *
- Exhibit 10.21 Employment Agreement, dated July 31, 1996, by and between the Company and Richard L. Cote. *
- Exhibit 10.22 Severance Agreement by and between Transact and Lucy H. Staley, dated September 4, 1996.
- Exhibit 10.23 Severance Agreement by and between Transact and John Cygielnik, dated September 10, 1996.
- Exhibit 10.24 Severance Agreement by and between Transact and Michael S. Kumpf, dated September 4, 1996.

b. Reports on Form 8-K

On September 18, 1996, the Company filed a Current Report on Form 8-K to report that on April 30, 1996, it had announced that it had entered into a new OEM agreement with GTECH Corporation. The new agreement extends the term of a prior agreement from 1998 to 2001. An initial non-cancellable order under the new agreement specifies minimum printer orders through February 1998 with an aggregate sales price of \$16 million.

* THESE EXHIBITS, WHICH WERE PREVIOUSLY FILED WITH THE REGISTRATION STATEMENT ON FORM S-1 OF TRANSACT (NO. 333-06895), ARE INCORPORATED HEREIN BY REFERENCE.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRANSACT TECHNOLOGIES INCORPORATED
(Registrant)

November 12, 1996

/s/Richard L. Cote

Richard L. Cote
Executive Vice President, Secretary,
Treasurer and Chief Financial Officer

AMENDMENT TO PLAN OF REORGANIZATION

THIS AMENDMENT (the "Amendment") is entered into by and among Tridex Corporation, a Connecticut corporation with executive offices at 61 Wilton Road, Westport, CT 06880 ("Tridex"), Magnetec Corporation, a Connecticut corporation ("Magnetec") and TransAct Technologies Incorporated, a Delaware corporation ("TransAct") each with executive offices at 7 Laser Lane, Wallingford, CT 06492;

WHEREAS, the parties hereto and Ithaca Peripherals Incorporated ("Ithaca"), formerly a Delaware corporation, entered into a Plan of Reorganization dated as of June 25, 1996 (the "Plan of Reorganization");

WHEREAS, as contemplated under the Plan of Reorganization, Ithaca merged with and into Magnetec on July 29, 1996;

WHEREAS, the parties hereto wish to amend Section 6.1 of the Plan of Reorganization, which contains a non-competition covenant.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree with as follows:

The last sentence of Section 6.1 of the Plan of Reorganization is hereby deleted in its entirety and replaced with the following:

The foregoing shall not prohibit Tridex from: (i) holding five percent (5%) or less of the outstanding equity securities of any corporation whose equity securities are regularly traded on any national stock exchange or recognized "over-the-counter" market; or (ii) manufacturing custom keyboards and pole displays and selling point-of-sale systems and components, including printers or printer goods, through its wholly-owned subsidiary, Ultimate Technology Corporation.

IN WITNESS WHEREOF, the parties have executed this Amendment this 30 day of August, 1996.

TRIDEX CORPORATION

By: /s/ Seth M. Lukash

Title: Seth M. Lukash, Chairman
and Chief Executive Officer

MAGNETEC CORPORATION

By: /s/ Bart C. Shuldman

Title: Bart C. Shuldman
President

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Bart C. Shuldman

Title: Bart C. Shuldman
President and Chief
Executive Officer

MANUFACTURING SUPPORT SERVICES AGREEMENT

THIS MANUFACTURING AND SERVICES AGREEMENT (the "Agreement") is dated as of September 28, 1996 by and between Tridex Corporation, a Connecticut corporation ("Tridex"), and Magnetec Corporation, a Connecticut corporation ("Magnetec").

WHEREAS, Magnetec and Tridex have entered into an Asset Transfer Agreement dated as of July 31, 1996 under which Magnetec has agreed to transfer to Tridex all of the assets used exclusively in the conduct of the ribbon business (the "Ribbon Business"); and

WHEREAS, Tridex has not yet obtained a facility separate from the Magnetec facility suitable for the conduct of the Ribbon Business, and Magnetec, with its existing manufacturing facility and shipping, receiving, accounting and related support capability at that facility, can provide the space and support services required by Tridex, as the owner of the Ribbon Business assets, for the operation of the Ribbon Business; and

WHEREAS, upon completing the acquisition of the Ribbon Business assets, Tridex will employ the individuals now employed by Magnetec who are directly involved in the manufacturing of the Ribbon Business products and the individual who supervises Ribbon Business manufacturing and related operations; and

WHEREAS, Tridex desires to obtain space within Magnetec's facility and manufacturing support and related services necessary for the conduct of the Ribbon Business, and Magnetec is willing to furnish or make such services and space available to Tridex in connection with the transfer of the Ribbon Business assets;

NOW, THEREFORE, in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Staffing; Management Supervision and Control by Tridex.

(a) After the date of this Agreement, no Magnetec employees will engage directly in the manufacturing operations of the Ribbon Business. As of the date of this Agreement, Tridex shall offer full time employment to the individuals listed on Schedule 4(a), and such individuals shall cease to be employed by Magnetec. Tridex shall offer such individuals cash compensation equal to their cash compensation paid by Magnetec and benefits substantially equivalent to their benefits provided by Magnetec. Only these individuals employed by Tridex for the Ribbon Business shall be permitted to operate Ribbon Business equipment.

(b) Tridex shall maintain managerial supervision and control of the Ribbon Business manufacturing operations and shall exercise final approval authority over all Tridex purchase orders and Tridex checks prepared by Magnetec in connection with the manufacturing support services rendered hereunder. The Ribbon Line Supervisor will supervise the Ribbon Business manufacturing line employees and serve as day-to-day on-site representative of Tridex for Ribbon Business matters.

(c) The Ribbon Line Supervisor, or another Tridex employee (as designated by Tridex in writing to Magnetec), shall: (i) forecast annual materials requirements; (ii) develop material requirements planning ("MRP") data for input to Magnetec's automated manufacturing and inventory control systems; (iii) develop a production schedule and determine quantities and delivery dates required for periodic materials requirements; (iv) issue Tridex purchase orders for delivery of such materials in the appropriate quantities on the delivery dates; (v) supervise Tridex employees engaged in the manufacturing operations of the Ribbon Business; (vi) collect Ribbon Business receivables; (vii) authorize payment of invoices; and (viii) supervise third-party payroll service and provide Tridex federal taxpayer identification number for payroll purposes.

2. Insurance. Tridex agrees to obtain and maintain all necessary insurance, including but not limited to, property, casualty, liability and workers' compensation with respect to the Ribbon Business and the Tridex employees engaged in Ribbon

Business operations at Magnetec's facility. Tridex shall provide proof of coverage upon request by Magnetec.

3. Space Provided. Magnetec hereby agrees to provide Tridex approximately 2,200 square feet of floor space including, to the extent practicable, manufacturing, stockroom, finished goods warehouse, and shipping and receiving space. Space provided to Tridex shall, to the extent practicable, be clearly marked as separate areas designated for the Ribbon Business.

4. Ribbon Business Products Sold to Magnetec. Tridex agrees to sell Ribbon Business products to Magnetec at prices no higher than ten percent (10%) below the lowest price paid by any other customer of Tridex for the same products. This price is subject to annual adjustment upon the mutual agreement of the parties hereto, with annual increases not to exceed five percent (5%) of then current prices.

5. Tridex Manufacturing Facility. Tridex agrees to use commercially reasonable efforts to obtain its own manufacturing facility suitable for the conduct of the Ribbon Business and to relocate the Ribbon Business assets to such facility.

6. Manufacturing Support Services Provided by Magnetec.

Effective upon the date first written above (the "Effective Date"), Magnetec will provide the following services to Tridex for the conduct of the Ribbon Business:

(a) Purchasing and Manufacturing Processing Services: receive at the Magnetec receiving dock materials ordered by Tridex for Ribbon Business operations; generate list of goods received and cross-check against vendor's packing list and Tridex purchase order; spot inspect such materials upon receipt; store materials in the Magnetec stockroom in a separate area designated for the Ribbon Business; move materials to manufacturing area according to manufacturing schedule; and move finished goods to a separate area designated for Ribbon Business finished goods.

(b) Sales Order Processing and Customer Billing Services: promptly after the date hereof, notify all Ribbon Business customers to submit orders to Tridex in care of Magnetec Sales Department; receive and, after acceptance of order by Ribbon Line Supervisor (as defined below), enter customer orders into order processing system, including scheduling shipment date; generate shipping documents; package and prepare finished goods for shipment; ship finished goods and generate invoice on Tridex form.

(c) Accounts Payable Processing Services: promptly after the date hereof, notify Ribbon Business suppliers to submit invoices to Tridex in care of Magnetec Accounts Payable; match suppliers invoices with Tridex purchase orders and receiving department records and enter verified invoices onto accounts payable system; and prepare Tridex checks to suppliers for signature by Tridex authorized signatory. (Tridex will in all cases make the final decision regarding payment of any invoice submitted by a Ribbon Business supplier.)

(d) Payroll Processing Services: maintain Ribbon Business employee files, including hours worked and payroll records. (Using the Tridex employer identification number, Tridex will establish with a third party payroll service provider a separate payroll for all Ribbon Business employees, including the Ribbon Line Supervisor. Tridex will be solely responsible for all Ribbon Business wages, salaries, insurance and other benefits, and all withholding or other taxes due thereon.)

(e) Accounting and Data Processing Services: establish within the Magnetec accounting system separate accounts for all activity of the Ribbon Business; provide Tridex with a monthly trial balance, detailed general ledger and subledgers for all transactions. (All general ledger accounts will be controlled by Tridex. Tridex will provide a Ribbon Business cash receipt journal to Magnetec on a monthly basis to update the accounts receivable on the Ribbon Business records maintained by Magnetec.)

7. Tridex Payments to Magnetec. Magnetec shall bill Tridex in arrears, as of the last day of Magnetec's accounting month, for manufacturing support services provided, and Tridex shall pay

Magnetec no later than thirty (30) days after the date of the invoice, the following amounts:

(a) For Magnetec's occupancy costs, Tridex shall pay Magnetec a flat fee of \$3,300 per month, and for Magnetec's overhead directly attributable to manufacturing, Tridex shall pay Magnetec 9.6% of the monthly revenue of the Ribbon Business, subject to annual adjustment upon the agreement of both parties;

(b) For Magnetec's overhead attributable to general and administrative expenses (e.g., expenses incurred to provide order processing, customer billing and accounting services), Tridex shall pay Magnetec a flat fee of \$8,509 per month, subject to annual adjustment upon the agreement of both parties;

(c) For Magnetec's fixed employment costs for sales employees, Tridex shall pay Magnetec 2.4% of the monthly revenue of the Ribbon Business; and

(d) For other costs incurred and paid by Magnetec on behalf of Tridex which are not included in Section 7(a) - (c) but are directly related to the conduct of the Ribbon Business, including but not limited to sales commissions paid on Ribbon Business sales, temporary labor, the direct cost of engineering labor costs, benefits, and manufacturing equipment maintenance and repair, Tridex shall reimburse Magnetec for the actual cost of such services. Tridex shall reimburse Magnetec for the full cost of such goods or services, when all such goods or services have been or will be used for the Ribbon Business.

8. Magnetec Payments to Tridex. During the term of this Agreement, Magnetec may request and Tridex may, to the extent available, provide the services of the Tridex employee filling the position of Ribbon Line Supervisor (the "Ribbon Line Supervisor"). Magnetec shall pay Tridex for the services of the Ribbon Line Supervisor, to the extent they are requested by and provided to Magnetec, at an hourly rate calculated by dividing the weekly salary paid to the Ribbon Line supervisor by forty (40).

9. Goodwill of Common Customers. Magnetec has invested substantial time, effort and expense in developing its goodwill and reputation for providing to its customers quality printer products, including Ribbon Business products, at competitive prices. Magnetec will continue to sell printers to such customers, many of whom are and will be Ribbon Business customers. As a material inducement to Magnetec to enter into this Agreement, Tridex agrees not to take any action during the term of this Agreement which is intended to have, or which would have a reasonable likelihood of having, a material adverse effect on the relationship of Magnetec with its customers or end users of its products.

10. Liabilities; Disclaimer. In furnishing the other party with services as herein provided, Tridex, Magnetec and their respective officers, directors, employees or agents (collectively, "Representatives") shall not be liable to the other party or its respective Representatives, creditors or shareholders for any action or failure to act except willful malfeasance, bad faith or gross negligence in the performance of their duties or reckless disregard of their obligations and duties under the terms of this Agreement. The provisions of this Agreement are for the sole benefit of Tridex, Magnetec and their respective Representatives and will not, except to the extent otherwise expressly stated herein, inure to the benefit of any third party. Neither Tridex nor Magnetec makes any express or implied warranty or representation with respect to the quality of the services provided hereunder.

11. Term. The term of this Agreement shall begin on the date hereof and continue for two (2) years, unless terminated sooner by the mutual agreement of the parties.

12. Status of Relationship. Magnetec shall be deemed to be an independent contractor and, except as expressly provided or authorized in this Agreement, shall have no authority to act for or bind Tridex.

13. Notices. All notices, billings, requests, demands, approvals, consents, and other communications which are required or may be given under this Agreement will be in writing and will

be deemed to have been duly given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid to the parties at their respective addresses set forth below:

If to Magnetec:

Magnetec Corporation
7 Laser Lane
Wallingford, CT 06492
Attention: President

If to Tridex:

Tridex Corporation
61 Wilton Road
Westport, CT 06880
Attention: Chief Executive Officer

14. Confidentiality. Tridex and Magnetec hereby agree to hold, and cause their respective employees, agents and authorized representatives to hold, in strict confidence, all information concerning the other party furnished pursuant to this Agreement.

15. No Third Party Beneficiaries. This Agreement is solely for the benefit of the parties hereto and shall not be deemed to confer upon any third party and right, remedy or claim in excess of those existing without reference to this Agreement.

16. Access to Information. During the term of this Agreement and for one (1) year thereafter, Tridex shall afford to Magnetec and its authorized representatives, agents and employees, and Magnetec shall afford to Tridex and its authorized representatives, agents and employees, access during normal business hours to all records, books, contracts and other data, including but not limited to corporate, financial, accounting, personnel and other business records, related to the Ribbon Business.

17. No Assignment. This Agreement shall not be assignable except with the prior written consent of the other party to this Agreement.

18. Applicable Law. This Agreement shall be governed by and construed under the laws of the State of Connecticut applicable to contracts made and to be performed therein.

19. Section Headings. The section headings used in this Agreement are for convenience of reference only and will not be considered in the interpretation of construction of any of the provisions thereof.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

21. Amendments. This Agreement may be amended or modified only by a written instrument signed by the parties hereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as a sealed instrument by their duly authorized officers as of the date first above written.

TRIDEX CORPORATION

By: _____

Title: _____

MAGNETEC CORPORATION

By: _____

Title: _____

CORPORATE SERVICES AGREEMENT

THIS CORPORATE SERVICES AGREEMENT (the "Agreement") is dated as of July 31, 1996 by and between Tridex Corporation, a Connecticut corporation ("Tridex"), and TransAct Technologies Incorporated, a Delaware corporation ("TransAct").

WHEREAS, TransAct and its subsidiary Magnetec Corporation (collectively, the "TransAct Group") desire to obtain administrative and other services from Tridex and Tridex is willing to furnish or make such services available to Transact; and

WHEREAS, Tridex and its subsidiaries Ultimate Technology Corporation and Cash Bases GB Ltd. (collectively the "Tridex Group") desire to obtain certain financial services from TransAct and TransAct is willing to furnish or make such services available to Tridex;

WHEREAS, Tridex and TransAct desire to set forth the basis for the provision of services of the type referred to herein.

NOW, THEREFORE, in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Services.

1.1 Beginning on the effective date of the Registration Statement on Form S-1 (the "Registration Statement") filed in connection with the public offering of TransAct common stock (the "Effective Date"), Tridex will provide or otherwise make available to the TransAct Group certain general corporate services provided by Tridex's corporate staff, including but not limited to certain human resources, employee benefit administration, financial reporting, insurance, risk management and general administrative services. The services will include the following:

(a) Human resources and employee benefit related services - General human resources services (including but not limited to administration of all employee matters), administration of TransAct's employee participation in employee benefit plans and insurance programs sponsored by Tridex such as the following: 401(k) plan, group medical insurance, group life insurance, employee stock option plans and filing of all required reports under ERISA for employee benefit plans sponsored by Tridex.

(b) Financial reporting and securities compliance related services - Maintenance of corporate records, assistance, if and when necessary, in preparation of Securities and Exchange Commission filings, including without limitation registration statements, Forms 10-K, 10-Q and 8-K, assistance in the preparation of Proxies and Proxy Statements and the solicitation of proxies, and assistance in the preparation of the Annual and Quarterly Reports to Stockholders.

(c) Risk management and insurance related services - Provision of risk management (including, but not limited to premiums attributable to TransAct) and related services and maintenance of all policies of liability, fire, workers' compensation and other forms of insurance for the benefit of TransAct, its employees, assets and facilities.

(d) Services in addition to those enumerated in subsections 1.1(a) through 1.1(c) above to include, but not be limited to, corporate recordkeeping, other general administrative activities and financial services as reasonably requested from time to time by TransAct or as provided by Tridex.

1.2 For performing the services described above in Section 1.1, TransAct shall pay Tridex in accordance with the following schedule:

(a) TransAct shall reimburse Tridex for one-half (50%) of total cash compensation (consisting of salary, a pro-rated portion of annual bonus actually paid and other out-of-pocket expenditures for medical, life insurance and other benefits) paid by Tridex to or on behalf of Mr. Thomas Curtin, Tridex's Vice President of Human Resources, for the period from the Effective Date until December 31, 1997. Mr. Curtin, Tridex and TransAct shall cooperate to make Mr. Curtin available to TransAct for one half (50%) of his total working time for the provision of services to TransAct for this period.

(b) TransAct shall reimburse Tridex for one-half (50%) of the total cash compensation (consisting of salary, a pro-rated portion of annual bonus actually paid and other out-of-pocket expenditures for medical, life insurance and other benefits) paid by Tridex to or on behalf of Mr. George Crandall, Tridex's Vice President, Secretary and Comptroller, for the period from the Effective Date until March 31, 1997. Mr. Crandall, Tridex and TransAct shall cooperate to make Mr. Crandall available to TransAct for one half (50%) of his total working time for the provision of services for this period.

1.3 TransAct will reimburse Tridex for expenses incurred for insurance (including but not limited to property, casualty, group life and health and Workers Compensation), accounting and legal services in accordance with the Company's historical allocation methods.

In addition, TransAct will reimburse Tridex for other expenses incurred to provide specific services requested by TransAct, as agreed by TransAct and Tridex when such services are requested.

1.4 Beginning on the Effective Date, TransAct will provide or otherwise make available to the Tridex Group certain financial services customarily provided by a chief financial officer, including but not limited to management of corporate finance and accounting matters. For performing the services described herein, Tridex shall reimburse TransAct for fifteen percent (15%) of the total cash compensation (consisting of salary, a pro-rated portion of annual bonus actually paid and other out-of-pocket expenditures for medical, life insurance and other benefits) paid by TransAct to or on behalf of Mr. Richard L. Cote, TransAct's Executive Vice President, Chief Financial Officer and Treasurer, for the period of the Effective Date, until March 31, 1997. Mr. Cote, TransAct and Tridex shall cooperate to make Mr. Cote available to Tridex for fifteen percent (15%) of his total working time for the provision of services to Tridex during this period. Upon the Effective Date, Mr. Cote will become a full-time employee of TransAct, and his office will be relocated to TransAct's Wallingford, Connecticut facility.

1.5 The charges for services pursuant to Sections 1.2, 1.3 and 1.4 above will be determined and payable no less frequently than on a monthly basis; provided that reimbursement of a pro-rated portion of bonuses shall be payable after such bonuses are paid by Tridex or TransAct. The charges will be due when billed and shall be paid no later than ten (10) business days from the date of billing.

1.6 When services of the type described in this Agreement are provided by outside vendors to Tridex, TransAct or, in connection with the provision of such services, out-of-pocket costs such as travel are incurred, the cost thereof will be paid directly by the party receiving the service. If either party to this Agreement is billed for services provided to the other party, the billed party may pay the bill and charge the party receiving the services the amount of the bill or forward the bill to the party receiving the services for payment.

2. TransAct's Directors and Officers. Nothing contained herein will be construed to relieve the directors or officers of TransAct from the performance of their respective duties or to limit the exercise of their powers in accordance with the charter or By-Laws of TransAct or in accordance with any applicable statute or regulation.

3. Liabilities; Disclaimer. In furnishing the other party with services as herein provided, neither Tridex nor TransAct, any member of the respective Groups nor any of their respective officers, directors employees or agents shall be liable to any member of the other party or their respective creditors or shareholders for errors of judgment or for anything except willful malfeasance, bad faith or gross negligence in the performance of their duties or reckless disregard of their obligations and duties under the terms of this Agreement. The provisions of this Agreement are for the sole benefit of the Tridex Group and the TransAct Group and will not, except to the extent otherwise expressly stated herein, inure to the benefit of any third party. Neither Tridex nor TransAct makes any express or implied warranty or representation with respect to the quality of the services provided hereunder.

4. Term.

(a) Term. The initial term of this Agreement shall begin on the Effective Date and continue until December 31, 1997.

(b) Termination. This Agreement may be terminated by either party at any time on ninety (90) days' prior notice to the other; provided, however, that the provisions of Section 1.2(a) and (b) and Section 1.4 shall survive any such termination.

5. Status. Each member of the Tridex Group shall be deemed to be an independent contractor and, except as expressly provided or authorized in this Agreement, shall have no authority to act or represent any member of TransAct.

6. Employment Changes.

(a) With respect to the employment and compensation levels of Mr. Curtain and Mr. Crandall, Tridex shall advise TransAct in writing ten (10) days prior to any change in Mr. Curtain's or Mr. Crandall's compensation level or employment status initiated by Tridex. Tridex agrees to consult with TransAct regarding any such change in Mr. Curtain's or Mr. Crandall's compensation level or employment status prior to such change.

(b) With respect to the employment of Mr. Curtain, Tridex shall notify TransAct whether it intends to continue Mr. Curtain's employment beyond December 31, 1997. If Tridex notifies TransAct that it does not intend to employ Mr. Curtain beyond December 31, 1997, TransAct shall, within fifteen (15) days from the date of Tridex's notice to TransAct, notify Tridex of its intent to employ Mr. Curtain beyond December 31, 1997.

7. Notices. All notices, billings, requests, demands, approvals, consents, and other communications which are required or may be given under this Agreement will be in writing and will be deemed to have been duly given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid to the parties at their respective addresses set forth below:

If to TransAct:

TransAct Technologies, Inc.
7 Laser Lane
Wallingford, CT 06492
Attention: President

If to Tridex:

Tridex Corporation
61 Wilton Road
Westport, CT 06880
Attention: President

8. Confidentiality. Tridex and TransAct hereby agree to hold, and cause its respective employees, agents and authorized representatives to hold, in strict confidence, all information concerning the other party furnished pursuant to this Agreement.

9. No Third Party Beneficiaries. This Agreement is solely for the benefit of the parties hereto and should not be deemed to confer upon any third party and right, remedy or claim in excess of those existing without reference to this Agreement.

10. Access to Information. Tridex shall afford to TransAct and its authorized representatives, agents and employees, and TransAct shall afford to Tridex and its authorized representatives, agents and employees, access during normal business hours to all records, books, contracts and other data, including but not limited to corporate, financial, accounting, personnel and other business records, for a period of six (6) years following the termination of this Agreement.

11. No Assignment. This Agreement shall not be assignable except with the prior written consent of the other party to this Agreement.

12. Applicable Law. This Agreement shall be governed by and construed under the laws of the State of Connecticut applicable to contracts made and to be performed therein.

13. Section Headings. The section headings used in his Agreement are for convenience of reference only and will not be considered in the interpretation of construction of any of the provisions thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as a sealed instrument by their duly authorized officers as of the date first above written.

TRIDEX CORPORATION

By: /s/ Seth M. Lukash

Title: Chairman and Chief Executive Officer

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Bart C. Shuldman

Title: Chief Executive Officer and President

TAX SHARING AGREEMENT

THIS AGREEMENT, executed this 31st day of July, 1996, is entered into by and between Tridex Corporation, a Connecticut corporation ("Tridex") and TransAct Technologies, Inc., a Delaware corporation ("TransAct").

RECITALS

WHEREAS, Tridex, TransAct, Magnetec Corporation, a Connecticut corporation and wholly-owned subsidiary of Tridex ("Magnetec"), and Ithaca Peripherals, Inc., a Delaware corporation and wholly-owned subsidiary of Tridex (Ithaca"), have entered into a Plan of Reorganization dated as of June __, 1996 (the "Plan") pursuant to which, among other things, (i) TransAct is acquiring from Tridex all of the outstanding capital stock of Magnetec, (ii) TransAct is issuing [5,400,000] shares of its common stock to Tridex and (iii) TransAct is issuing up to 1,322,500 of common stock pursuant to an underwritten public offering registered under the Securities Act of 1933, as amended (the "Securities Act") on a Registration Statement on Form S-1 (the "Offering");

WHEREAS, as contemplated by the Plan, the shares of outstanding common stock of TransAct held by Tridex are to be distributed on a pro rata basis to the record holders of shares of Tridex common stock (the "Distribution") upon the satisfaction of certain conditions;

WHEREAS, Tridex and its subsidiaries, including Magnetec and Ithaca, have heretofore: (1) joined in filing consolidated federal income tax returns under the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Treasury Regulations promulgated thereunder by the Treasury Department (the "Regulations"); (2) joined in filing certain consolidated, combined, and unitary state income tax returns; and (3) in some cases filed income tax returns on a separate company basis.

WHEREAS, during the period prior to the consummation of the Distribution, TransAct is expected to remain within the affiliated group (within the meaning of Section 1504(a) of the Code) of corporations (the "Tridex Group") of which Tridex is the common parent;

WHEREAS, the parties hereto desire to allocate their respective federal, state, local and foreign income tax (or similar tax) liabilities, assessed in connection with the filing of returns, including but not limited to consolidated, combined, unitary, or separate returns, among themselves for all fiscal years thereafter during which TransAct remains a member of the Tridex Group;

WHEREAS, the parties hereto desire to provide for the compensation and reimbursement of each other for Tax Deficiencies (as hereinafter defined) or Tax Refunds (as hereinafter defined) as a result of audits by or applications to the Internal Revenue Service (the "Service") and other taxing authorities or by judicial determination, if any, involving consolidated federal, consolidated, combined or unitary state and local income tax returns and similar aggregate reporting for certain foreign jurisdictions;

WHEREAS, the parties hereto desire to provide and fix the responsibilities for: (1) the preparation and filing of tax returns along with the payments of taxes shown to be due and payable therein (as well as estimated or advance payments required prior to the filing of said returns) for all periods prior to and

following the Effective Date (as hereinafter defined); (2) the retention and maintenance of all relevant records necessary to prepare and file appropriate tax returns, as well as the provision for appropriate access to those records for all parties to this Agreement; (3) the conduct of audits, examinations, and proceedings by appropriate governmental authorities which could result in a redetermination of tax liabilities (for all periods prior to or following the Effective Date) of any party to this Agreement; and (4) the cooperation of all parties with one another in order to fulfill their duties and responsibilities under this Agreement and under applicable laws.

NOW, THEREFORE, in consideration of the mutual promises herein contained and other good and valuable considerations, the receipt of which is hereby acknowledged, the parties agree as follows:

SECTION 1. DEFINITIONS.

As used herein, the following terms shall have the following meanings:

(a) "Affiliated Group" shall have the meaning attributed to that term in Section 1504 of the Code, determined without regard to Section 1504(b) of the Code.

(b) "Code" shall have the meaning attributed to that term in the recitals above.

(c) "Common Parent" shall have the meaning attributed to that term in the Consolidated Return Regulations (Treas. Reg. Section 1.1502-1 et seq.) promulgated pursuant to Section 1502 of the Code.

(d) "Consolidated Return Regulations" shall have the meaning attributed to that term in Section 4 hereof.

(e) "Effective Date" shall mean the date on which the Registration Statement relating to the Offering is declared effective under the Securities Act.

(f) "IRS" or "Service" shall have the meaning attributed to that term in the recitals above.

(g) "Joint Contest" shall mean a Tax Contest seeking a redetermination of Taxes involving one or more Members (determined by reference to the time of such contest rather than the period for which such return was filed) of the Tridex Group and one or more Members of the TransAct Group, whether such corporations joined in the filing of returns on a consolidated, combined, or unitary basis (including similar aggregate reporting for certain foreign jurisdictions).

(h) "Member" shall have the meaning attributed to that term in Section 1.1502-1(b) of the Regulations, but without regard to whether a corporation qualifies to be a Member of an Affiliated Group under Section 1504(b) of the Code.

(i) "Minimum Tax Credit" shall have the meaning attributed to that term in Section 5 hereof.

(j) "Offering" shall have the meaning attributed to that term in the recitals above.

(k) "Plan" shall have the meaning attributed to that term in the recitals above.

(l) "Regulations" shall have the meaning attributed to that term in the recitals above.

(m) "Separate Contest" shall mean a Tax Contest which involves: (i) only Members (or their direct and indirect subsidiaries) of the Tridex Group or (ii) only Members (or their direct and indirect subsidiaries) of the TransAct Group.

(n) "Separation Date" shall mean the date, if any that TransAct shall cease to be a member of the Tridex Group.

(o) "Tax" or "Taxes" shall mean (i) all federal income taxes and state, local, and foreign income and franchise taxes (or taxes in lieu thereof) plus (ii) any penalties, fines or additions to tax with respect thereto, plus (iii) any interest with respect to the items contained in (i) and (ii).

(p) "Tax Attributes" shall mean any losses, credits and other tax attributes that may be carried forward or back by any Member of the Tridex Group or the TransAct Group on a separate return or consolidated basis to a taxable year other than the taxable year in which such attribute is recognized, including, but not limited to, net operating losses, alternative minimum tax credits, targeted jobs tax credits, investment tax credits, foreign tax credits, research and development credits, and similar credits under state or local law.

(q) "Tax Contest" shall mean an audit, review, examination or the like, inclusive of litigation, with the purpose or effect of redetermining Taxes of any corporation or other entity (without regard to whether such matter was initiated by an appropriate taxing authority or in response to a claim for a refund).

(r) "Tax Deficiency" or "Tax Deficiencies" shall mean with respect to previously filed returns an assessment for Taxes as a result of audits by or applications to the Service and other taxing authorities or judicial determination.

(s) "Tax Liability" or "Tax Liabilities" shall mean a liability for Taxes.

(t) "Tax Refund" or "Tax Refunds" shall mean with respect to previously filed returns, a refund of Taxes as a result of audits by or application to the Service and other taxing authorities or judicial determination.

(u) "TransAct" shall have the meaning attributed to that term in the preamble hereof.

(v) "TransAct Group" shall mean the group of corporations at any given time after the Separation Date which would be the Affiliated Group of which TransAct is the Common Parent if TransAct was a "common parent" within the meaning of the Consolidated Return Regulations, and where relevant, all other subsidiaries which are owned directly or indirectly by its Members.

(w) "Tridex" shall have the meaning attributed to such term in the preamble hereof.

(x) "Tridex Group" shall mean the group of corporations at any given time (either prior to, or subsequent to, the Effective Date) which would be the Affiliated Group of which Tridex is the Common Parent if Tridex was a "common parent" within the meaning of the Consolidated Return Regulations, and where relevant, all other subsidiaries which are owned directly or indirectly by its Members.

SECTION 2. CONSOLIDATED RETURN ELECTION; ALLOCATION OF TAX OBLIGATIONS;
POST-SEPARATION DATE ALLOCATIONS AND PAYMENTS; TREATMENT OF TAX
CARRYFORWARDS; AND COMPUTATION OF INCOME TAX PROVISIONS.

(a) CONSOLIDATED RETURN ELECTIONS. In determining Tax Liabilities of the Tridex Group and its Members for Fiscal 1996 and where relevant any subsequent fiscal year up to the Separation Date, the computations of the tax liabilities of the Tridex Group and its Members shall, to the extent permitted by law, be made in accordance with the methods used in the consolidated returns for the fiscal years ending prior to Fiscal 1996 which include Tridex and TransAct.

(b) ALLOCATION OF TAX OBLIGATIONS.

(i) Taxes assessed pursuant to the returns described in the preceding subsection will be allocated among the Members of the Tridex Group pursuant to the Tridex Group's historic tax allocation method, described in Section 1552(a)(2) of the Code and Section 1502-33(d)(3) of the Regulations (applying a fixed percentage of 100 percent).

(ii) With respect to fiscal 1996 and any subsequent fiscal year or portion thereof up to the Separation Date for which TransAct remains a Member of the Tridex Group, TransAct shall pay to Tridex an amount equal to the federal income taxes for such period which the TransAct Group would have been liable but for the fact of being a Member of the Tridex Group.

(iii) With respect to Taxes which are determined on a consolidated, combined or unitary basis, similar principles as those described in Section 2(b)(i) and (ii) shall govern the allocation of such Tax Liabilities among the parties hereto.

(c) POST-SEPARATION DATE ALLOCATIONS AND PAYMENTS. With respect to any fiscal year or portion thereof when TransAct is no longer a member of the Tridex Consolidated Group, beginning on the Separation Date, the allocations (to be made by Tridex and TransAct for any fiscal year) will be made not later than 90 days following the filing of the Federal consolidated income tax return of the Tridex Group for each such period. Any payments required as a result of the allocations for any portion of any fiscal year in which the Separation Date occurs will be made by TransAct or Tridex as the case may be, in federal or immediately available funds to such bank account as shall be designated by the recipient. Subject to the provisions of Section 10(c) hereof, such payment shall be made not later than 95 days after the aforementioned returns are filed.

(d) TREATMENT OF TAX CARRYFORWARDS. Magnetec currently has available for its use certain net operating loss and tax credit carryforwards. If for any fiscal year beginning after the Effective Date, TransAct uses any net operating loss or tax credit carryforward of Magnetec's available for use as of the Effective Date, TransAct will pay to Tridex an amount equal to the net benefit of the carryforward used in the taxable year. Such payment will be made not later than 90 days following the filing of the Federal consolidated income tax return of the Tridex Group for each such period.

(e) COMPUTATION OF INCOME TAX PROVISIONS. For financial reporting purposes, the TransAct Group will compute its income tax accounts as if a separate return had been filed, using those elements of income and expense as reported in the consolidated or combined financial statements in accordance with U.S. Generally Accepted Accounting Principles.

SECTION 3. SEPARATE COMPANY LIABILITIES.

Notwithstanding the provisions of Section 2 hereof, for all fiscal years prior to the Separation Date, Taxes imposed (including refunds owed) upon Tridex or a Member of the Tridex Group or any of their direct and indirect subsidiaries and which are determined or assessed on a separate company basis will be the separate liability (or asset in the case of a refund) of Tridex or such Member or such subsidiary and not subject to allocation or sharing among other Members of the Tridex Group.

SECTION 4. ALLOCATION OF TAX ATTRIBUTES.

Except as otherwise provided in Section 5 hereof, all Tax Attributes of the Tridex Group (other than foreign tax credits) will be allocated among Tridex, TransAct and their respective subsidiaries, in accordance with the Regulations promulgated pursuant to Section 1502 of the Code or analogous provisions of state, local or foreign law (the "Consolidated Return Regulations"). All foreign tax credits generated by Tridex's investment in subsidiaries other than members of the TransAct Group shall be allocated to Tridex.

SECTION 5. MINIMUM TAX CREDIT.

(a) ALLOCATION OF CREDIT. The credit against income tax provided by Section 53 of the Code, as well as analogous credits provided by state, local, or foreign law, for payment of alternative minimum tax in periods through and including those ending on the Separation Date (the "Minimum Tax Credit"), shall be allocated as follows:

(i) For each year or portion of the year in which the Separation Date occurs, the Minimum Tax Credit for each such year shall be allocated to TransAct in the amount of such credit multiplied by a fraction whose numerator is the sum of the alternative minimum taxable income or loss for such year for all Members of the TransAct Group and whose denominator is the sum of the alternative minimum taxable income or loss for such year for all Members of the TransAct and all Members of the Tridex Group. The remaining portion of such credits shall be allocated to Tridex.

(ii) In no event shall either Tridex or TransAct be allocated for any period an amount of Minimum Tax Credit in excess of that available to the Tridex Group for such period.

(b) FUTURE REGULATIONS. Notwithstanding Section 2(c) hereof, in the event that regulations are promulgated which do not permit the Minimum Tax Credit to be allocated among the members of the Tridex Group in the manner set forth herein, Tridex or TransAct, as the case may be, will be obligated to make a payment to the other in an amount equal to the excess of the Minimum Tax Credit that is allocated to it and its Members by such regulations over that which would be allocated to it pursuant to Subsection 5(a)(i) above.

SECTION 6. CARRYBACKS OF TAX ATTRIBUTES.

(a) TRANSACT CARRYBACKS. If for any taxable year beginning on or after the Separation Date, TransAct or any Member of the TransAct Group recognizes a Tax Attribute which TransAct or such Member of the TransAct Group, under the applicable provisions of the Code and Regulations promulgated under Section 1502 thereof, is permitted or required to carry back to a prior taxable year of the Tridex Group or the prior taxable year of a Member of the Tridex Group (either on a consolidated, combined, unitary or separate return basis), Tridex (or a Member of the Tridex Group) shall, at TransAct's cost and expense, file appropriate

refund claims within a reasonable period after being requested by TransAct. Tridex (or the Member of the Tridex Group receiving such refund) shall promptly remit to TransAct any refunds it receives with respect to any Tax Attribute so carried back.

(b) TRIDEX CARRYBACKS. If for any taxable year Tridex or any Member of the Tridex Group recognizes a Tax Attribute which Tridex or such Member of the Tridex Group, under the applicable provision of the Code and Consolidated Return Regulations, carries back to one of its prior taxable years, Tridex or such Member of the Tridex Group may file appropriate refund claims and shall be entitled to any refund resulting from such claims.

SECTION 7. CONDUCT OF TAX CONTESTS.

(A) JOINT CONTESTS.

(i) Each party shall have the right and obligation to pursue and defend against any Joint Contest. TransAct shall conduct Joint Contests, without prejudice to any right or obligation of Tridex relating to such Joint Contest. Tridex, as the Common Parent of the Tridex Group or otherwise, agrees to take all such actions and to cause its subsidiaries to take all such actions as may be necessary to permit TransAct to conduct such Joint Contests. Each party shall cooperate fully with the other during the course of a Joint Contest as provided in Section 7(c) herein, and shall bear its own costs in so doing except as otherwise provided in clause (iv) or clause (v) of this Section 7(a).

(ii) Each party hereto shall have the right to extend the statute of limitations on assessments with respect to any Taxes of such party without regard to whether the extension leads to the initiation or the continuation of a Joint Contest; the other party hereto shall cooperate fully with the requesting party in accordance with Section 7(c), and shall execute such documentation as may be required to extend the statute if extension is not otherwise within the legal power of the requesting party. Similarly, each party hereto shall have the right to file a claim for a Tax Refund without regard to whether such claim leads to the initiation or the continuation of a Joint Contest; the other party hereto shall cooperate fully with the requesting party in accordance with Section 7(c), and shall execute such documentation as may be required to claim the Tax Refund if it is not otherwise within the legal power of the requesting party to file such claim. Neither the extension of the statute nor the filing of a claim for Tax Refund in accordance with this paragraph shall entitle either party to any indemnity from the other, except as provided in clause (v) of this Section 7(a).

(iii) The party hereto that receives the first information that a taxing authority is conducting an examination of a Tax return which included the other party hereto and/or its subsidiaries shall immediately notify the other that a possible Joint Contest exists and shall afford such other party the opportunity to participate, at its own expense, in contesting in administrative and judicial proceedings all relevant items that affect the Tax Liability or Tax Attributes of such entities. TransAct and Tridex shall share jointly in any decisions involved in connection with settlements of Joint Contests to the extent that items are involved that affect the Taxes or Tax Attributes of both parties or subsidiaries of both parties. Neither party may agree to settle such a dispute without the consent of the other, which shall not be unreasonably withheld. If both parties agree to pursue or defend a Joint Contest, then each party shall bear its own costs of contesting the matter. Notwithstanding the preceding sentence, if the parties agree on the use

of third party advisors or experts, the costs thereof shall be shared equally between both parties. If one party acting reasonably and in good faith declines to pursue or defend a Joint Contest, such declining party nevertheless shall cooperate fully with the contesting party in accordance with Section 7(c) herein, and shall bear its own associated costs and expenses, if any, and shall not be entitled to any indemnity from the contesting party except as provided in clause (v) of this Section 7(a); provided however, that the declining party shall not be required to incur any costs of any third party advisors or experts to whose engagement it has not agreed. Each party shall be liable for its share of any redetermined liability for Taxes in accordance with Section 8 herein.

(iv) Each party hereto shall act reasonably and in good faith in exercising its right to share jointly in any decisions involved in connection with Joint Contests affecting its Taxes or Tax Attributes. A determination of whether a party is acting reasonably and in good faith shall be made taking into account all relevant facts and circumstances; provided however, that it shall not be considered to be acting reasonably and in good faith for purposes of this Section 7(a) if a party declines a reasonable, good faith request by the other party to facilitate the extension of the statute of limitations or the claim of a Tax Refund (as described in clause (ii) of this Section 8(a)).

(v) Neither party shall be required to indemnify or hold harmless the other for any cost or expense incurred in connection with this Agreement. Notwithstanding the preceding sentence, one party shall indemnify the other to the extent of costs (other than Taxes and interest assessed by any taxing authority with respect thereto) incurred by the indemnitee that would not have been incurred but for the failure of the indemnifying party to act reasonably and in good faith in accordance with this Section 7(a). In addition, one party shall indemnify and hold harmless the other from any costs or claims of third party advisors or experts engaged in connection with a Tax Contest and to whose engagement the indemnitee has not agreed.

(b) SEPARATE CONTESTS. Any Separate Contests with respect to tax returns filed by any Member of either the Tridex Group or the TransAct Group on a separate company basis shall be conducted by the entity which filed such tax return (or the Common Parent of the Affiliated Group of which such entity is a Member at the time of such contest), and such entity shall have sole and complete authority to conduct such Tax Contest, including the authority to negotiate with and enter into settlements with any taxing authority. If at any point of the proceedings of a Separate Contest, it becomes a Joint Contest, then the Tax Contest shall thereafter be conducted as a Joint Contest.

(c) COOPERATION. Tridex (and the Members of the Tridex Group) and TransAct (and the Members of the TransAct Group) shall each provide the assistance reasonably requested by the other with respect to conducting any Tax Contest, including without limitation providing access to or furnishing books, records, tax returns and supporting work papers, executing any powers of attorney or other appropriate documentation required to pursue or defend any Tax Contest, attending administrative or judicial proceedings in connection with Joint Contests as necessary, performing necessary computations, and other functions necessary or helpful to the pursuit or defense of any Tax Contest.

SECTION 8. REDETERMINED TAX LIABILITIES.

In the event of a redetermination of Taxes as a result of audits by the Service or other taxing authority and/or judicial determinations, payments in connection therewith, if any, made or received by or among Tridex, TransAct, and their respective subsidiaries, shall be governed by the following principles:

(a) SEPARATE CONTESTS. In the case of matters arising out of Separate Contests, the redetermined liability will be borne (that is, any increases in Tax Liability will be paid by, and any decreases in Tax Liability will be received by) the applicable entity.

(b) JOINT CONTESTS. In the case of matters arising out of any Joint Contest, a Tax Deficiency shall be paid to the relevant taxing authority by, and a Tax Refund received from the relevant taxing authority shall be paid to, Tridex and/or its subsidiaries; provided, however, that whether or not a payment is required to or from a relevant taxing jurisdiction and subject to the provisions of Section 8(c) hereof, TransAct and/or its subsidiaries shall make payments to Tridex and/or its subsidiaries, or receive payments from Tridex and/or its subsidiaries, based on the following principles:

(i) in the case of adjustments which increase the taxable income of Members of the TransAct Group, TransAct shall make a payment equal to the amount of the adjustment multiplied by the highest applicable marginal rate of taxation in effect for the period for which the adjustment is made; or

(ii) in the case of adjustments which decrease taxable income of Members of the TransAct Group, Tridex shall make a payment equal to the amount of the adjustment multiplied by the highest applicable marginal rate of taxation in effect for the period for which the adjustment is made;

(iii) in the case of adjustments which decrease current year credits (exclusive of credits carried back or forward into such year) of Members of the TransAct Group, TransAct shall make a payment to Tridex in the amount of such decrease; or

(iv) in the case of adjustments which increase current year credits (exclusive of credits carried back or forward into such year) of Members of the TransAct Group, Tridex shall make a payment to TransAct in the amount of such increase.

Notwithstanding the provisions of Section 8(b)(iii)(iv), no payment will be required under this Section 8(b) in the case of increases or decreases to the amount of Alternative Minimum Tax Credit. Changes in the amount of Alternative Minimum Tax Credit will be controlled by the provisions of Section 8(c) below.

(c) TAX ATTRIBUTE REALLOCATIONS. If there is a redetermination of Tax Liabilities in connection with either a Joint Contest or a Separate Contest, or for purposes of this Section 8(c) only, as a result of carrybacks or carryforwards of Tax Attributes, and as a result thereof there is an adjustment to Tax Attributes (inclusive of Minimum Tax Credits) allocated among the parties pursuant to Section 4 and 5 hereof:

(i) Tridex shall, in the case of credits, make a payment to TransAct equal to the amount of any resulting reduction in items allocated to Members of the TransAct Group, or in the case of income items (including but not limited to net operating losses) Tridex shall make a payment to TransAct equal to the amount of the reduction multiplied by the highest applicable marginal rate of taxation in effect for the period in which the adjustment is made; and

(ii) TransAct shall, in the case of credits, make a payment to Tridex equal to the amount of any resulting increase in items allocated to Members of the TransAct Group, or in the case of income items (including but not limited to net operating losses) TransAct shall make a payment to Tridex equal to the amount of the increase multiplied by the highest applicable marginal rate of taxation in effect for the period in which the adjustment is made.

(d) CERTAIN REORGANIZATION-RELATED REDETERMINATIONS. Any Tax Liability arising from adjustments to income in connection with the transactions contemplated by and effected under the Plan shall be borne entirely by Tridex.

(e) TIMING OF PAYMENTS. Any payments required by Section 8(b) or (c) hereof shall be made within 15 days of such adjustments becoming final.

(f) INTEREST. Payments, if any pursuant to this Section 8 shall bear interest determined by applying similar principles as those described herein.

SECTION 9. RETENTION OF RECORDS; ACCESS TO RECORDS; COOPERATION & ASSISTANCE.

(a) RETENTION OF RECORDS.

(i) DUTIES OF TRANSACT. TransAct shall retain all tax returns, tax reports, related work papers and all schedule (along with all documents that pertain to any such tax returns, reports, work papers or schedules) which relate to a tax period ending on or before the Separation Date. TransAct shall make such documents available at no cost to Tridex and/or its subsidiaries at Tridex's request. TransAct shall not dispose of such documents without the permission of Tridex.

(ii) DUTIES OF TRIDEX. Tridex shall retain all tax returns, tax reports, related work papers and all schedules (along with all documents that pertain to any such tax returns, reports, work papers or schedules) which relate to any tax period ending on or before the Separation Date. Tridex shall make such documents available at no cost to TransAct and/or its subsidiaries at TransAct's request. Tridex shall not dispose of such documents without the permission of TransAct.

(b) ACCESS TO RECORDS.

(i) Duties of TransAct. TransAct shall permit Tridex or any Members of the Tridex Group (or their direct and indirect subsidiaries), or their designated representative, to have access at any reasonable time and from time to time, after the Separation Date, to all relevant tax returns and supporting papers therefor in respect of periods ending on or before the Separation Date, wherever located, and shall furnish, and request that the independent accountants of TransAct or any of the members of the TransAct Group furnish, to Tridex and its subsidiaries, as the case may be, such additional tax and other information and documents with respect to consolidated federal and state income tax returns filed in respect of periods ending on or before the Separation Date, as Tridex or any of its subsidiaries may from time to time reasonably request.

(ii) Duties of Tridex. Tridex shall permit TransAct or any Members of the TransAct Group (or their direct and indirect subsidiaries), or their designated representative, to have access at any reasonable time and from time to time, after the Separation Date, to all relevant tax returns and supporting papers therefor of Tridex and the other members of the Tridex Group in respect of periods ending on or before the Separation Date, wherever located, and shall furnish, and request that the independent accountants of Tridex or any of the members of the Tridex Group furnish, to TransAct and its subsidiaries, as the case may be, such additional tax and other information and documents with respect to consolidated federal and state income tax returns filed in respect of periods ending on or before the Separation Date, as TransAct or any of its subsidiaries may from time to time reasonably request.

(c) ASSISTANCE AND COOPERATION. Tridex (and Members of the Tridex Group) and TransAct (and Members of the TransAct Group) will provide each other with such cooperation, assistance and information as either of them reasonably may request of the other with respect to the filing of any tax return, amended return, claim for refund or other document with any taxing authority. With respect to the federal consolidated tax return or any consolidated, combined, or unitary state or local tax return (or similar aggregate reporting for foreign tax purposes) filed by Tridex for tax periods which begin before the Separation Date and end after the Separation Date, such assistance shall include the timely submission by TransAct to Tridex of proforma tax returns for TransAct and each Member of the TransAct Group, prepared on the basis that each such Member's tax period ended on the Separation Date.

SECTION 10. PREPARATION OF TAX RETURNS; ESTIMATED PAYMENTS.

(a) FY 1996 AND ALL PRE-SEPARATION DATE TAXABLE YEARS. Tridex shall prepare and timely file the Tridex Group consolidated returns for fiscal 1996 and all taxable periods prior to the Separation Date. In connection therewith, TransAct shall (1) permit Tridex to have access at any reasonable time and from time to time, after the Separation Date, to all tax returns and supporting papers therefor of TransAct and its subsidiaries, wherever located; and (2) furnish to Tridex such additional tax and other information and documents in the possession of such companies, with respect to consolidated federal and state income tax returns filed in respect of periods including or ending before the Separation Date, as Tridex may from time to time reasonably request. TransAct shall, and shall cause its subsidiaries to, cooperate in connection with the preparation of the consolidated federal and state income tax returns of the Tridex Group for fiscal 1996. It shall be the responsibility of Tridex to make any payments required in connection therewith to the applicable taxing authorities.

(b) POST-SEPARATION DATE TAXABLE YEARS.

(i) TransAct's Separate Returns. All tax returns of the TransAct Group which are filed on a consolidated or combined basis for tax periods beginning after the Separation Date shall be prepared and filed by TransAct. TransAct shall be solely responsible for the payment of all Taxes due with respect to such tax returns for such tax periods.

(ii) Tridex's Separate Returns. All tax returns of the Tridex Group which are filed on a consolidated or combined basis for tax periods beginning after the Separation Date shall be

prepared and filed by Tridex. Tridex shall be solely responsible for the payment of all Taxes due with respect to such tax returns for such tax periods.

(c) ESTIMATED PAYMENTS. All payments (including estimated payments or payments made in connection with requests for extensions of time to file such returns) made subsequent to the date hereof with respect to consolidated, combined, or unitary income tax liabilities of the Tridex Group and its Members for any and all tax years prior to the Separation Date shall be made by Tridex. Tridex shall promptly thereafter notify TransAct of the portion, if any, of such payment which it in good faith believes to be attributable to TransAct's share of the liability, as determined under the provisions of Section 2 hereof. TransAct shall, within five (5) business days of the due date for such estimated payments, pay such amount to Tridex or advise Tridex of the basis for its disagreement.

SECTION 11. INDEMNIFICATION.

With respect to all consolidated federal and state income tax returns filed by the Tridex Group:

(a) SELF-ASSESSMENTS. Tridex shall indemnify and hold harmless TransAct and its subsidiaries, and TransAct shall indemnify and hold harmless Tridex and its subsidiaries, from and against any liability, cost, or expense, including, without limitation, any fine, penalty (including interest on penalties or penalty increments to interest) or accountants' or attorneys' fees, arising out of fraudulent or negligently prepared information, workpapers, documents, and other items used in the preparation of, or presented in, any return, amended return, or claim for refund filed for the Tridex Group for the tax years in which a Separation Date occurs, and which information, workpapers, documents, or other items originated with and/or were prepared by such indemnifying party.

(b) REDETERMINATIONS. Except as otherwise provided in Section 11(a) hereof:

(i) Tridex shall indemnify and hold harmless TransAct from and against any liability, cost, or expense incurred or paid by TransAct in excess of its share thereof as allocated pursuant to Section 8 hereof, including any amount paid by TransAct in connection with an assessment by the Service or other taxing authority; and

(ii) TransAct shall indemnify and hold harmless Tridex from and against any liability, cost, or expense incurred or paid by Tridex in excess of its share thereof as allocated pursuant to Section 8 hereof, including any amount paid by Tridex in connection with an assessment by the Service or other taxing authority.

SECTION 12. RESOLUTION OF DISPUTES.

Any disputes between the parties with respect to this Agreement that cannot be resolved by the parties shall be resolved by a public accounting firm or a law firm reasonably satisfactory to Tridex and TransAct, the determination of which shall be final and binding on both parties. The fees and expenses of such firm shall be borne equally by Tridex and TransAct.

SECTION 13. SUBSIDIARIES.

Any reference herein to a subsidiary or subsidiaries includes Members (and their direct and indirect subsidiaries) of the Tridex Group and the TransAct Group. To the extent that the provisions of the Agreement pertain to a subsidiary or subsidiaries of Tridex or TransAct, Tridex and TransAct respectively agree that it will cause the respective subsidiary or subsidiaries to carry out the terms of this Agreement.

SECTION 14. SURVIVABILITY/ASSIGNABILITY.

This Agreement and each of its provisions shall be binding upon and inure to the benefit of the parties and their respective heirs and successors. Nothing in this Agreement is intended or shall be construed to give any person or entity other than the parties and their respective heirs or successors any rights or remedies under or by reason of the Agreement and neither party shall assign its rights and obligations hereunder without the express written consent of the other party, which consent each party reserves the right to withhold in its sole and absolute discretion.

SECTION 15. NOTICES.

All notices and other communications required or permitted under this Agreement shall be in writing, shall be deemed delivered upon receipt, and shall be delivered in person or by courier or sent by certified or registered mail, return receipt requested, first class, postage prepaid, to the parties at their respective addresses set forth below, or as to any party at such other address as shall be designated by such party in a written notice to the other party:

To TransAct: TransAct Technologies Inc.
7 Laser Lane
Wallingford, CT 06492
Attention: President

To Tridex: Tridex Corporation
61 Wilton Road
Westport, CT 06880
Attention: President

SECTION 16. GOVERNING LAW.

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

SECTION 17. COSTS AND EXPENSES.

In any action brought to enforce or interpret this Agreement, each party shall pay its own costs and expenses of maintaining or defending such action.

SECTION 18. REMEDIES CUMULATIVE.

The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law.

SECTION 19. COUNTERPARTS.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same Agreement.

SECTION 20. SEVERABILITY.

In the event that any portion of this Agreement shall be declared invalid by order, decree or judgment of a court or governmental agency having jurisdiction, this Agreement shall be construed as if such portion had not been inserted herein, except when such construction would operate as an undue hardship on any party to this Agreement or constitute a substantial deviation from the general intent and purpose of said parties as reflected in this Agreement.

SECTION 21. AMENDMENTS; WAIVER.

This Agreement may be amended, and the observance of any terms of this Agreement may be waived, only in a written document signed by Tridex and TransAct.

SECTION 22. EFFECTIVENESS OF AGREEMENT.

This Agreement shall become effective upon the Effective Date and shall continue in effect until otherwise agreed in writing by Tridex and TransAct, or their successors.

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

TRIDEX CORPORATION

By: /s/ Seth M. Lukash

Title: Chairman and Chief Executive Officer

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Bart C. Shuldman

Title: Chief Executive Officer and President

CREDIT AGREEMENT

Dated as of August 29, 1996

among

TRANSACT TECHNOLOGIES INCORPORATED,

MAGNETEC CORPORATION

and

FLEET NATIONAL BANK

CREDIT AGREEMENT dated as of August 29, 1996 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").

Background

Pursuant to the Credit Agreement dated June 17, 1994 among Tridex Corporation, a Connecticut corporation ("Tridex"), Ithaca Peripherals Incorporated, a Delaware corporation ("Ithaca"), Ultimate Technology Corporation, a New York corporation, Cash Bases Incorporated, a Delaware corporation, Magnetec and the Bank, the Bank extended a \$5,500,000 term loan facility (the "Term Loan") and a \$5,000,000 revolving loan facility (the "Revolver").

On July 28, 1996, Tridex caused Ithaca to be merged into Magnetec, with Magnetec being the surviving entity. Tridex then created a new wholly-owned subsidiary, TransAct, to which it contributed all of Magnetec's stock.

On or about the date hereof, TransAct intends to conduct an initial public offering (the "Initial Public Offering") of approximately twenty percent (20%) of its equity securities. TransAct intends to utilize a portion of the net proceeds realized from the Initial Public Offering to satisfy the indebtedness of TransAct to Tridex under the Tridex Loan, and, simultaneously therewith, Tridex intends to satisfy in full the indebtedness outstanding under the Term Loan and the Revolver.

To effect the Initial Public Offering and to obtain funds for working capital, the Borrowers have requested that the Bank extend to them a \$5,000,000 revolving credit facility. The Bank has agreed to the Borrowers' request subject to the terms and conditions of this Agreement.

Agreement

In consideration of the Background, 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):

"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.

"Banking Day" means any day on which commercial banks are not authorized or required to close in Hartford, Connecticut, and whenever such day relates to a LIBOR Loan or notice with respect to any principal amounts bearing interest at the LIBO Rate, a day on which dealings in Dollar deposits are also carried out in the London interbank market..

"Borrowing" means any Revolving 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 Schulman 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.

"Clean-Down Period" shall mean any 30-day period of each one year period commencing on the Closing Date, or fraction thereof, provided that no such period shall commence sooner than 30 days after the first Borrowing or later than 30 days prior to the Revolving Credit Termination Date, during which the aggregate outstanding principal amount of Revolving Loans must be reduced to \$0.

"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.

"Commitment" means the obligation of the Bank to make the Revolving Loans under this Agreement up to the aggregate principal amount of \$5,000,000, and as such amount may be reduced or otherwise modified from time to time pursuant to Section 2.7 or otherwise.

"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 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 Revolving Loan and, to the extent permitted by law, any other amount payable by the Borrowers under this Agreement or the Note 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 two percent 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, 2% above the interest rate for such Revolving 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.

"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 Note, 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.

"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 of such Person for money borrowed.

"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) EBITDA 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, on the numerically corresponding day in the first, second or third 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 with respect to any Interest Period for LIBOR Loans, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of one percent) determined by the Bank to be equal to the quotient of (i) the rate per annum (rounded upwards, if necessary, to the nearest 1/16 of one percent) quoted at approximately 11:00 a.m. London time by the principal London branch of the Bank two Banking Days prior to the first day of such Interest Period for the offering to leading banks in the London interbank market of Dollar deposits in immediately available funds, for a period, and in an amount, comparable to the Interest Period and principal amount of the LIBOR Loan outstanding during such Interest Period, divided by (ii) one minus the Reserve Requirement for such LIBOR Loan for such Interest Period.

"LIBOR Loan" means any Revolving 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.

"Margin" means (a) for Prime Rate Loans, 0 basis points (0%) and (b) for LIBOR Loans, 150 basis points (1.50%).

"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 the aggregate of fifty percent (50%) of the Borrowers' Net Income, on a consolidated basis, from the Closing Date through and including December 31, 1996, and for each fiscal year thereafter.

"Note" means the promissory note of the Borrowers, in substantially the form of Exhibit A hereto, evidencing the indebtedness of the Borrowers to the Bank resulting from the Revolving Loans.

"Notice of Borrowing" shall mean the notice of each Borrowing required by Section 4.2.

"Opening Balance Sheet" means the balance sheet of the Borrowers, after giving effect to the receipt by TransAct of the net proceeds of the Initial Public Offering and the satisfaction in full by TransAct of the Tridex Loan.

"Over-allotment Sale" means the sale by TransAct, subsequent to the Initial Public Offering, of the over-allotted 172,500 shares still available to the public at \$8.50 per share.

"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 1 Monarch Place, Springfield, Massachusetts, which rate may not be the Bank's lowest or best rate.

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

"Receivable" 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, 1998; 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 Commitment pursuant to Section 9.2.

"Revolving Loan" means any loan made by the Bank pursuant to Section 2.1.

"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 Revolving Loans on terms satisfactory to the Bank.

"Subordination Agreement" means the subordination agreement dated as of the Closing Date, among one or both of the Borrowers, Tridex and the Bank, in substantially the form of Exhibit B.

"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: goodwill, trademarks, patents, organizational costs, unamortized debt discounts and expenses and other like intangible assets as defined by GAAP.

"Tridex Loan" means the aggregate indebtedness in the amount of \$8,500,000 as of the Closing Date, owed by TransAct to Tridex as reflected on the books and records of Tridex.

"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.

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 Revolving Loans.

a. Subject to the terms and conditions of this Agreement, the Bank agrees to make loans (the "Revolving 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

outstanding shall not exceed \$2,500,000 prior to the delivery of the Projection Scenario in accordance with Section 6.10. Revolving Loans may be outstanding as Prime Rate Loans or LIBOR Loans (each a "type" of Revolving Loan).

(b) The Revolving Loans shall be due and payable on the Revolving Credit Termination Date.

Section 2.2. The Note. The Revolving Loans shall be evidenced by a single promissory note in favor of the Bank in the form of Exhibit A, dated the Closing Date, duly completed and executed by the Borrowers.

Section 2.3. Purpose. The Borrowers shall use the proceeds of the Revolving Loans for working capital of the Borrowers. No proceeds of the Revolving 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 Revolving 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 Revolving 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 Revolving Loan into another type of Revolving 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 Revolving Loans.

(b) Mandatory Prepayments.

(i) The Borrowers shall immediately repay the excess by which the aggregate principal amount of all outstanding Revolving Loans exceeds the Commitment.

(ii) During each Clean-Down Period the Borrowers shall satisfy in full all amounts then outstanding with the Revolving Loans.

(iii) Each such prepayment in accordance with subsection (i) and (ii) above shall be applied first to any expenses incurred by the Bank, second to any interest due on the amount prepaid, and last to the outstanding principal amount of the Revolving Loans prepaid, in each case in such manner as the Bank in its discretion shall determine.

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 the Commitment 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. Once reduced or terminated, the 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 the 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 Commitment, given three Banking Days prior thereto. Each such notice shall specify the Revolving Loans to be borrowed, prepaid, converted or renewed and the amount (subject to Section 2.9) and type of the Revolving 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 the Commitment or prepayments or conversions which result in the prepayment or conversion of all Revolving Loans, as the case may be, of a particular type, each Borrowing, optional prepayment, conversion and renewal of principal of Revolving Loans of a particular type shall be in an amount at least equal to (a) \$25,000 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 Revolving 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 Revolving Loan for the period from and including the date of such Revolving Loan to but excluding the date such Revolving 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 therefor to but excluding the last day of such Interest Period. If the principal amount of any Revolving Loan and any other amount payable by the Borrowers hereunder or under the Note 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 Revolving Loan.

(b) The interest rate on Prime Rate Loans shall change when the Prime Rate changes and interest on each such Revolving 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 Revolving Loans shall be due and payable in arrears upon any payment of principal and on the last day of each calendar month, commencing August 31, 1996, and on the Revolving Credit 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. Fees.

(a) Commitment Fee. The Borrowers shall pay to the Bank a commitment fee on the daily average unused Commitment for the period from and including the date hereof to the Revolving Credit Termination Date at a rate per annum equal to one-quarter of one percent (1/4 of 1%), calculated on the basis of a year of 360 days for the actual number of days elapsed. The accrued commitment fee shall be due and payable in arrears upon any reduction or termination of the Commitment and on the last day of each March, June, September and December, commencing on the first such date after the Closing Date.

(b) Closing Fee. The Borrowers shall pay to the Bank, on the Closing Date, a closing fee in the amount of \$18,750.

Section 2.12. Payments Generally. All payments under this Agreement or the Note 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 Note, 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 Note 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.

Section 2.13. 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 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; (ii) 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, unless, in the case of a LIBOR Loan, such Banking Day would fall in the next calendar month in which event such Interest Period shall end on the immediately preceding Banking Day; (iii) 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 Revolving 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; provided that the foregoing shall not prevent the conversion of any type of LIBOR Loan into another type of Revolving Loan in accordance with Section 2.5.

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 Note or its obligation to make any such Revolving Loans hereunder, or any reduction in any amount receivable by the Bank hereunder in respect of any such Revolving 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 Note in respect of any of such Revolving Loans (other than taxes imposed on the overall net income of the Bank or of its Lending Office for any of such Revolving 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 Revolving 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 Note (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 Revolving Loans of any other type into, Revolving 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 Revolving Loans of such type, either prepay such Revolving Loans or convert such Revolving Loans into another type of Revolving 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 Revolving Loans hereunder or its obligation to make Revolving 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 Revolving Loans or its obligation to make Revolving Loans, or on amounts receivable by, or the rate of return to, it in respect of Revolving 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 Revolving 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 Revolving 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 Revolving 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 Revolving Loans of such type or to convert Revolving Loans of any other type into Revolving Loans of such type and the Borrowers shall, on the last day(s) of the then current Interest Period(s) for the outstanding Revolving Loans of the affected type, either prepay such Revolving Loans or convert such Revolving Loans into another type of Revolving 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 Revolving Loans of any type into Revolving 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 Revolving Loans into Revolving Loans of such type hereunder shall be suspended until such time as the Bank may again make, renew or convert and maintain such affected Revolving 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 Revolving Loans or convert such Revolving Loans into another type of Revolving 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 Revolving 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 2.13, 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 Revolving 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 Revolving Loan which would have commenced on the date specified therefor in the relevant notice) at the applicable rate of interest for such Revolving 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 Revolving 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 Note 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) evidence that TransAct has concluded the Initial Public Offering at an offering price of not less than \$8.50 per share for 1,150,000 shares of its Common Stock;

(d) the Opening Balance Sheet;

(e) 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;

(f) 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;

(g) 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;

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

(i) 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;

(j) evidence of satisfaction by the TransAct of the Tridex Loan;

(k) evidence of satisfaction by Tridex of the indebtedness outstanding under the Term Loan and under the Revolver;

(l) payment by the Borrowers to the Bank of the Closing Fee and all other expenses and fees incurred by the Bank;

(m) 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;

(n) a copy of the final prospectus on Form S-1;

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

(p) the Subordination Agreement duly executed by the parties thereto;

(q) 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

(r) 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 Revolving Loans of this type.

Section 4.2. Additional Conditions Precedent. The obligation of the Bank to make the Revolving 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 Revolving 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 Revolving 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, 1995, 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 June 29, 1996, and the related consolidated and consolidating income statement and statements of cash flows and changes in stockholders' equity for the six-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 December 31, 1995. 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 December 31, 1995, 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 Revolving 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.

Section 5.19. Solvency.

(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.

Section 5.20. Subordinated Debt. The Subordinated Debt of such Borrower now outstanding, true and complete copies of instruments evidencing which have been furnished to the Bank, has been duly authorized by such Borrower, has not been amended or otherwise modified, and constitutes the legal, valid and binding obligation of such Borrower enforceable against such Borrower in accordance with its terms. There exists no default in respect of any such Subordinated Debt.

ARTICLE 6. AFFIRMATIVE COVENANTS

So long as the Note shall remain unpaid or the Bank shall have the Commitment 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. The Bank shall perform an annual field audit of the Borrowers at the Borrowers' expense; provided that such expenses shall not exceed \$4,000 per annum.

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 and computations of Excess Cash Flow 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;

(1) 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 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.

Section 6.10. Delivery of Projection Scenario. Deliver within 30 days of the Initial Public Offering, a two year projection scenario (the "Projection Scenario") in form and substance satisfactory to the Bank, setting forth the Borrowers' conclusion based upon the projections, that the proceeds of the Revolving Loans will be used solely for working capital purposes as set forth in Section 2.3.

ARTICLE 7. NEGATIVE COVENANTS

So long as the Note shall remain unpaid or the Bank shall have any Commitment 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 Note;

(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;

(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; and (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.

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.

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 the Note shall remain unpaid or the Bank shall have the Commitment 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, Tangible Net Worth of not less than the greater of (a) \$10,500,000 plus the Net Income Increase and (b) Tangible Net Worth as reflected on the Opening Balance Sheet less \$250,000 plus the Net Income Increase; except, if the Over-allotment Sale does not occur, in which case, the Borrower's, on a consolidated basis, shall maintain at all times, as measured at the end of each fiscal quarter, Tangible Net Worth of not less than the greater of (a) \$9,700,000 plus the Net Income Increase and (b) Tangible Net Worth as reflected on the Opening Balance Sheet less \$250,000 plus the Net Income Increase.

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, a ratio of Total Liabilities to Tangible Net Worth of not greater than 1.5 to 1.0.

Section 8.3. Minimum Current Ratio. The Borrower, on a consolidated basis, shall maintain at all times, as measured at the end of each fiscal quarter, a ratio of Current Assets to Current Liabilities of not less than 2.0 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, an Interest Coverage Ratio of not less than 3.0 to 1.0.

Section 8.5. Consecutive Losses. The Borrowers, on a consolidated basis, shall not suffer a Net Loss in any two (2) consecutive fiscal quarters..

Section 8.6. Annual Loss. The Borrowers shall not suffer an annual loss, as determined on a consolidated basis in accordance with GAAP.

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 the 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 \$250,000 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 Change of Control shall occur;

(i) (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;

(j) 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

(k) the Security Agreement or the Pledge 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 Commitment to be terminated, whereupon the same shall forthwith terminate, and (b) declare the outstanding principal of the Note, all interest thereon and all other amounts payable under this Agreement and the Note or any one of them to be forthwith due and payable, whereupon the Note, 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(e) or Section 9.1(i)(A) above, the Commitment shall be immediately terminated, and the Note, 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. Anything herein to the contrary notwithstanding, the obligations of the Borrowers under this Agreement and the Note shall be subject to the limitation that payments of interest shall not be required to the extent that receipt thereof would be contrary to provisions of law applicable to the Bank limiting rates of interest which may be charged or collected by 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 Note or any Facility Document. 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 Revolving 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 Revolving Loans and the termination of the Commitment.

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 Revolving Loan to another bank or other entity, 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.

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 agree that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim the Bank may otherwise have, the Bank shall be entitled, at its option, to offset balances (general or special, time or demand, provisional or final) held by it for the account of any Borrower at any of the Bank's offices, in Dollars or in any other currency, against any amount payable by any Borrower under this Agreement or the Note which is not paid when due (regardless of whether such balances are then due to such Borrower), in which case it shall promptly notify the Borrowers thereof; provided that the Bank's failure to give such notice shall not affect the validity thereof.

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 NOTE, 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 LAW 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 REVOLVING LOANS EVIDENCED BY THE NOTE 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 Revolving 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 Revolving 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.

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 - Note
Exhibit B - Subordination Agreement
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

EXHIBIT A
PROMISSORY NOTE

\$5,000,000

Stamford, Connecticut
August 29, 1996

For value received, TRANSACT TECHNOLOGIES INCORPORATED. and MAGNETEC CORPORATION (the "Borrowers"), hereby 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 Revolving 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 Revolving 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 Revolving 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 Revolving 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.

TRANSACT TECHNOLOGIES INCORPORATED

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

MAGNETEC CORPORATION

By _____
Richard L. Cote
Title: Vice President

Date	Amount of Revolving Loan	Amount of Payment	Balance Outstanding	Notation By
------	-----------------------------	----------------------	------------------------	----------------

EXHIBIT E
NOTICE OF BORROWING

[DATE]

Fleet National Bank
One Landmark Square

Stamford, CT 06901
ATTN: Frederick A. Meagher

Ladies and Gentlemen:

The undersigned, a duly authorized officer of [TransAct Technologies Incorporated] [Magnetec Corporation] refers to the Credit Agreement dated as of August 29, 1996 among TransAct Technologies Incorporated, Magnetec Corporation and Fleet National Bank (as amended, modified or supplemented from time to time the "Credit Agreement") and hereby gives you notice pursuant to Section 4.2 of the Credit Agreement that the undersigned hereby requests a Revolving Loan, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by the Credit Agreement. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

(i) The Banking Day of the Proposed Borrowing is

_____.

(ii) The aggregate amount of the Proposed Borrowing is

U.S.\$ _____.

(iii) The interest rate for the Proposed Borrowing is

(check one):

- Prime Rate
- LIBO Rate (Complete Section v)

(iv) (LIBOR Loans Only) The initial Interest Period for the Proposed Borrowing is (check one):

- one (1) month
- two (2) months

_____ three (3) months

In accordance with Section 4.2 of the Credit Agreement, the undersigned hereby certifies that all representations and warranties of the Borrowers contained in each Facility Document, including Article 5 of the Credit Agreement and Article 2 of the Security Agreement, are true and correct on the date hereof, and unless we otherwise notify you in writing, you may rely on the fact that such statements are true and correct on the day of the Proposed Borrowing before and after giving effect to such Proposed Borrowing and the application of the proceeds thereof, as though made on and as of such date. The undersigned also certifies that there has been no material adverse change in the business, management operations, properties, prospects or condition (financial or otherwise) of any Borrowers since the Closing Date.

The undersigned further certifies and warrants that no Default or Event of Default is existing as of the date of this Certificate and, unless we notify you in writing, as of the day of the Proposed Borrowing.

Very truly yours,

[TRANSACT TECHNOLOGIES INCORPORATED]
[MAGNETEC CORPORATION]

By _____
Name:
Title:

SCHEDULE 5.9
to
CREDIT AGREEMENT

Dated as of August 29, 1996

SUBSIDIARIES OF BORROWER

Magnetec Corporation, a Connecticut corporation (survivor of merger between Magnetec Corporation, a Connecticut corporation, and Ithaca Peripherals Incorporated, a Delaware corporation).

SUBSIDIARIES OF MAGNETEC

Ithaca Peripherals Ltd, a UK corporation.

SCHEDULE 5.10
to
CREDIT AGREEMENT

Dated as of August 29, 1996

CREDIT ARRANGEMENTS

Lessee -----	Lessor -----	Security -----
Magnetec	Xerox Corporation	Photocopy equipment
Magnetec	NTFC Capital Corp.	Telecommunications equipment
Magnetec	Pitney Bowes	Mailing equipment
Ithaca	Xerox Corporation	Photocopy equipment
Ithaca	Mullin Industrial Handling Corp.	Forklift equipment
Ithaca	Tompkins County Trust Company	Telecommunications equipment
Ithaca	Pitney Bowes	Mailing equipment

SCHEDULE 5.12
to
CREDIT AGREEMENT

Dated as of August 29, 1996

HAZARDOUS MATERIALS

Oily Solids

One of the Borrower's subsidiaries regularly uses two types of lubricants in performing certain machining processes. As a result of these processes, the lubricant combines with metal shavings and eventually produces liquid sludge and "oily solids". The liquid sludge and oily solids are contained in clearly marked drums which are periodically transported off-site by General Chemical, a Framingham, Massachusetts hazardous waste disposal company.

SCHEDULE 7.3
to
CREDIT AGREEMENT

Dated as of August 29, 1996

LIENS

1. UCC-1 Financing Statement filed 12/9/94 with the Connecticut Secretary of State, File No. 1591536, Debtor = Magnetec, Secured Party = State of Connecticut Department of Economic Development
2. UCC-1 Financing Statement filed 6/19/95 with the Connecticut Secretary of State, File No. 1627702, Debtor = Magnetec, Secured Party = NTFC Capital Corporation
3. UCC-1 Financing Statement filed 7/11/96 with the Wallingford Town Clerk, File No. 7547, Debtor = Magnetec, Secured Party = OCE' BRUNING
4. UCC-1 Financing Statement filed 1/06/92 with the Connecticut Secretary of State, File No. 951207, Debtor = Magnetec, Secured Party = Pitney Bowes Credit Corporation
5. UCC-1 Financing Statement filed 7/27/94 with the New York Secretary of State, File No. 153581, Debtor = Ithaca Peripherals Incorporated, Secured Party = Citicorp Dealer Finance (assigned by Mullen Industrial Handling)
6. UCC-1 Financing Statement filed 3/4/92 with the New York Secretary of State, File No. 042641, Debtor = Ithaca Peripherals Incorporated, Secured Party = World Omni Leasing, Inc.

SCHEDULE 7.9
to
CREDIT AGREEMENT

Dated as of August 29, 1996

TRANSACTIONS WITH AFFILIATES OUTSIDE THE
ORDINARY COURSE OF BUSINESS

Borrower has entered into the following contracts which may be considered outside the ordinary course of business:

1. Plan of Reorganization dated as of June 24, 1996 among Tridex Corporation ("Tridex"), Magnetec Corporation ("Magnetec"), TransAct Technologies Incorporated ("TransAct") and Ithaca Peripherals Incorporated ("Ithaca").
2. Agreement and Plan of Merger dated as of July 16, 1996 between Magnetec and Ithaca.
3. Asset Transfer Agreement dated as of July 31, 1996 between Magnetec and Tridex.
4. Form of Manufacturing Support Services Agreement between Magnetec and Tridex.
3. Corporate Services Agreement dated as of July 30, 1996 between Tridex and TransAct.
4. Printer Supply Agreement dated as of July 31, 1996 between Magnetec and Ultimate Technology Corporation.
5. Tax Sharing Agreement dated as of July 31, 1996 between Tridex and TransAct.

CONTENTS

1	DEFINITIONS
2	DURATION
3	AGREEMENT
4	QUALITY AND DESCRIPTION
5	DELIVERY, TITLE AND RISK
6	TIME FOR DELIVERY OF THE SUPPLIES
7	COMPUTER PROGRAMS
8	PRICES
9	PAYMENT TERMS
10	WARRANTY AND SUPPORT
11	PROJECT MANAGEMENT
12	CHANGE CONTROL
13	STATUTORY REQUIREMENTS
14	INTELLECTUAL PROPERTY RIGHTS
15	ASSIGNMENT
16	OTHER SUPPLIERS TO PATHWAY
17	INSOLVENCY OR LIQUIDATION
18	CONFIDENTIALITY
19	PROTECTION OF PERSONAL DATA
20	SUPPLIER'S PERSONNEL
21	LIABILITY AND INSURANCE
22	AUDIT
23	CANCELLATION/TERMINATION
24	SET-OFF
25	GUARANTEE
26	GENERAL

APPENDIX 1 SCHEDULES

SCHEDULE A SPECIFICATION OF SUPPLIES

- A1 SPECIFICATION
- A2 QUALITY
- A3 MODIFICATION OF SUPPLIES / CONFIGURATION MANAGEMENT
- A4 SPARE PARTS AND MAINTENANCE
- A5 REPAIRS/EXCHANGES
- A6 CONSUMABLES

SCHEDULE B PLACING OF ORDERS

- B1 DELIVERY REQUIREMENTS AND FORECASTS
- B2 ORDERS

SCHEDULE C DELIVERY OF SUPPLIES

- C1 DELIVERY REQUIREMENTS
- C2 PACKAGING AND DELIVERY REQUIREMENTS
- C3 CONTINUITY OF SUPPLY/STOCK LEVELS

SCHEDULE D PRICING TERMS

- D1 PRICING
- D2 PRICES

SCHEDULE E PROJECT MANAGEMENT

SCHEDULE F CHANGE CONTROL

- F1 SCOPE
- F2 PRINCIPLES
- F3 PROCEDURE

This Purchase Agreement ("this Agreement") (ref no. ITH001) is made the 17th day of October 1996

between ICL Pathway Limited ("Pathway")
of 1 High Street, Putney, London, SW15 1SW, England
and Ithaca Peripherals Limited ("the Supplier")
of Shaw Wood Business Park, Leger Way, Doncaster, England, DN2 5TB
and Transact Technologies Incorporated ("the Guarantor")
of 7, Laser Lane, Wallingford, Connecticut 06492, USA.

WHEREAS Pathway has entered into a contract (hereinafter called "the Main Agreement") with the Department of Social Security (hereinafter "the DSS") and Post Office Counters Limited (hereinafter "POCL") to computerise and operate a computerised service in respect of the DSS's benefits payment system and POCL's counter infrastructure.

NOW IT IS HEREBY AGREED as follows:

1 DEFINITIONS

- 1.1 "Acceptance" shall be taken to have occurred when the relevant Acceptance Procedure defined in Schedule A Clause A1.2 has been successfully completed; "Accept" shall be construed accordingly.
- 1.2 NOT USED
- 1.3 "Change" means a change to this Agreement, or to an Order, or to the specification of any of the Supplies.
- 1.4 "Computer Program" means a computer program in machine readable object code.
- 1.5 "Confidential Information" means all information designated as such by either party in writing together with all other information which relates to the business, affairs, products, Supplies, developments, trade secrets, know-how, personnel, customers and suppliers of either party or the DSS or POCL, or information which may reasonably be regarded as the confidential information of the disclosing party or the DSS or POCL.
- 1.6 "Hardware" means any hardware to be supplied by the Supplier hereunder or under an Order, including:
 - 1.6.1 the physical media on which any Software is supplied; and
 - 1.6.2 any tangible object.
- 1.7 "New Version" means a new release of a Computer Program (except for enhancements, error correction, maintenance and emergency releases which are provided under maintenance) which adds to the Computer Program a significant new feature or function, or significant improvement in performance and for which the Supplier makes extra charges to its customers generally.
- 1.8 "Order" means an order placed by Pathway, in accordance with Schedule B, for the Supplies from the Supplier under the terms of this Agreement. "Order" constitutes a notification to deliver and does not constitute a separate contractual offer or acceptance.
- 1.9 NOT USED
- 1.10 "Service" means a service to be performed by the Supplier hereunder or under an Order.
- 1.11 "Software" means Computer Programs to be supplied by the Supplier hereunder or under an Order.
- 1.12 "Specification" means the specification of the Supplies set out and/or referred to in Schedule A.
- 1.13 NOT USED

1.14 "Supplies" means the Hardware, Software, Services, articles or things to be supplied by the Supplier hereunder or under an Order; a "Supply" means a single item comprising one of the Supplies.

1.15 "Warranty Period" means a period of time lasting for the number of months shown against individual product types in Schedule D2, commencing for each Supply.

2 DURATION

2.1 This Agreement shall be effective from the date shown above and shall, subject to the rights of termination herein, continue in operation until 31st March 1999 and thereafter by mutual agreement.

3 AGREEMENT

3.1 The Supplier undertakes to supply Pathway and its authorised maintainer with the Supplies under the terms of this Agreement.

This Agreement constitutes a legally binding and accepted order (subject to the rights of cancellation contained herein) for a minimum quantity of ***** of the Supplies, to be Ordered and delivered in accordance with the arrangements detailed in Schedule B.

The Supplies shall only be delivered against Orders placed by Pathway defining what and when given quantities of the Supplies should be delivered. The Supplier shall comply with such Orders.

4 QUALITY AND DESCRIPTION

4.1 The Supplies shall

- (a) be of sound workmanship and conform as to quality, quantity, description and in all other respects with any samples and with the particulars stated in the Order and the Specification and any other document referred to in Schedule A; and
- (b) be new and of sound materials (this does not apply to Supplies that are either Software or Services, although does apply to the media that Software is supplied on, and to any documentation supplied with the Software and Services); and
- (c) be provided with all due care and skill; and
- (d) be subject to Pathway's Quality Assurance procedures where Pathway's Specification so requires. The Supplier shall afford Pathway all such facilities as may be necessary to enable Pathway to implement those procedures, full details of which are appended hereto or will have been communicated to the Supplier before the Order is placed.

In default Pathway may without liability at any time prior to acceptance reject and return all or any of the Supplies.

4.2 The Supplier shall be responsible for ensuring that the Supplies achieve Acceptance in accordance with Schedule A Clause A1.2.

5 DELIVERY, TITLE AND RISK

5.1 The Supplier shall at its own expense deliver the Supplies, suitably packed and marked with the relevant product name, code and serial number in the case of Hardware and Software, to or at the place specified in the Order or as may be agreed herein or subsequently. All packages must be marked with the Supplier's name, the delivery address as shown on the face of the Order or otherwise agreed, and the number of separate packages must be identified.

5.2 Title and property shall pass to Pathway on payment for the Supplies, but without prejudice to any pre-existing intellectual property rights of the Supplier. Risk shall pass to Pathway on delivery of the Supplies.

5.3 The Supplies shall be delivered in conformance with any other requirements stated in Schedule C which in the event of conflict shall take precedence over this Clause 5.

6 TIME FOR DELIVERY OF THE SUPPLIES

6.1 The Supplier shall deliver the Supplies at the time or times specified in any relevant Order or in this Agreement. The Supplies may not without Pathway's agreement be delivered earlier than the due delivery date or later than ***** after the due delivery date, otherwise Pathway may reject such earlier or later Delivered Supplies. Time for delivery, and keeping up with the roll-out programme under the Main Agreement, shall be of the essence.

6.2 If the Supplies or any part thereof are not so delivered Pathway shall be entitled to terminate the Order in respect of the Supplies not delivered and of any other Supplies already delivered which cannot be effectively and commercially used by reason of such non-delivery.

6.3 If any of the Supplies are delivered after the time specified for delivery in clause 6.1, Pathway reserves the right to charge the Supplier liquidated damages as follows:

6.3.1 *****
***** for each day of delay.

Pathway and the Supplier acknowledge and confirm that the liquidated damages referred to in this Clause reflect a genuine pre-estimate of loss suffered by Pathway as a result of the Supplier's failure to deliver on time, and shall not be regarded as onerous or a penalty.

6.4 The time for delivery shall be extended by a reasonable period if delay is caused by act of God, refusal of licence (where the application has been timely and appropriately filed) or other governmental act, fire, explosion or by any other cause beyond the Supplier's reasonable control; for the avoidance of doubt, a delay caused by an industrial dispute between the Supplier and its own workforce, and a delay caused by a dispute between the Supplier and Pathway or a sub-contractor or supplier to the Supplier are deemed not to be beyond the Supplier's reasonable control. Should the Supplier experience any such cause then the Supplier shall promptly notify Pathway in writing of the cause and the likely duration of such delay. Pathway shall at its option be excused from accepting or paying for the Supplies for the duration of such cause. Pathway may cancel the Order or terminate this Agreement without liability in the event of more than ***** delay in delivery of the Supplies for any such cause and in such event the Supplier shall immediately repay to Pathway any sums paid by Pathway for any Supplies not retained by Pathway.

6.5 Where delivery is delayed by reason of delay in the granting of any necessary import or export licence then the provisions of Clause 13.7 shall apply.

7 COMPUTER PROGRAMS (This refers to the windows NT 4.0 driver software only)

7.1 Where the Supplies are or include Computer Programs then the Supplier hereby grants Pathway an irrevocable, non-exclusive right and licence, with authority to grant sub-licences directly or indirectly to Pathway's customers, to use and modify each copy of each such Computer Program supplied and to make such other copies as are reasonably necessary to support such licensed use.

7.2 Where new or revised levels of Software are prepared by the Supplier during the Warranty Period, or thereafter where Pathway has a support agreement for the Software with the Supplier, the Supplier will deliver free of charge any new or revised levels of the Software to Pathway together with any consequent amendments to the documentation for the Software.

7.3 If the Supplier releases a New Version of a Computer Program included within the Supplies then subject to the provisions of the Change control procedure defined in Schedule F the Supplier shall offer such New Version to Pathway under this Agreement upon timescales to be agreed. If the Supplier changes the list price of the New Version from that of the previously existing version then Pathway and the Supplier

shall negotiate in good faith to reach agreement on a charge to Pathway for the New Version, provided that the charge to Pathway for the New Version as a percentage of the list price for the New Version shall be no greater than the charge to Pathway as a percentage of the list price at the date of this Agreement for the existing version of the Computer Program.

8 PRICES

8.1 Pricing requirements and prices payable for the Supplies are set out in Schedule D.

9 PAYMENT TERMS

9.1 The Supplier shall submit sufficiently detailed invoices in respect of Supplies which will become due for payment by Pathway thirty (30) days from the date of delivery of Supplies. Invoices must be sent to Pathway two (2) working days before the scheduled date of delivery, at the address designated on the face of the Order (or at such other address as may be notified by Pathway) quoting the relevant Pathway Order number and the number of this Agreement. If Pathway fails to pay the Supplier by five (5) working days after the due date for payment, the Supplier reserves the right to make a charge of 1% per month on the outstanding balance (calculated on a daily basis) on Pathway. In addition should Pathway pay earlier than the 30 days, a credit shall be made on the next invoice/s as per the following :-

Payment by ***** days ** reduction / unit

as detailed in Schedule D clause D2.

9.2 After payment in full for the Supplies as required by clause 9.1, neither the Supplier nor any sub-contractor or supplier to the Supplier, nor any other person, shall have a lien on any Supplies owned by or leased to Pathway or the DSS or POCL for any sum due to the Supplier, sub-contractor or supplier to the Supplier or other person, and the Supplier shall take all reasonable steps to ensure that the title of Pathway, the DSS or POCL as appropriate and the exclusion of any such lien are brought to the notice of all sub-contractors, suppliers and other persons dealing with such Supplies.

10 WARRANTY AND SUPPORT

10.1 If within the Warranty Period, or within a reasonable time after the Warranty Period, Pathway gives notice in writing to the Supplier of any defect in the Supplies which has arisen during the Warranty Period under proper use, or any other non-conformance of the Supplies with any applicable Order or this Agreement, then the Supplier shall with all possible speed, repair or replace the Supplies so as to remedy the defect or non-conformance without cost (including transportation) to Pathway. Where the Supplier fails to provide such remedy, Pathway shall be entitled to remedy or have remedied the defect or non-conformance at the cost of the Supplier. Warranties do not apply where Pathway or its customer do not use the Supplies in accordance with user instructions nor where they are altered or modified without the prior written consent of the Supplier.

10.2 If during the Warranty Period the Supplies are found to be defective or not to conform as aforesaid, and if the Supplier is unable to correct a defect or conform the Supplies within a reasonable period of time, Pathway may alternatively and without liability cancel the Order or the requirement for the relevant part of the Supplies and reject any or all such defective or non-conforming Supplies and also any other Supplies already delivered and the Supplier shall thereupon repay any sums already paid by Pathway in respect of the Supplies so rejected or not then delivered.

10.3 Without prejudice to Pathway's rights under Clauses 10.1 and 10.2 hereof, if during the Warranty Period ***** expiry, there should develop an epidemic of defects or non-conformances, the Supplier agrees to study and review such failures or non-conformances with Pathway and to indicate steps or recommendations which, in the Supplier's reasonable judgement would remedy the same. Subject to mutual agreement on a plan of action, the Supplier shall at its own cost effect the remedy of the defects and non-conformances of the Supplies. Where the Supplier fails to provide such remedy, Pathway shall be entitled to remedy or have remedied the defect or non-conformance at the cost of the Supplier. Pathway will be entitled to reject any further deliveries of the Supplies until the source of the defects and non-conformances has been cured. For the purposes of this clause 10.3 "epidemic" means an

occurrence of a particular defect or a failure to meet the written Specification of more than ** of the field population of Supplies at any time (and which in the case of a defect is caused by or results from the design or manufacture of the Supplies).

11 PROJECT MANAGEMENT

11.1 Schedule E defines the minimum project management and reporting requirements for the performance of the Supplier's obligations under this Agreement.

12 CHANGE CONTROL

12.1 In the event that either party wishes to propose a Change or modification, or Pathway fails to fulfil an obligation hereunder, the provisions of Schedule A Clause A3 and Schedule F shall apply, as detailed in Clauses 12.2 and 12.3.

12.2 Modifications to the Supplies which affect the form, fit, function, safety, spare parts stock-holding or the Modification State (as defined in Schedule A Clause A3.1) of the Supplies shall be governed by Schedule A Clause A3 and Schedule F.

12.3 Proposed Changes, and cases of Pathway failing to fulfil an obligation hereunder, shall be governed by Schedule F but not Schedule A Clause A3.

13 STATUTORY REQUIREMENTS

13.1 The Supplier warrants that the Supplies:

- (a) Comply with all relevant statutory requirements and with any relevant standards for the time being laid down by the International Standards Organisation. In particular and not by way of limitation, the Supplier and the Supplies shall respectively comply with and conform to the requirements of all relevant health and safety legislation including without limitation the Health and Safety at Work Act 1974 and any additions or amendments thereto.
- (b) Conform to the essential protection and conformity assessment requirements of the Electromagnetic Compatibility Regulations 1992 and any additions or amendments thereto, including the affixing of CE marking and the issuing of an EC declaration of conformity. The Supplier shall, upon request, provide Pathway with evidence of EC declaration of conformity.

The Supplier shall ensure that the Supplies used properly in accordance with the Supplier's instructions will not present a health or safety risk, and that Supplies that are potentially dangerous or unsafe are delivered only in suitable protective packing or containers and that the external surfaces of such packing and/or containers are clearly labelled so as to indicate any hazards to health and safety involved in handling and using the Supplies and as to the method of safe handling of the Supplies.

The Supplier hereby agrees to indemnify Pathway against all proceedings, costs, expenses, liabilities, injury, death, loss or damage incurred by Pathway if the Supplier is in breach of its warranties or commitments under this Clause 13.1.

13.2 A copy of any information relating to the safety aspects or to the proper use of the Supplies should be sent to Pathway under separate cover, quoting the reference number of this Agreement.

13.3 The Supplier shall be responsible for ensuring that any of its employees or other persons performing this Agreement or carrying out an Order who enter Pathway's premises or pursuant to this Agreement the premises of any other supplier or customer of Pathway are suitably clothed and issued with correct and safe protective equipment, that they are duly warned of hazards which they may encounter on the relevant premises and that they adhere to all health and safety rules and regulations which are applicable from time to time.

- 13.4 The Supplier shall not unlawfully discriminate within the meaning and scope of any law, enactment, order, regulation or other similar instrument relating to discrimination (whether in relation to race, gender, religion or otherwise) in employment.
- 13.5 The Supplier shall take all reasonable steps to ensure the observance of the provisions of Clause 13.4 by all servants, employees, agents and consultants of the Supplier and all sub-contractors and suppliers to the Supplier.
- 13.6 The Supplier shall be responsible for obtaining any import or export licence or government consents which may be necessary for delivery of the Supplies, including but not limited to those required by the UK Export of Goods (Control) Order and the USA Export Administration Regulations.
- 13.7 If the delivery of the Supplies is delayed by reason of delay in the granting of any necessary import or export licence (where the application has been timely and appropriately filed), the delivery date for the Supplies shall be extended for such period as may be reasonable in all the circumstances and the parties shall consult in order to establish such extension.
- 13.8 If application for a necessary import or export licence has been finally rejected, following the taking of all reasonable steps by way of representations or appeals, the requirement for the relevant part of the Supplies or the Order for the Supplies concerned may be cancelled without liability, by either party giving written notice to the other party.
- 13.9 The Supplier must inform Pathway immediately of the licensing details of any Supplies which are subject to any export controls including but not limited to those of the UK Export of Goods (Control) Order and the USA Export Administration Regulations (including where appropriate the Export Control Commodity Number, Munition List entry etc.). The Supplier will indemnify Pathway against all losses and expenses incurred by Pathway as a result of the Supplier's failure to inform Pathway as aforesaid.

14 INTELLECTUAL PROPERTY RIGHTS

- 14.1 The Supplier shall fully indemnify Pathway and its customers against all liabilities, losses, costs and expenses including, but not limited to legal fees, arising from any infringement, or alleged infringement, of any patent, copyright, design, trade mark, trade name or other intellectual property right of any third party by the possession, use, performance, sale, sub-licensing or other exploitation of the Supplies.

In the event of any such infringement the Supplier shall promptly either procure the right for Pathway and its customers to carry on possessing, using, selling, sub-licensing or otherwise exploiting the Supplies, or shall modify or replace the Supplies (at no cost or inconvenience to Pathway or its customers) by alternative products or services that are agreed by Pathway and that have at least equal performance and functionality to the infringing Supplies.

15 ASSIGNMENT

- 15.1 Subject to Clause 15.2, neither this Agreement nor any Order shall be assignable by either party without the written consent of the other except that Pathway may assign this Agreement or any Order to any company controlled directly or indirectly by ICL Pathway Limited or its direct or ultimate parent company or to any person, firm or corporation that may purchase or take an assignment of the business relating to the Supplies or any of them, always provided such purchaser or assignee shall assume the obligations of Pathway hereunder.
- 15.2 In the event that the Main Agreement expires or is terminated, then this Agreement, and all Orders, and any equipment rental or lease agreements which are entered into by Pathway and the Supplier pursuant to this Agreement, and any licences of intellectual property rights granted to Pathway, and all other (non-employment) contracts between Pathway and the Supplier which are necessary to the performance of this Agreement, are assignable by Pathway to the DSS or POCL or a third party selected by the DSS or POCL to replace Pathway and perform substantially the same functions as Pathway under the Main Agreement or a replacement thereof.

Furthermore in the event of expiry or termination of the Main Agreement, Pathway may at no cost to itself, the DSS, POCL or the said third party release to the DSS or POCL or the said third party a copy of all Software and all other software, data, tools, utilities, documentation and anything else necessary to provide the Services. Such items shall be subject to any applicable licence terms, provided that such terms shall not detract from the DSS's or POCL's or the said third party's ability to perform such substantially the same functions.

16 OTHER SUPPLIERS TO PATHWAY

16.1 The Supplier acknowledges that a variety of suppliers will be supplying goods and services to Pathway pursuant to the Main Agreement, and that Pathway will need to integrate such goods and services with the Supplies in order to fulfil the terms of the Main Agreement. Such integration may be done directly by Pathway or at Pathway's discretion by one or more third parties, or both. Additionally Pathway may engage other suppliers for other aspects of fulfilling the terms of the Main Agreement.

16.2 The Supplier shall fully and free of charge co-operate and liaise with Pathway and with all other relevant suppliers to Pathway in order to achieve the satisfactory working and performance pursuant to the Main Agreement of the Supplies and to assist such other suppliers to Pathway to achieve the satisfactory working and performance pursuant to the Main Agreement of the products and services that they are supplying. Such co-operation and liaison shall include the provision of direct access by Pathway and its suppliers to the Supplier's technical staff.

In the event that such satisfactory working and performance requires a Change, the provisions of Schedule F shall apply.

17 INSOLVENCY OR LIQUIDATION

17.1 If either party becomes insolvent or goes into liquidation or passes a resolution for its winding-up (other than solely for the purpose of amalgamation or reconstruction) or if a receiver, manager or administrator is appointed in respect of the whole or any part of either party's business then the other party may without liability cancel this Agreement or any Order summarily by notice in writing to the other and all Supplies and other items at either party's premises which are owned by the other party or have been paid for by the other party shall be returned promptly to that other party and that other party may enter any premises to recover and remove such Supplies and other items.

18 CONFIDENTIALITY

18.1 All specifications, patterns, drawings and information supplied by, or at the expense of, either party shall remain the supplying party's property and shall be returned in good order and condition on request or on termination or expiry or completion of this Agreement or the relevant Order and shall not be copied or used for any purpose other than as allowed under this Agreement or the Order.

18.2 Each party hereto undertakes not to disclose Confidential Information obtained from the other unless it is in the public domain or, as evidenced by its written records, is either already in the party's possession without restriction in relation to disclosure prior to disclosure by the other party, or is received from a third party who lawfully acquired it and who is under no obligation restricting its disclosure, or is subsequently independently developed by it by persons having no access to the Confidential Information of the other party provided that Pathway may make such disclosure if it is reasonably required in connection with the maintenance, operation, supply, potential supply, performance or potential performance of the Supplies to its customers.

18.3 The Supplier undertakes not to release any public statements mentioning Pathway or quoting the opinion of any of its employees regarding Pathway, this Agreement, the Main Agreement, the DSS, POCL or any of Pathway's other suppliers or sub-contractors without the prior written approval of Pathway.

18.4 Supplier and Pathway agree that the existence and terms of this Agreement are Confidential Information. Supplier further agrees not to make any public announcements regarding this Agreement, it being understood that if the Supplier is advised by counsel that it is required by law or the rules of any stock

exchange to make such announcements it will immediately contact and consult with Pathway regarding the form and substance of such announcement prior thereto.

- 18.5 Each of the Supplier and Pathway shall ensure the observance of the provisions of Clause 18.4 by all its servants, employees, agents, consultants, sub-contractors and suppliers.
- 18.6 The Supplier shall have no right to use the brand or logo of any Post Office Group member, or of any part of the DSS, or of the DSS and POCL jointly, or of Pathway, without Pathway's prior written consent. The Supplier shall do nothing to injure such logos and brands or the reputation of POCL or the DSS or Pathway and, if it uses such brands and logos, shall take all reasonable steps to enable the DSS and POCL to protect such logos and brands and the reputation of Pathway, POCL and the DSS and Pathway but in no event less than the steps it would take in relation to its own logos, brands and reputation.
- 18.7 This Clause 18 shall not preclude Pathway from referring to the Supplies in advertising literature and elsewhere as Pathway's products or part thereof.
- 18.8 This Clause 18 shall not preclude any disclosure concerning this Agreement or any Orders hereunder which is required by applicable law, governmental rule or regulation, or judicial order or process or which either party considers necessary under applicable competition laws provided that prior written notice thereof is given to the other party.

19 PROTECTION OF PERSONAL DATA

- 19.1 The Supplier's attention is hereby drawn to the Data Protection Act 1984.
- 19.2 Both parties warrant that they will duly observe all their obligations under the Data Protection Act which arise in connection with this Agreement.
- 19.3 Section 123 of the Social Security Administration Act 1992 shall apply to this Agreement. It is an offence for any person to disclose any information obtained while carrying out administrative work where that information relates to a particular person. Both parties warrant that they will duly observe all their obligations under the Social Security Administration Act 1992 which arise in connection with this Agreement.

20 SUPPLIER'S PERSONNEL

- 20.1 The Supplier hereby acknowledges and accepts that both the DSS and POCL reserve the right to refuse to admit:
- (a) (in the DSS's case) to any premises occupied by or on behalf of the Crown (which terms shall in this clause include all persons employed or engaged by the Crown and all persons providing services to the Crown); or
 - (b) (in POCL's case) to any premises occupied by or on behalf of any member of the Post Office Group or to any post office any person employed or engaged by the Supplier, or by a sub-contractor or supplier to the Supplier, whose admission would be, in the reasonable opinion of either the DSS or POCL as appropriate, undesirable.
- 20.2 If and when directed by Pathway, the Supplier shall provide a list of the names and addresses of all persons who it is expected may require admission in connection with the performance of this Agreement to any premises occupied by or on behalf of the Crown or by or on behalf of any member of the Post Office Group or to any post office (as appropriate), specifying the capacities in which they are concerned with this Agreement and giving such other particulars as Pathway may reasonably require. The Supplier shall comply with any reasonable directions issued by the designated representative of the DSS, POCL or Pathway as to which persons may be admitted to such premises and at what times.
- 20.3 If and when directed by Pathway, the Supplier shall secure that any person employed or engaged by the Supplier or by a sub-contractor or supplier to the Supplier, who is specified in the direction or is one of a class of persons who may be so specified, shall sign a statement that he understands that the Official

Secrets Acts 1911 to 1989 apply to him both during the term of and after the expiry or termination of this Agreement.

20.4 The Supplier's representatives, engaged within the boundaries of a Crown or Post Office Group establishment or post office, shall comply with such rules, regulations and requirements (including those relating to security arrangements) as may be in force from time to time for the conduct of personnel when at that establishment or post office and when outside that establishment or post office.

20.5 NOT USED

20.6 The decision of the DSS or POCL as appropriate as to whether any person is to be refused admission to any premises occupied by or on behalf of the Crown or the Post Office Group or to a post office (as appropriate) shall be final and conclusive.

20.7 The Supplier hereby acknowledges and accepts that the DSS or POCL as appropriate will be responsible for maintaining in accordance with its standard security requirements the security of any land or premises (including temporary buildings) made available to Pathway or the Supplier by the DSS or POCL as appropriate. The Supplier shall comply with all reasonable security requirements of the DSS or POCL as appropriate while on the premises, and shall procure that all of its employees, agents, sub-contractors and suppliers shall likewise comply with such requirements. Pathway shall provide the Supplier upon request copies of the DSS's and POCL's written security procedures and shall use reasonable endeavours to procure from the DSS and POCL upon request an opportunity to inspect the DSS's and POCL's security arrangements.

21 LIABILITY AND INSURANCE

21.1 If this Agreement or an Order requires that the Supplier sends its employees to Pathway's premises or the premises of any other supplier or customer of Pathway for any purpose in connection with this Agreement or the Order then, notwithstanding any degree of technical supervision exercised by Pathway or the relevant supplier or customer or any instructions issued by Pathway or the relevant supplier or customer, such employees will remain the Supplier's employees alone. Accordingly, it is an express condition that the Supplier effects and maintains in force for the benefit of Pathway, Pathway's customers and itself full employer's liability insurance in respect of such employees. The Supplier will provide Pathway with written evidence of such insurance at any time on request and will notify Pathway in writing of any change in this insurance.

21.2 The Supplier shall indemnify Pathway against liability resulting from any claim or action in respect of death, illness or bodily injury to any person caused by or arising out of the Supplies or work performed by the Supplier, its employees, agents or sub-contractors under this Agreement or an Order and the Supplier shall further indemnify Pathway against any loss of or damage to property caused by the Supplies or by the act or default of the Supplier or such employees, agents or sub-contractors. No death illness or bodily injury to any person and no loss of or damage to property shall be deemed to be "caused by the Supplies" if the supplies involved have been modified, altered, other than by prior written agreement of the Supplier, or improperly maintained or subjected to improper use since their delivery by the Supplier.

21.3 The maximum liability of the Supplier for any one event or series of connected events relating to this Agreement shall be four (4) million pounds sterling, except in relation to death or personal injury, where the maximum liability shall be unlimited.

21.4 The Supplier shall in respect of its liabilities arising out of or associated with this Agreement and each Order and the provision of Supplies thereunder maintain the following insurance cover with reputable insurers acceptable to Pathway:

- (a) public liability insurance of at least five (5) million pounds sterling per occurrence;
- (b) product liability insurance of at least five (5) million pounds sterling per occurrence;
- (c) financial loss insurance of at least one (1) million pounds sterling per occurrence.

The Supplier shall provide Pathway with written evidence of the existence of such insurance at any time on request, and shall notify Pathway in writing of any change in this insurance.

- 21.5 The Supplier's personnel shall at all times when on Pathway's premises or pursuant to this Agreement on the premises of any other supplier or customer of Pathway carry an identity pass supplied by the Supplier and approved by Pathway.
- 21.6 All risk of loss of or damage to any property of the Supplier or of the Supplier's personnel while at Pathway's premises or pursuant to this Agreement at the premises of any other supplier or customer of Pathway for any reason whatsoever shall be and remain the sole risk and responsibility of the Supplier which shall indemnify Pathway against all liability in respect of all such loss or damage except where loss is caused by Pathway's own negligence.
- 22 AUDIT
- 22.1 The Supplier shall keep or cause to be kept full and accurate records ("the Records") of all Supplies supplied.
- 22.2 The Supplier shall grant or procure the grant to Pathway, the DSS, POCL, any statutory or regulatory auditors of the DSS and POCL and their respective authorised agents the right of reasonable access to the Records and shall provide all reasonable assistance at all times during the currency of the Main Agreement and for six (6) years after the creation of the relevant Records for the purposes of carrying out an audit of the Supplier's compliance with this Agreement and Pathway's compliance with the Main Agreement, including all activities, charges, prices, performance, security and integrity in connection therewith. Each party shall bear its own expenses incurred pursuant to this clause. On termination of this Agreement, the Supplier shall within a reasonable period to be agreed by the parties transfer a complete copy of the Records to Pathway. The Supplier shall thereafter be relieved from any further liabilities under this clause in relation to such Records. Pathway may subsequently, on expiry of the Main Agreement, transfer the Records to the DSS or POCL or a third party selected by the DSS or POCL to replace Pathway and perform substantially the same functions as Pathway under the Main Agreement or a replacement thereof.
- 22.3 Without prejudice to the foregoing, in the event of an investigation into suspected fraudulent activity or other impropriety by Pathway, the Supplier or any third party, Pathway (save where Pathway is allegedly party to the suspected fraudulent activity or other impropriety) the DSS and POCL reserve for themselves, any statutory or regulatory auditors of the DSS and POCL and their respective authorised agents or (in the case of DSS) any Crown Body the right of access to the Records after being given reasonably sufficient notice described in Clauses 22.1 and 22.2 above and the Supplier agrees to render all reasonably necessary assistance to the conduct of such investigation at all times during the currency of the Main Agreement or at any time thereafter. Supplier shall be re-imbursed for any of its incremental costs associated with an investigation into suspected fraudulent activity or impropriety of a party other than the Supplier.
- 22.4 Whenever the DSS requires it, and for the purposes of enabling DSS's accounting officer to meet his obligations under the Exchequer and Audit Departments Act 1866, the Supplier:
- 22.4.1 shall disclose to the DSS to the extent known and available to the Supplier whatever information the DSS requires concerning the prices the DSS has paid or may have to pay under the Main Agreement; and
- 22.4.2 shall produce whatever evidence is in possession of the Supplier in support of the information provided under Clause 22.4.1 above.
- For the avoidance of doubt, such information shall not include information concerning the prices paid by Pathway to the Supplier under this Agreement.
- 22.5 In connection with this Agreement, the Supplier must not enter into any other contract or agreement with any person solely in connection with this agreement, unless that contract or agreement contains a

provision equivalent to Clause 22.4.1 allowing the DSS to obtain price information and evidence from that person. This Clause 22.5 does not apply if the Supplier has entered into a contract or agreement following a competitive tendering exercise in which the Supplier accepted the tender with the lowest price.

- 22.6 The Supplier is hereby informed that the DSS must use information provided under Clauses 22.4 and 22.5 for the purposes of the Exchequer and Audit Departments Act 1866 and for no other purpose.
- 22.7 The Supplier shall provide Pathway at no additional cost with copies of its annual and interim audited accounts within fourteen (14) days of such accounts having been lodged at Companies House or its local equivalent to Companies House.
- 22.8 Without in any way limiting the application of the other clauses of this Agreement, the Supplier acknowledges that for the purpose of examining and certifying the DSS's accounts or for examining (pursuant to Section 6(1) of the National Audit Act 1983) the economy, efficiency and effectiveness with which the DSS has used its resources, the Comptroller and Auditor General may examine such documents as he may reasonably require which are owned, held or are otherwise within the control of the Supplier and may require the Supplier to produce such oral and written explanations as he considers necessary.
- 22.9 The Supplier shall use reasonable endeavours to ensure that the terms of its contracts with its sub-contractors and suppliers require the sub-contractors and suppliers to permit examination by, and provide explanation to, the Comptroller and Auditor General in the manner described in Clause 22.8.
- 22.10 All information obtained by Pathway, the DSS or POCL pursuant to this clause shall be treated as Confidential Information.

23 CANCELLATION/TERMINATION

23.1 NOT USED

- (a) Where there has been no breach of contract or default by the Supplier, in the event that the DSS or POCL terminates all or part of the main agreement or all or part of Pathway's obligations thereunder by giving Pathway not less than twelve (12) months' notice cancel any Order (or part thereof) or any outstanding Supplies (or part thereof), or terminate this Agreement, or both.
- (b) Additionally where there has been no breach of contract or default by the Supplier, Pathway may by giving immediate notice cancel any Order (or part thereof) or any outstanding Supplies (or part thereof), or terminate this Agreement, or both, in either of the following events:
- (i) that the DSS or POCL terminates all or part of the Main Agreement or all or part of Pathway's obligations thereunder for breach of contract or default by Pathway;
- (ii) that Pathway, the DSS or POCL terminates the Main Agreement, or the Main Agreement lapses, as a result of failure of Pathway and the DSS and POCL to reach agreement on those schedules to the Main Agreement that were still to be agreed when the Main Agreement was signed by Pathway, the DSS and POCL.
- (c) NOT USED
- (d) A notice given to the Supplier by Pathway pursuant to Clause 23.2(a) or 23.2(b) or 23.2(c) is hereinafter referred to as a "Cancellation/Termination Notice".

23.2.1 In the event of a Cancellation/Termination Notice being given by Pathway, the Supplier shall take all reasonable steps to the extent practicable :

- (a) cancel all capital and recurring cost commitments;
- (b) arrange more favourable financing terms;
- (c) terminate all contracts with sub-contractors and suppliers on the best possible terms;
- (d) reduce labour costs by the redeployment or release of staff; and

(e) redeploy hardware, software and other resources used for the provision of the Supplies.

23.2.2 In the event of a Cancellation/Termination Notice being given by Pathway the Supplier shall within one month (or longer where agreed in writing by Pathway and the Supplier) after the date of the notice provide Pathway with a statement showing the sum of:

Pathway shall have the right to audit the Supplier's internal records and information (confidential or otherwise) in order to verify the statement. In the event of a dispute regarding such statement, Pathway and the Supplier shall use an independent arbitration process.

23.2.3 In the event of a Cancellation/Termination Notice being given by Pathway, Pathway shall within thirty (30) days after receipt of a termination sum from the DSS and POCL (if any), or within thirty (30) days after the effective date of termination of this Agreement or Order (whichever occurs later) pay the Supplier a sum equal to the net present value of the cost profile shown on any statement submitted by the Supplier pursuant to Clause 23.2.2 within the period prescribed by Clause 23.2.2 ("the prescribed period") for submission of such statement. Pathway will be under no obligation to pay the Supplier in respect of any statement submitted after the prescribed period, or in respect of any costs not contained in a statement submitted during the prescribed period.

The annual effective discount rate to be used for calculating the net present value shall be five (5) per cent over the Barclays Bank Base Rate in force at the time Pathway makes the payment.

Upon receipt by the Supplier of the aforementioned net present value Pathway will have no further liability to the Supplier.

23.2.4 Pathway shall not in any event be liable to pay under the provisions of Clause 23.2.3 any sum which, when taken together with any sums paid or due or becoming due to the Supplier under this Agreement, shall exceed the total net present value (calculated using the rate referred to in Clause 23.2.3) of the sums due to the Supplier had the Supplier supplied *****
** the Supplies.

23.2.5 NOT USED.

23.3 Pathway may also forthwith by notice in writing to the Supplier cancel any Order or part thereof or the requirement for the relevant part of the Supplies and/or terminate this Agreement if the Supplier is in material breach of this Agreement or any Order and fails to remedy such breach within thirty (30) days of Pathway's written demand.

[* Confidential Treatment Requested]

23.4 Pathway reserves the right to immediately terminate this Agreement without further liability to the Supplier in the event of the following occurrence:

the Supplier becomes affiliated through acquisition or otherwise to any company or organisation whose controlling interest is regarded by Pathway to be hostile or otherwise against Pathway's technical, commercial or trading interests.

Pathway will not exercise its rights under Clause 23.4 where Supplier has notified Pathway in advance of the proposed acquisition or change of control, and Pathway has agreed to it in writing, and the acquisition or change of control takes place as proposed.

23.5 Notwithstanding anything contained in this Agreement the following obligations will survive termination of this Agreement:

- (a) The obligations of the parties under Clause 10 "Warranty and Support", Clause 14 "Intellectual Property Rights", Clause 18 "Confidentiality", Clause 19 "Protection of Personal Data", Clause 21 "Liability and Insurance", Clause 22 "Audit" and Clause 23 "Cancellation/Termination";
- (b) All other rights and/or obligations under this Agreement which are expressed to apply after termination or which are by necessary implication to apply after termination.

24 SET-OFF

24.1 If at any time any sum of money becomes recoverable by or due to Pathway from the Supplier under or in connection with this Agreement (including Orders placed hereunder) or any breach thereof by the Supplier or under or in connection with any other agreement (whether of sale or purchase or on any other account) between Pathway and the Supplier, Pathway shall be entitled, without prejudice to any other rights or remedies of Pathway by law, subject to mutual agreement between Pathway and Supplier to deduct such sum from any amount then due, or which may at any time thereafter become due, to the Supplier under this Agreement (including Orders placed hereunder) or under any other agreement between Pathway and the Supplier.

25 GUARANTEE

The Guarantor gives its guarantee and undertakes that, if the Supplier fails to fully and punctually perform all its obligations under this Agreement, or commits any breach of its obligations under this Agreement which is not remedied in accordance herewith, upon written demand by Pathway the Guarantor will:

- (a) provide all resources and facilities necessary to fulfil the Supplier's obligations under this Agreement; and
- (b) reimburse to Pathway any amounts paid under this Agreement which the Supplier is not entitled hereunder to retain; and
- (c) indemnify Pathway against all losses, damages, cost and expenses (including court costs and legal fees on a solicitor and own client basis) which Pathway may incur due to all and any such failures or breaches.

This Guarantee shall be a continuing security and accordingly it shall not be discharged by any partial performance of this Agreement and shall extend to cover the unperformed part of the obligations of the Supplier under this Agreement.

Pathway shall not be obliged before taking steps to enforce this Guarantee against the Guarantor to obtain judgement against the Supplier or the Guarantor or any third party in any court, or to make or file any claim in a bankruptcy or liquidation of the Supplier or any third party, or to take any action whatsoever against the Supplier or any third party other than serving a written demand upon the Guarantor as stated above.

26 GENERAL

- 26.1 This Agreement constitutes and expresses the entire agreement between the parties relating to the subject matter hereof. The provisions of this Agreement apply to the exclusion of any other standard terms and conditions of Pathway or of the Supplier.
- 26.2 This Agreement shall in all respects be deemed to be made under, and interpreted in accordance with, English law, and the parties hereby submit to the non-exclusive jurisdiction of the English courts.
- 26.3 No provision hereof shall be deemed waived and no breach or default excused unless such waiver or excuse is in writing signed by the party issuing it.
- 26.4 This Agreement may not be varied or amended in any way except in writing signed on behalf of Pathway and the Supplier.
- 26.5 The rights and remedies of Pathway under this Agreement are cumulative and without prejudice and in addition to any rights or remedies which it may have at law or in equity.
- 26.6 The headings in this document are inserted for convenience only and shall not constitute a part of or be referred to in its interpretation.

Signed for and on behalf of:
SUPPLIER

Signed for and on behalf of:
GUARANTOR

Signed: Signed:

Name: Name:

Position: Position:.....

Date: Date:

Signed for and on behalf of:
ICL PATHWAY LIMITED

Signed:

Name:

Position:

Date:

October 1996

COMMERCIAL IN CONFIDENCE

page 16 of 36

APPENDIX 1 - SCHEDULES

CONTENTS OF SCHEDULES

SCHEDULE A SPECIFICATION OF SUPPLIES

- A1 SPECIFICATION
 - A1.1 Specification
 - A1.2 Acceptance Procedure
 - A1.3 Equipment Documentation
 - A1.4 Development And Technical Support
- A2 QUALITY
 - A2.1 Quality Assurance
 - A2.2 Risks
 - A2.3 Reliability
- A3 MODIFICATION OF SUPPLIES / CONFIGURATION MANAGEMENT
 - A3.1 Modification State
 - A3.2 Modifications Procedure
- A4 SPARE PARTS AND MAINTENANCE
 - A4.1 Spare Parts List
 - A4.2 Spare Parts And Tools Availability
 - A4.3 Spares Kits
 - A4.4 Maintenance
- A5 REPAIRS/EXCHANGES
- A6 CONSUMABLES

SCHEDULE B PLACING OF ORDERS

- B1 DELIVERY REQUIREMENTS AND FORECASTS
- B2 ORDERS

SCHEDULE C DELIVERY OF SUPPLIES

- C1 DELIVERY REQUIREMENTS
 - C1.1 Trade Terms
 - C1.2 Delivery Instructions
- C2 PACKAGING AND DELIVERY REQUIREMENTS
- C3 CONTINUITY OF SUPPLY/STOCK LEVELS

SCHEDULE D PRICING TERMS

- D1 PRICING
- D2 PRICES

SCHEDULE E PROJECT MANAGEMENT

SCHEDULE F CHANGE CONTROL

- F1 SCOPE
- F2 PRINCIPLES
- F3 PROCEDURE

SCHEDULE A - SPECIFICATION OF SUPPLIES

A1.1 SPECIFICATION

TYPE

9-pin dot matrix, impact type. Bi-directional, unidirectional, logic seeking

PRINTING SPEED

8 CPI (22 Char/Line)	250 cps
10 CPI (28 Char/Line)	270 cps
15 CPI (42 Char/Line)	300 cps
receipt feed speed	127 mm/sec.
Form feed speed	101.6 mm/sec.

RESOLUTION (H X V)

Letter	17 x 17
Utility	9 x 7
High speed draft	7 x 7
Graphics (single)	60 x 72 dpi
(Double)	120 x 72 dpi
(Quad)	240 x 72 dpi

RECEIPT PAPER

Width	82.5 mm.
Diameter	88.9 mm.
Paper thickness	up to .0089 mm

INTERFACES

Centronics Parallel / IEEE1284
or RS-232C

MEMORY

1 line, 256 byte to 6144 byte
input buffer (user selectable)

PRINT LINE

22 characters at 8 cpi
28 characters at 10 cpi
32 characters at 12 cpi
42 characters at 15 cpi
48 characters at 17.1 cpi
56 characters at 20 cpi
66 characters at 24 cpi

RESIDENT FONTS

Draft, Utility, NLQ Courier, NLQ
Sans Serif
Barcodes: Code 39, UPC-A, UPC-E,
EAN8, EAN13, Interleaved 2 of 5, Code
128

CHARACTER SETS

IBM character sets 1 and 2 (code pages 437, 850, 860,
863, 865, 866)
National character sets: American,
French, German, British, Danish 1/2,
Swedish, Italian, Spanish 1/2, Japanese,
Norwegian, Latin American, French
Canadian, Dutch, and Publisher

EMULATIONS

IBM
Epson ESC-POS

FORMS

Validation (Top Insertion) Width: 127 to 228.6 mm.
Length: 85.7 to 279.4 mm.
Max. # of sheets: 4 (1 original & 3 copies)
Max. forms thickness: .406 mm.
Max. # of print lines: 17 (@ 2.99 mm/Line)

Slip (Front Insertion) Width: 63.5 mm. minimum
Length: 85.7 mm. minimum
Max. # of sheets: 4 (1 original & 3 copies)
Max. forms thickness: .406 mm.
No Max. # of print lines

NOISE LEVEL 57.3 dBA Ave. (Sound Pressure Level)

RELIABILITY AND ESTIMATED USAGE

MCBF 5 million Print Lines

Print head 200 million characters (Utility mode)

Workload: Receipt: 1,200,000 Print lines/year
Slip: 50,000 Print Lines/year

Ribbon life Black: Up to 3,000,000 Characters
Purple: Up to 5,000,000 Characters

OPERATING CONDITIONS

Power consumption Maximum 55 W, Idle 10 W

Power requirements 100 - 240 VAC (+/- 10%),

Operating temperature +0 degree C to +50 degree C

Relative humidity 10% - 90% (non condensing)

Storage -10 degree C to +60 degree C

DIMENSIONS AND WEIGHT

Height 152.4 mm

Width 185.4 mm

Depth 311.12 mm

Weight 4.54 kilos

Shipping Weight 5.9 kilos

CONFIGURATION

The Supplies shall consist of the following:

- Product: Ithaca Model 94 printer (with serial interface)
(designated for the purposes of this Agreement as MOD94-01)
- Colour: Outer casing colour to be RAL7021 (charcoal grey)
Keypad colour to be Pantone 555C (green) Legend colour to be white
- Keypad Label: Artwork to be provided by Pathway by 15th November 1996; if Pathway have not provided it by then, the Supplier may use a design of its own choosing, to be agreed by Pathway, such agreement not to be unreasonably withheld.
- Packaging: Standard Ithaca packaging (including bar code identification) conforming to NSTA.
- ProductIdentification: Each printer to have a barcode identification label which contains a product identification code and serial number.
- Ancilliary Items to be Included with each printer:
1 ribbon cassette (black or purple to be decided by Pathway by 1st January 1997)
1 single ply paper roll
1 UK power cord 2.5 metres in length

No manuals will be supplied (Ithaca's user instructions (already supplied electronically) are to be incorporated by Pathway in the system manual being provided by Pathway to its customers).

A1.2 Acceptance Procedure

The Supplies are deemed to be automatically Accepted on completion of delivery. Pathway may nevertheless within one (1) month after delivery reject such Accepted Supplies by giving notice in writing in the event that they are found to be defective or not to conform to their Specification; such notice to provide a reasonably detailed description of the defect, in the event of such rejection, the Supplier shall promptly repair or replace the relevant Supplies.

Pathway shall not be obliged to pay for any such rejected Supplies until such rejected supplies are repaired or replaced. Risk and property in the relevant Supplies shall revert to the Supplier, upon collection of any rejected Supplies.

Acceptance of Supplies shall occur notwithstanding that Pathway does not notify the Supplier of such Acceptance; pathway shall not be obliged to notify the Supplier of such Acceptance.

A1.3 Equipment Documentation

The Supplier will supply to Pathway in respect of the Supplies the following:

- (a) Within five (5) working days after a request from pathway, and where the Supplies are hardware:
 - (i) diagnostic information;
 - (ii) circuit, logic and wiring diagrams;
 - (iii) a bill of materials covering all the components and materials in the Supplies;
 - (iv) installation drawings and instructions;
 - (v) instructions for routine maintenance including a list of all tools required, excluding general tools such as standard screwdrivers, pliers, etc.;
 - (vi) names, addresses and phone numbers of the Supplier's suppliers of components and materials for the Supplies;
 - (vii) the list described in Clause A3.1(a), in draft form if not required by Clause A3.1(a) to be complete; in which case the final version to be supplied by the Supplier to Pathway within five (5) working days after the date of completion of development;
 - (viii) details of all items (e.g. consumables) for which there is a limited shelf life, or where the predicted operational life of the Supplies is less than that of the equipment as a whole.
- (b) Details of any special environmental controls which are required to ensure the Supplies meet the Specification;
- (c) Operating instructions.

A1.4 Development and Technical Support

The Supplier will provide Pathway free of charge with all reasonably necessary technical and application support (including direct access to the Supplier's technical staff) in order to enable Pathway to incorporate the Supplies in Pathway's products and to carry out associated development activities.

A2 QUALITY

A2.1 Quality Assurance

- (a) The Supplier will assume overall responsibility for the quality of the Supplies.
- (b) The Supplier will employ a Quality Management System, which will be documented in the Supplier's Quality Manual which will be available to Pathway on request.

- (c) The Supplier will produce a Quality Plan as a part of the Project Management Plan (defined in Schedule E) within one (1) month of the date of this Agreement that will describe the organisation, the methods and the standards by which the requirements of this Agreement will be carried out. The Quality Plan will be available for regular review by Pathway.
- (d) The Supplier will appoint a Quality Manager responsible for the application of the Quality Management System and for auditing achieved quality against the Quality Plan.
- (e) Pathway may audit, and may permit Pathway, POCL and the DSS to audit, the quality system applicable to any operation carried out by the Supplier pursuant to delivering the Supplies, and the Supplier shall procure that its suppliers and sub-contractors shall grant Pathway the same right of audit in respect of their operations. Audits may take place at any time during normal working hours provided at least two (2) days' prior written notice is given by Pathway. Such audits may at Pathway's option include the witnessing of, or participation in, tests and inspections of the Supplies whether completed or not. The Supplier will promptly take appropriate corrective action with regard to any non-conformances identified, and will within thirty (30) days after the audit supply Pathway with details of corrective action taken.
- (f) Where applicable the Supplier will ensure that all electrostatic sensitive devices are at all times, as applicable, manufactured, stored, packed, repaired, installed, transported and handled under electrostatically safe conditions as defined by a recognised standard. Pathway has the right of veto over the standard to be used, such right not to be unreasonably exercised.

A2.2 Risks

The Supplier will produce and maintain a Risk Analysis and Management Plan which will be available for regular review by Pathway, and will monitor and manage risk in a formal and structured manner. Risks and risk mitigations which could affect the performance of the Supplier's obligations under this Agreement, or the performance of the obligations of other suppliers and sub-contractors to Pathway pursuant to the Main Agreement, or the performance of Pathway's obligations under the Main Agreement, will be reviewed at the progress meetings that will take place pursuant to Clause E4 of Schedule E.

A2.3 Reliability

- (a) If, ***** of the Supplies fail to comply with the Mean Cycles Between Failure (MCBF) stated in the Specification for any reason other than (unless attributable to default of the Supplier) mistreatment, misuse or failure to observe the Supplier's maintenance instructions, the Supplier will at its own expense take such immediate action as is agreed by Pathway in writing to repair or replace equipment or relevant part/s under the procedures for an "epidemic" as detailed in clause 10.3.

Any Supplies which have printed more than ***** characters will not be used in the calculation of MCBF, and this clause A2.3(a) will no longer apply to such Supplies.

- (b) The Supplier will give Pathway at least sixteen (16) weeks prior written notice before developing, manufacturing or repairing any Supplies to be supplied hereunder at any premises other than those described to Pathway prior to the date of this Agreement as the place(s) of development, manufacture or repair, unless otherwise agreed in writing by Pathway.

A3 MODIFICATION OF SUPPLIES / CONFIGURATION MANAGEMENT

This Clause A3 does not apply to Services.

A3.1 Modification State

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- (a) All products comprising the Supplies shall be of precisely the same manufacturing and design build level ("the Modification State") as each other. The Supplier shall within five (5) working days after the date of this Agreement, or five (5) working days after the date of completion of development of the Supplies (whichever is later) notify Pathway of the Modification State. This notification shall include provision of a list which identifies all assemblies, parts and components in equipment by part or catalogue number, stating modification levels and dates.
- (b) The Supplier will not deliver the Supplies with modifications to them which affect their form, fit, function, safety, spare parts stock-holding or Modification State without the prior written agreement of Pathway obtained in accordance with the procedure described in Clause A3.2 hereof. All Supplies will have an appropriate marker attached both to the Supplies themselves and to their outer packaging, showing the Modification State.
- (c) The Supplier will employ formal configuration management of the Supplies in accordance with a Configuration Management Plan which the Supplier shall produce as part of the Project Management Plan in accordance with Schedule E.
- (d) The Configuration Management Plan shall define the configuration management procedures and responsibilities and the configuration management system which the Supplier will use to control the delivery of the Supplies. Prior to the delivery of the Supplies the Supplier will carry out configuration audits to ensure that the Supplies fully conform to the requirements of this Agreement. The Supplier will at the time of delivery of the Supplies provide the data used in these audits to Pathway.

The Configuration Management Plan will be available for regular review by Pathway.

A3.2 Modifications Procedure

In the event that either Pathway or the Supplier wishes a modification of the kind addressed by Clause A3.1(b) hereof to be made to the Supplies, then the provisions of Schedule F shall apply, and Clauses A3.2(a) to A3.2(i) shall also apply. For the avoidance of doubt, Clauses A3.2(a) to A3.2(i) shall not apply to proposed Changes that do not include modifications of the kind addressed by Clause A3.1(b).

- (a) The Supplier will forward written details to Pathway of the following:
 - (i) In what respect the modification has any of the effects specified in Clause A3.1(b) hereof;
 - (ii) The Supplier's new part number for the proposed modification;
 - (iii) The Supplier's identification of the item to be modified;
 - (iv) Date and Supplier's serial number from which the Supplier proposes to implement the modification;
 - (v) Whether retrospective action is proposed and if so the availability of sets of parts and details of necessary service action. Additionally the Supplier will advise the effect on outstanding spare parts Orders and equipment which at the time of the change are in the repair loop and the next batch of equipment to be supplied by the Supplier;
 - (vi) Alterations to spare parts lists, manuals, tools, test equipment and other relevant material supplied or to be supplied to Pathway or its nominated service provider(s);
 - (vii) Evidence of validation of the proposal by the Supplier's Quality Control organisation.
- (b) Where modification kits are required, the Supplier will provide on a free of charge basis, enough kits to bring all reference machines up to the latest level in order to:

- (i) Maintain reference machines at "state of the art" with respect to modification;
- (ii) Enable Pathway to validate the change.
- (c) Without prejudice to the terms of Schedule F hereof should the Supplier request modification of equipment already despatched to Pathway for correction of any defect for reasons of safety, Pathway will not unreasonably withhold its consent.
- (d) The supply of materials and labour for modification of Supplies already delivered to Pathway will be carried out on a module placement basis and, if the modification has been requested by the Supplier (or by Pathway for correction of any defect or for reasons of safety), all costs thereof will be borne by the Supplier. Where the costs are initially incurred by Pathway, Pathway shall provide written notice to the Supplier as such costs are incurred, the Supplier will pay Pathway's invoice (which will include a detailed statement as to the value of each cost item and the basis of cost calculation) within forty five (45) days of the date thereof.
- (e) Where the Supplier is liable for the cost of modification in Clause A3.2(d) it will provide fully tested exchangeable sub-assemblies (for example printed circuit boards, microcode, power supply units) that are fitted with the modification in sufficient quantities and at agreed intervals to allow replacement to be undertaken in a reasonable time. Pathway may scrap the modules which have been replaced, unless the Supplier chooses to collect them at its expense, giving notice in writing before they are replaced.
- (f) Where the Supplier is not liable for the cost of modification in Clause A3.2(d) the size, and arrangements for the return or disposal of the base stock will be determined by mutual written agreement. The Supplier will also deliver to Pathway parts and modification instructions, to enable Pathway to implement a change programme in such quantity and timescales as are determined by mutual written agreement.
- (g) The Supplier will replace free of charge to Pathway any Supplies held by Pathway and made redundant by the modification pursuant to Clause A3.2(d) hereof. The Supplier also warrants to Pathway that it will offer to replace free of charge any items that are the same as the Supplies and that are held by any other supplier or sub-contractor to Pathway in support of that supplier's or sub-contractor's business with Pathway and that are made redundant by the modification pursuant to Clause A3.2(d) hereof.
- (h) The Supplier will supply "information" copy details of all changes (excluding Changes) not governed by Clause A3.1(b) hereof. Such changes do not require Pathway's prior approval but must not be incorporated in the Supplies to be delivered to Pathway before Pathway has acknowledged receipt of the change in writing. All such changes should be clearly marked "Information Only".
- (i) The Supplier will effect and incorporate in all Supplies repaired or replaced by it under this Clause A3 any modifications or additions necessary to bring the Supplies into conformance with the then current Modification State. The costs thereof will be borne by the party liable under this Agreement for the costs of the repair or replacement.

A4 SPARE PARTS AND MAINTENANCE

This Clause A4 does not apply to Services.

A4.1 Spare Parts List

The Supplier will at Pathway's request provide to Pathway or its nominated repairer and maintainer, a full assembly, sub-assembly and component parts list and a recommended list of spare parts which will include the Supplier's part number or where the Supplier does not furnish its part number on the parts list, its supplier's part number. The recommended list of spare parts must detail cost and reliability figures, and must include parts at assembly, sub-assembly and component level.

A4.2 Spare Parts and Tools Availability

- (a) The Supplier will supply against Pathway's Order or Pathway's nominated maintainer's order or nominated repairer's order spare parts (which shall be able to include any items listed on the recommended list of spare parts) and maintenance tools during the period of this Agreement or until 28th February 2005, whichever is later. The Supplier will use its best endeavours to ensure that adequate spare parts and tools are available from the date of delivery of the first production unit.
- (b) If Pathway requires spare parts and/or maintenance tools beyond the period specified in A4.2(a) above and the Supplier (or an alternative source identified by the Supplier) is unable to deliver the Supplier will at the request of Pathway use its best endeavours to transfer or secure the transfer to Pathway of all information and rights to the extent necessary to enable Pathway, on a world-wide and free of charge basis, to make and/or maintain the spare parts or have them made and to sell them. The Supplier reserves the right to request re-imburement from Pathway for costs incurred to fulfil its obligation under this clause A4.2.(b)
- (c) The delivery lead time for spare parts and maintenance tools excluding emergency orders under Clause A4.2(d) below, will be thirty (30) days, from the Supplier's receipt of the Order, unless the Supplier accepts an earlier date.
- (d) If Pathway requests the Supplier to ship spare parts on an emergency basis the Supplier will despatch such items subject to availability of such parts by the method requested by Pathway within one (1) working day of receipt of Pathway's faxed order. Pathway will confirm the emergency order by eventual submission of an Order in the usual way. The Supplier will notify Pathway of the consignment route and details and any other information reasonably required by Pathway, as soon as such information is available.

A4.3 Spares Kits

- (a) The Supplier agrees, at the request of Pathway, to supply spare parts in the combination required by Pathway from time to time. Each Spares Kit will be accompanied by an itemised contents list.
- (b) The Supplier agrees, on receipt of an Order from Pathway at the lead time specified in A4.2(c), to make delivery of the initial Spares Kits no later than, and in the same Modification State as, the first production unit deliveries to Pathway.

A4.4 Maintenance

The Supplier will supply to Pathway or a third party nominated by Pathway all technical support and information necessary for efficient maintenance and field repairs by Pathway or such third party. Pathway or a third party receiving such technical support and information shall receive training as deemed appropriate by the Supplier, Pathway agrees to pay reasonable costs for such training.

A5 REPAIRS/EXCHANGES

- A5.1 The Supplier or on the Supplier's behalf its sub-contractor will provide to Pathway and its nominated repairer and maintainer repair/exchange facilities within the United Kingdom for the Supplies for the period stated in Schedule A4.2(a) hereof.
- A5.2 Pathway will provide an Order covering any items that it submits for repair or exchange.
- A5.3 Each item sent by Pathway to the Supplier for repair/exchange will be either exchanged within ***** working days from receipt of the item, or will be repaired and returned to Pathway within ***** days of receipt.

- A5.4 All Supplies returned to Pathway or its nominated repairer and maintainer after repair or supplied to Pathway or its nominated repairer and maintainer on an exchange basis will be in accordance with the current Modification State unless otherwise agreed by Pathway in writing.
- A5.5 Any item of Supplies repaired/exchanged by the Supplier will be warranted until the later of the expiration of the original term of the warranty or for a further ***** days after the delivery of the repaired or exchanged item of Supplies to Pathway. All repaired Supplies shall bear a label stating the revised warranty expiry date. If any repaired or exchanged item is or becomes defective during such warranty period, the Supplier will, at Pathway's request, promptly supply a replacement item at no charge.
- A5.6 The Supplier will mark both the item and the outer carton of repaired/exchanged Supplies in such a way as to distinguish them from other Supplies.
- A5.7 Pathway may provide with each item of Supplies sent to the Supplier for repair/exchange an individual part repair form. The Supplier will complete such form and return it with the repaired/exchanged item.
- A5.8 Where the Supplier repairs or exchanges equipment containing media or disc drives, the Supplier agrees that any information or data contained in the media or the disc drives returned by Pathway for repair or replacement is proprietary and/or confidential to Pathway and/or Pathway's customer. The Supplier will keep confidential and not use the information or disclose or publish the same to any third party.
- A5.9 The Supplier or on the Supplier's behalf its sub-contractor shall furnish Pathway or its nominated repairer and maintainer with monthly reports detailing the following:
- (a) All Supplies received for repair, indicating warranty status and date received;
 - (b) All Supplies repaired, indicating date returned;
 - (c) Current work in progress;
 - (d) Current repairs overdue to agreed lead time;
 - (e) Incidence of "No fault found";
 - (f) Incidence of component failure by item reference.
- A5.10 In the event of Pathway wishing to conduct its own repairs or have a third party conduct repairs or in the event of the Supplier's inability to provide repair/exchange facilities prior to or after expiration of the period stated in Clause A4.2(a), the Supplier shall supply Pathway ***** with all necessary technical documentation and information to enable Pathway to repair or have repaired such Supplies which shall include:
- (a) Copies of all the necessary functional test and Acceptance specifications for the Supplies;
 - (b) Full assembly documentation including engineering drawings, parts lists, and parts lists detailing second source components;
 - (c) Test and Repair procedures and methods;
 - (d) Component firmware and associated software.
- A5.11 The Supplier will give Pathway one (1) year's prior notice of cessation of repair/exchange facilities as per the provisions in Clause A5.1 of this Agreement.
- In addition, the Supplier will supply Pathway at reasonable cost, such test equipment and tools as may be necessary or convenient for repairing and testing such Supplies.

A6 CONSUMABLES

- A6.1 The Supplier agrees to supply all consumables for the period stated in Clause A4.2(a) hereof.
- A6.2 The prices payable for consumables, together with such discounts as are applicable, are set out in Schedule D to this Agreement.
- A6.3 The Supplier shall provide a full list of consumables which shall include:
- (a) The Supplier's part number;
 - (b) Manufacturer's name and part number, where consumables are not manufactured by the Supplier;
 - (c) Consumables usage figures.
- A6.4 The Supplier agrees to use its best endeavours to ensure that adequate consumables are available from the date of the first delivery of production units of equipment under this Agreement.
- A6.5 Delivery lead time for further consumables shall be ***** days unless the Supplier accepts an earlier date.
- A6.6 Pathway's use of commercially available alternative consumables/media will not negate the warranty of the Supplies. This is only to apply where the alternatives have received the Suppliers written approval which will not be with-held unduly.

SCHEDULE B - PLACING OF ORDERS

B1 DELIVERY REQUIREMENTS AND FORECASTS

- B1.1 By the end of the fifth (5th) working day of each month, Pathway will send the Supplier a statement showing:
- (a) the quantity of Supplies that are to be delivered during the calendar month commencing in one month's time (a "One Month Firm Commitment"), and the exact required delivery dates during that month; this quantity is not subject to change without the Supplier's agreement, such agreement not to be unreasonably withheld; and
 - (b) the likely quantity of Supplies that Pathway forecasts will be required to be delivered during the calendar month commencing in two months' time (a "One Month Firm Uncommitted Forecast"); and
 - (c) the best view of the quantity of Supplies that Pathway forecasts will be required to be delivered during the calendar month commencing in three months' time (a "One Month Flat Uncommitted Forecast").

This statement is called the "Delivery Forecast".

This is a rolling process such that each month the previous month's One Month Flat Uncommitted Forecast becomes a One Month Firm Uncommitted Forecast, and the previous month's One Month Firm Uncommitted Forecast becomes a One Month Firm Commitment.

Each time a One Month Flat Uncommitted Forecast becomes a One Month Firm Uncommitted Forecast (i.e. when a new Delivery Forecast is issued) the quantity can at Pathway's sole discretion change by up to +/- 20%, or more with the Supplier's agreement, such agreement not to be unreasonably withheld.

Each time a One Month Firm Uncommitted Forecast becomes a One Month Firm Commitment (i.e. when a new Delivery Forecast is issued) the quantity can at Pathway's sole discretion change by up to +/- 12%, or more with the Supplier's agreement, such agreement not to be unreasonably withheld.

All shipments will consist of approximately 672 printers, this being the quantity necessary to fill a forty (40) foot container. Any requirement by Pathway to ship other quantities (other than by whole container loads) may result in a different price per unit to that specified in Schedule D.

***** of the Supplies will be delivered by 3rd February 1997 for the "Live Trials", the remainder of the Supplies will be delivered approximately evenly spread over the period May 1997 to calendar quarter 4 1998.

B2 ORDERS

- B2.1 The One Month's Firm Commitment contained within the Delivery Forecast issued each month in accordance with Clause B1 above shall constitute an Order.
- B2.2 Subject to Clause B1.1 above, forecasts of requirements which may be given by Pathway to the Supplier will be given for information purposes only and the Supplier will have no claim against Pathway in respect of any reliance placed by the Supplier on such forecasts.

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SCHEDULE C - DELIVERY OF SUPPLIES

C1 DELIVERY REQUIREMENTS

C1.1 Trade Terms

Delivered Duty Paid, Named Place of Destination (DDP) as defined in the International Chamber of Commerce Publication No. 460 Incoterms dated 1st July 1990 (hereinafter "Incoterms") will apply to the delivery of the Supplies hereunder and all associated terms and conditions used in this Agreement will, except to the extent specified to the contrary, have the meanings given to them in Incoterms. If there is any conflict between the terms and conditions of this Agreement and Incoterms then this Agreement will take priority.

C1.2 Delivery Instructions

- (a) The Supplier will immediately after delivery of the Supplies send to the Pathway Purchasing Officer by facsimile a copy of an advice note showing the Agreement reference and (where applicable) the Order number, the number of packages and the method and route of transportation. The Supplier will ensure that one copy of such advice note accompanies the Supplies and a further copy is supplied to the carrier. The Supplier will notify Pathway by facsimile or similar method on the day of despatch of Supplies despatched from the Supplier's premises.
- (b) The Supplier will furnish Pathway with a status report issued by the first Monday of each month detailing new Orders received, shipments made, backlog if applicable and projected date for clearance and other matters specifically requested by Pathway. Where delivery is likely to be delayed the Supplier will notify Pathway of relevant facts and circumstances as soon as possible.
- (c) If delivery is effected in contravention of this Agreement or any Order the Supplier will be liable to Pathway for any additional loss, expense, cost or damage incurred or arising in consequence thereof.
- (d) Pathway will not be liable in respect of any failure to give notice to the Supplier's carriers of loss, damage, mis-delivery, delay, detention in transit, non-delivery or other matters affecting transit.

C2 PACKAGING AND DELIVERY REQUIREMENTS

C2.1 The Supplier will ensure that any Supplies and spare parts are packaged and delivered in accordance with any reasonable requirements of Pathway or a designated third party acting on Pathway's behalf that are notified to the Supplier in writing; these requirements will include inter alia packaging, labelling, bar coding and stacking on pallets.

C3 CONTINUITY OF SUPPLY/STOCK LEVELS

This Clause C3 does not apply to Services.

C3.1 The Supplier accepts that Pathway requires continuity of supply of the Supplies for the period of this Agreement and undertakes to continue the manufacture of the Supplies for that period and to use all reasonable endeavours to maintain such stocks of the Supplies as may be reasonably necessary to meet Pathway's anticipated forecast requirements for the Supplies.

C3.2 The Supplier will give Pathway ***** prior notice of cessation of production of the Supplies or any maintenance tools and will provide Pathway with the opportunity to purchase on terms no less favourable than those granted or to be granted to any other customer of the Supplier such quantity of spare parts and tools as Pathway considers sufficient for its future needs. The provision of this paragraph will survive termination of this Agreement.

C3.3 Without prejudice to any other remedy of Pathway for breach of the Supplier's obligations, if the Supplier for any reason is unable to provide the Supplies in accordance with this Agreement, the Supplier will ***** transfer to Pathway, the Supplier's manufacturing inventory, and all information and rights, to the extent necessary to enable Pathway to make the Supplies or have them made and to sell them. Furthermore the Supplier will grant to or obtain the grant for Pathway of a world-wide free of charge licence so to do until such time as Pathway's entitlement to obtain such Supplies pursuant to this Agreement is rightfully terminated in accordance with its terms.

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SCHEDULE D - PRICING TERMS

D1 PRICING

D1.1 The prices for the Supplies are contained in Clause D2 and will in the event of conflict supersede any prices appearing in any other Schedule.

D1.2 The prices will be valid in respect of all Orders dated after the date of this Agreement.

D1.3 It is anticipated that prices will change during the life of this agreement in line with market forces and as a result of volume economies.

D1.4 The prices for spare parts (if any) ordered after termination of this Agreement will be subject to the limitations of no more than *** increase ***** in any twelve month period and no increase to exceed **** percent **** of the immediately preceding prices of the Supplies at issue.

D1.5 The Supplier warrants that at the date of this Agreement the prices set out in this Schedule do not exceed those charged to any other customer of the Supplier or the Supplier's parent company purchasing the Supplies. If at any time the Supplier or the Supplier's parent company offers lower prices to any other customer for the Supplies, then such lower prices will be charged to Pathway on subsequent invoices of the Supplier.

D1.6 *****

D1.7 Prices will be reviewed by Pathway and the Supplier in accordance with the provisions of this Schedule. There will be no price increase unless related to a Change.

D1.8 *****

D1.9 The price for all Orders in so far as they relate to Supplies with a delivery date on or after the price review date shall be altered to reflect any price adjustment agreed by Pathway and the Supplier as part of the price review.

D2 PRICES

Printer Model	Price
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FRONT OFFICE PRODUCTS

Ithaca Model 94	****
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Warranty: 25 months from date of despatch from factory
 OR ** Million Characters *****
 But in no case beyond 28th February 2005.

Both of these are on a return for repair, parts and labour basis.

The prices above will be reduced if Pathway can obtain a reduction in the freight and duty costs and any other component / parts costs. In addition, if payment is received within ***** days of the date of delivery of any Supplies a ** credit per Supply will apply to such Supplies.

ALL prices are exclusive of VAT, and include delivery to a single nominated point within the UK.

SCHEDULE E - PROJECT MANAGEMENT

- E1 The Supplier will appoint a Programme Director who will have executive responsibility and authority for all contracted activities of the Supplier.
- E2 The Supplier will produce a Project Management Plan ("PMP") defining how the Supplier will perform its obligations under this Agreement, and what overall approach it will adopt. The Supplier will supply the PMP to Pathway within thirty (30) days of the date of this Agreement, for agreement by Pathway. Once agreed, the PMP will be maintained by the Supplier, with any changes being submitted to Pathway for approval.
- The PMP will:
- (a) define the management organisation and controls; and
 - (b) contain a Quality Plan, as defined by Clause A2.1(c) of Schedule A; and
 - (c) contain a Configuration Management Plan, as defined by Clause A3.1(c) of Schedule A; and
 - (d) contain a Risk Analysis and Management Plan; and
 - (e) define the process to be used for the monitoring and management of issues that arise in the performance of this Agreement.
- E3 Until the completion by Pathway of the roll-out of the Pathway system to all post offices, the Supplier shall present formal written reports in a reasonable format and to a reasonable schedule to be defined by Pathway. These will cover inter alia:
- (a) actual and forecast progress against milestones
 - (b) analysis of the status of the Supplies
 - (c) status summary of Change Requests and Change Proposals (as defined in Schedule F)
 - (d) recommended changes to plans (if any)
 - (e) issues requiring resolution by Pathway
 - (f) risks requiring input by Pathway, and Supplier internal risks that could impact the performance by Pathway of its obligations under the Main Agreement
 - (g) activities planned for next reporting period.
- E4 The Supplier shall attend regular progress meetings, chaired by Pathway, to a reasonable schedule to be determined by Pathway. This will typically be on a two (2) weekly basis, and not less frequently than monthly.
- These progress meetings will review progress against this Agreement and will follow through any actions arising.
- The progress meetings will be attended by the Supplier's Programme Director and other relevant Supplier personnel with the necessary information, knowledge and authority to act on progress reports, to resolve issues and to ensure the achievement of the full performance of the Supplier's obligations under this Agreement.
- E5 The Supplier will ensure that the Supplier's Programme Director and other relevant Supplier staff participate in progress and review meetings with the DSS and POCL where such attendance is requested by Pathway.
- E6 The Supplier shall control the schedule and delivery of the Supplies using standard project planning techniques; the Supplier shall also manage and control the delivery of Supplies and the performance of its obligations using standard project planning techniques, including PERT plans (critical path analysis) and shall be able to demonstrate actual progress against the plans.
- E7 Pathway has the right at any time to inspect the plans maintained by the Supplier pursuant to Clause E6, and the processes surrounding the maintenance of such plans. In support of such a right the Supplier shall allow Pathway full and unrestricted access to such plans, processes and Supplier staff involved in the maintenance of such plans, within one (1) working day after each occasion of being notified by Pathway in writing of Pathway's desire to carry out such an inspection.

E8 The Supplier will monitor and manage and keep Pathway fully informed of issues affecting the performance of its obligations under this Agreement. The Supplier will also promptly notify Pathway of any issues that it becomes aware of that affect the performance of the obligations of other suppliers and sub-contractors to Pathway pursuant to the Main Agreement, or the performance of Pathway's obligations under the Main Agreement.

E9 At Pathway's request, the Supplier will provide Pathway with any other information that is relevant to the Supplier's obligations and responsibilities under this Agreement, in support of Pathway's performance of its obligations under the Main Agreement and issues arising thereunder, and the resolution of change proposals and requests thereunder.

SCHEDULE F - CHANGE CONTROL

F1 SCOPE

This Schedule defines the Change control procedure to be followed in respect of proposed Changes. The Schedule also defines the management processes and procedures for reviewing and evaluating Change proposals.

F2 PRINCIPLES

- F2.1 Pathway may at any time request or suggest and the Supplier may at any time recommend or suggest a Change. In all cases the Change control procedure described in this Schedule must be followed.
- F2.2 The Supplier shall not unreasonably withhold its agreement to any proposed Change. Until such time as a Change is accepted and implemented in accordance with the Change control procedure, the Supplier shall, unless otherwise agreed in writing, continue to discharge its obligations under this Agreement as if the request or recommendation had not been made.
- F2.3 Where a Change is requested by Pathway in connection with a change or proposed change to the Main Agreement or the requirements thereof, the Supplier shall use its best endeavours to accept the requested Change.
- F2.4 The price and time (if any) for making a Change, and the price and delivery time for the Supplies after a Change has been made, will be fair and reasonable and proportionate to the direct cost and availability to the Supplier of the extra or reduced work, labour resource, capital resource, componentry, materials and other inputs resulting from the Change.
- F2.5 Any discussions which take place between Pathway and the Supplier in connection with a request or recommendation for a Change before the authorisation of the Change shall be without prejudice to the rights of either party.
- F2.6 Any work undertaken by the Supplier or its agents outside the agreed requirements contained in this Agreement and which has not been authorised in advance by a Change and which has not been otherwise agreed in accordance with this Schedule shall be undertaken entirely at the expense and liability of the Supplier.
- F2.7 Each party shall bear its own costs in respect of the preparation and submission of Change Requests and Change Proposals.

F3 PROCEDURE

- F3.1 In the event that either party wishes to suggest a Change or is considering requesting or recommending a Change, that party shall promptly initiate a discussion with the other party. Such discussion shall result in one of the following:
- (a) no further action being taken; or
 - (b) a written request by Pathway to make a Change (a "Change Request"); or
 - (c) a written recommendation by the Supplier to make a Change (a "Change Proposal" or "CP").
- F3.2 Where a Change Request is received from Pathway, the Supplier shall, unless otherwise agreed, submit two signed copies of a CP to Pathway within ten (10) working days of the receipt of the request (or such other period as the parties may agree).
- If Pathway considers that a Change needs to be made urgently, it can designate its Change Request as a "Red Star" Change Request, in which case the Supplier shall submit two signed copies of a CP to Pathway within two (2) working days of the receipt of the Change Request.
- If the Supplier wishes to recommend a Change it shall do so by submitting to Pathway two signed copies of a CP.

- F3.3 The Change control procedure described herein shall also apply where Pathway fails to fulfil an obligation hereunder. In such a case, the Supplier shall submit a CP within twenty (20) working days after the failure of Pathway to fulfil the obligation. If the Supplier does not submit a CP within such period, the Supplier shall be deemed to have accepted that no Change is necessary as a result of Pathway's failure to meet the obligation.
- F3.4 Each Change Request shall contain:
- (a) a sequentially generated reference number;
 - (b) a title;
 - (c) the originator and date;
 - (d) the reason(s) and objectives;
 - (e) full details of the requirement;
 - (f) reference to any other Change Requests or CPs if appropriate;
 - (g) impact on Pathway if the Change is not implemented.
- F3.5 Each Change Proposal shall contain:
- (a) a sequentially generated reference number with the prefix "Pathway";
 - (b) a title;
 - (c) the originator and date;
 - (d) the reason(s) and objectives;
 - (e) full details including any specifications and sufficient engineering detail and validation data to enable the proposal to be assessed;
 - (f) reference to any other Change Requests or CPs if appropriate;
 - (g) the price, if any, for making the proposed Change;
 - (h) the change, if any, to the price of the relevant Supplies after the proposed Change has been implemented;
 - (i) a schedule of payments if appropriate;
 - (j) a timetable for implementation;
 - (k) a proposed method of acceptance for the proposed Change, if appropriate;
 - (l) details of the likely impact, if any, on other aspects of this Agreement or the Main Agreement including but not limited to:
 - (i) the terms of this Agreement,
 - (ii) timescales for delivery of other Supplies,
 - (iii) risk and security,
 - (iv) the personnel to be provided,
 - (v) the price of other Supplies,
 - (vi) the payment profile,
 - (vii) the documentation to be provided,
 - (viii) the training to be provided,
 - (ix) working arrangements,
 - (x) provision of spare parts,
 - (xi) repair arrangements,
 - (xii) compatibility of the affected Supplies with other Supplies or with products supplied to or by Pathway pursuant to the Main Agreement,
 - (xiii) other contractual issues;
 - (m) details of any other likely or reasonably possible and foreseeable impact;
 - (n) the date of expiry of validity of the CP;
 - (o) provision for signature by Pathway and by the Supplier.
- F3.6 The Supplier will on Pathway's request supply Pathway with the data and tools used to carry out the assessment of the above impacts of proposed Changes. Supplying such data and tools shall not be construed to mean that Pathway has or ought to have actual or constructive knowledge, warning or suspicion of any difference or potential difference between the actual impacts and those notified to Pathway by the Supplier.
- F3.7 For each CP received, Pathway shall, within the period of the validity of the CP, or ten (10) working days, whichever is longer (except for Red Star Change Proposals, where the deadline shall be two (2) working days):

- (a) in conjunction with the Supplier, evaluate the CP and, as appropriate:
 - (i) request further information; or
 - (ii) agree an extension to the evaluation period; or
 - (iii) approve and sign two copies of the CP and return one copy to the Supplier; or
 - (iv) reject the CP and notify the Supplier in writing of the rejection of the CP;

F3.8 A CP signed by both parties shall constitute a Change, and shall be implemented according to the details contained within the approved CP. If after approval of the CP either Pathway or the Supplier wishes to amend any of the details contained within the CP then a further CP must be raised.

F3.9 The Supplier will produce a listing on the first working day of each month of all the CPs issued during the previous month with enough detail to enable Pathway to identify whether any CPs have been mislaid during transmission/posting. Nil returns are also required.

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FORM OF

TransAct Technologies Incorporated

1996 STOCK PLAN

Effective July 30, 1996

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TransAct Technologies Incorporated
1996 STOCK PLAN

1. Purpose

TransAct Technologies Incorporated (the "Company") desires to attract and retain the best available talent and encourage the highest level of performance by employees and other persons who perform services for the Company in order to serve the best interests of the Company and stockholders. By affording eligible persons the opportunity to acquire proprietary interests in the Company and by providing them incentives to put forth maximum efforts for the success of the Company's business, the TransAct Technologies Incorporated 1996 Stock Plan (the "1996 Plan") is expected to contribute to the attainment of those objectives.

2. Scope and Duration

Awards under the 1996 Plan may be granted in the form of incentive stock options ("incentive stock options") as provided in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), in the form of non-qualified stock options ("non-qualified options") (unless otherwise indicated, references in the 1996 Plan to "options" include incentive stock options and non-qualified options), in the form of shares of the common stock, par value \$.01 per share, of the Company (the "Common Stock") that are restricted as provided in paragraph 11 ("restricted shares"), in the form of units to acquire shares of Common Stock that are restricted as provided in paragraph 11 ("restricted units") or in the form of stock appreciation rights ("rights") or limited stock appreciation rights ("limited rights"). The maximum aggregate number of shares of Common Stock as to which awards may be granted from time to time under the 1996 Plan is 600,000 shares. The shares available may be in whole or in part, as the Board of Directors of the Company (the "Board of Directors") shall from time to time determine, authorized but unissued shares or issued shares reacquired by the Company. Unless otherwise provided by the Compensation Committee, shares covered by expired or terminated options and forfeited restricted shares or restricted units will be available for subsequent awards under the 1996 Plan, except to the extent prohibited by Rule 16b-3, as amended, or any successor provision thereto ("Rule 16b-3"), or other applicable rules under Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any shares issued by the Company in respect of the assumption or substitution of outstanding awards from a corporation or other business entity by the Company shall not reduce the number of shares available for awards under the 1996 Plan. No incentive stock option shall be granted more than 10 years after the Effective Date.

3. Administration

The 1996 Plan shall be administered by the Compensation Committee of the Board of Directors, consisting of not less than two members who shall qualify to administer the 1996 Plan as contemplated by Rule 16b-3 (unless Rule 16b-3 shall permit fewer than two members to so qualify); provided, however, that, with respect to individual participants who are not subject to Section 16(b) of the Exchange Act, the Compensation Committee of the Board of Directors may delegate authority to administer the 1996 Plan to another committee of directors which committee may include directors who do not meet the standards set forth immediately above. Unless the context otherwise requires, the term "Committee" shall refer to both the Compensation Committee and any other committee of directors to whom authority have been delegated.

The Committee shall have plenary authority in its discretion, subject to and not inconsistent with the express provisions of the 1996 Plan to grant options, to determine the purchase price of the shares of Common Stock covered by each option, the term of each option, the persons to whom, and the time or times at which options shall be granted, and the number of shares to be covered by each option; to designate options as incentive stock options or non-qualified options and to determine which options shall be accompanied by rights and limited rights; to grant rights and to determine the terms and conditions applicable to such rights; to grant restricted shares and restricted units and to determine the term of the restricted period and other conditions applicable to such shares or units, the persons to whom, and the time or times at which, restricted shares or restricted units shall be granted and the number of shares or units to be covered by each grant; to interpret the 1996 Plan; to prescribe, amend and rescind rules and regulations relating to the 1996 Plan; to determine the terms and provisions of the option and rights agreements (which need not be identical) and the restricted share and restricted units agreements (which need not be identical) entered into in connection with awards under the 1996 Plan; and to make all other determinations deemed necessary or advisable for the administration of the 1996 Plan. The Committee may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the 1996 Plan.

The Committee may employ attorneys, consultants, accountants or other persons and the Committee, the Company and its officers and directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all persons who have received awards, the Company and all other interested persons. No member or agent of the Committee shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the 1996 Plan or awards made thereunder, and all members and agents of the Committee shall be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

4. Eligibility; Factors to be Considered in Granting Awards

Awards will be limited to officers and other key employees of the Company and its subsidiaries, and except in the case of incentive stock options, any other non-employees who may provide services to the Company or its subsidiaries (all such persons being hereinafter referred to as "employees"). In determining the employees to whom awards shall be granted and the number of shares or units to be covered by each award, the Committee shall take into account the nature of the employees' duties, their present and potential contributions to the success of the Company and such other factors as it shall deem relevant in connection with accomplishing the purposes of the 1996 Plan. A director of the Company or of a subsidiary who is not also an employee of the Company (or deemed to be an employee of the Company as provided above) will not be eligible to receive an award.

Awards may be granted singly, in combination or in tandem and may be made in combination or in tandem with, in replacement of, or as alternatives to, awards or grants under any other employee plan maintained by the Company, its present and future subsidiaries. An employee who has been granted an award or awards under the 1996 Plan may be granted an additional award or awards, subject to such limitations as may be imposed by the Code on the grant of incentive stock options. No award of incentive stock options shall result in the aggregate fair market value of Common Stock with respect to which incentive stock options are exercisable for the first time by any employee during any calendar year (determined at the time the incentive stock option is granted) exceeding \$100,000. The Committee, in its sole discretion, may grant to an employee who has been granted an award under the 1996 Plan or any other employee plan maintained by the Company or its subsidiaries, or any predecessors or successors thereto, in exchange for the surrender and cancellation of such award, a new award in the same or a different form and containing such terms, including without limitation a price which is different (either higher or lower) than any price provided in the award so surrendered and cancelled, as the Committee may deem appropriate.

5. Option Price

The purchase price of the Common Stock covered by each option shall be determined by the Committee, but in the case of an incentive stock option shall not be less than 100% of the fair market value (110% in the case of a 10% shareholder of the Company) of the Common Stock on the date the option is granted, which shall be deemed to equal the closing price of the Common Stock as quoted by NASDAQ (the "Market Value") for the date on which the option is granted, or if there are no sales on such date, on the next preceding day on which there were sales. The Committee shall determine the date on which an option is granted, provided that such date is consistent with the Code and any applicable rules or regulations thereunder. In the absence of such determination, the date on which the Committee adopts a resolution granting an option shall be considered the date on which such option is granted, provided the employee to whom the option is granted is promptly notified of the grant and an option agreement is duly executed as of the date of the resolution. The purchase price of the Common Stock covered by each option shall also be applicable in connection with the exercise of any related right or limited right. The purchase price shall be subject to adjustment as provided in paragraph 14.

6. Terms of Options

The term of each incentive stock option granted under the 1996 Plan shall not be more than 10 years (5 years in the case of a 10% shareholder of the Company) from the date of grant, as the Committee shall determine, subject to earlier termination as provided in paragraphs 12 and 13. The term of each non-qualified stock option granted under the 1996 Plan shall be such period of time as the Committee shall determine, subject to earlier termination as provided in paragraphs 12 and 13.

7. Exercise of Options; Loans

(a) Subject to the provisions of the 1996 Plan, an option granted under the 1996 Plan shall become vested as determined by the Committee. The Committee may, in its discretion, determine as a condition of any option, that all or a stated percentage of the options shall become exercisable, in installments or otherwise, only after completion of a specified service requirement. The Committee may also, in its discretion, accelerate the exercisability of any option at any time and provide, in any option agreement, that the option shall become immediately exercisable as to all shares of Common Stock remaining subject to the option on or following either (i) the first purchase of shares of Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Company or any of its subsidiaries) for all, or any part of, the Common Stock ("Offer"), (ii) a change in control of the Company (as defined in this paragraph), (iii) approval by the Company's stockholders of a merger in which the Company does not survive as an independent, publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all the Company's assets, or (iv) a change in the composition of the Board of Directors during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board of Directors cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's stockholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period (the date upon which an event described in clause (i), (ii), (iii) or (iv) of this paragraph 7(a) occurs shall be referred to herein as an "acceleration date"). A "change in control" is deemed to occur at the time of any acquisition of voting securities of the Company by any person or group (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), but excluding (i) the Company or any of its subsidiaries, (ii) any person who was an officer or director of the Company on the day

immediately prior to the Effective Date hereof, or (iii) any savings, pension or other benefits plan for the benefit of employees of the Company or any of its subsidiaries, which theretofore did not beneficially own voting securities representing more than 30% of the voting power of all outstanding voting securities of the Company, if such acquisition results in such entity, person or group owning beneficially securities representing more than 30% of the voting power of all outstanding voting securities of the Company. As used herein, "voting power" means ordinary voting power for the election of directors of the Company.

(b) An option may be exercised at any time or from time to time (subject, in the case of an incentive stock option, to such restrictions as may be imposed by the Code), as to any or all full shares as to which the option has become exercisable. Notwithstanding the foregoing provision, no option may be exercised without the prior consent of the Committee by an employee who is subject to Section 16(b) of the Exchange Act until the expiration of six months from the date of the grant of the option.

(c) The purchase price of the shares as to which an option is exercised shall be paid in full at the time of exercise; payment may be made in cash, which may be paid by check, or other instrument acceptable to the Company, or, with the consent of the Committee, in shares of the Common Stock, valued at the Market Value on the date of exercise, or if there were no sales on such date, on the next preceding day on which there were sales or (if permitted by the Committee and subject to such terms and conditions as it may determine) by surrender of outstanding awards under the 1996 Plan. In addition, any amount necessary to satisfy applicable federal, state or local tax requirements shall be paid promptly upon notification of the amount due. The Committee may permit such amount to be paid in shares of Common Stock previously owned by the employee, or a portion of the shares of Common Stock that otherwise would be distributed to such employee upon exercise of the option, or a combination of cash and shares of such Common Stock.

(d) Except as provided in paragraphs 12 and 13, no option may be exercised at any time unless the holder thereof is then an employee of or performing services for the Company or one of its subsidiaries. For this purpose, "subsidiary" shall include, as under Treasury Regulations Section 1.421-7(h)(3) and (4), Example (3), any corporation that is a subsidiary of the Company during the entire portion of the requisite period of employment during which it is the employer of the holder.

(e) The Committee, in its sole discretion, may elect, in lieu of delivering all or a portion of the shares of Common Stock as to which an option has been exercised, if the fair market value of the Common Stock exceeds the exercise price of the option (i) to pay the employee in cash or in shares of Common Stock, or a combination of cash and Common Stock, an amount equal to the excess of (A) the Market Value on the exercise date of the shares of Common Stock as to which such option has been exercised, or if there were no sales on such date, on the next preceding day on which there were sales over (B) the option price, or (ii) in the case of an option which is a non-qualified option, to defer payment and to credit the amount of such excess on the Company's books for the account of the optionee and either (a) to treat the amount in such account as if it had been invested in the manner from time to time determined by the Committee, with dividends or other income therein being deemed to have been so reinvested or (b) for the Company's convenience, to contribute the amount credited to such account to a trust, which may be revocable by the Company, for investment in the manner from time to time determined by the Committee and set forth in the instrument creating such trust; provided, however, that, to the extent required by Rule 16b-3 or other applicable rules under Section 16(b) of the Exchange Act, in order to perfect the exemption provided thereunder for cash settlements of stock appreciation rights, the Committee shall not exercise its discretion to grant cash to any employee who is subject to the provisions of Section 16(b) of the Exchange Act unless the exercise occurs during any period commencing on the third business day following the date of release for publication of any annual or quarterly summary statements of the Company's sales and earnings and ending on the twelfth business day following such date (a "Window Period"). The Committee's election pursuant to this subparagraph shall be made by giving

written notice of such election to the employee (or other person exercising the option). Shares of Common Stock paid pursuant to this subparagraph will be valued at the Market Value on the exercise date, or if there were no sales on such date, on the next preceding day on which there were sales.

(f) Subject to any terms and conditions that the Committee may determine in respect of the exercise of options involving the surrender of outstanding awards, upon, but not until, the exercise of an option or portion thereof in accordance with the 1996 Plan, the option agreement and such rules and regulations as may be established by the Committee, the holder thereof shall have the rights of a stockholder with respect to the shares issued as a result of such exercise.

(g) The Company may make loans to such option holders as the Committee, in its discretion, may determine (including a holder who is a director or officer of the Company) in connection with the exercise of options granted under the 1996 Plan; provided, however, that the Committee shall not authorize the making of any loan where the possession of such discretion or the making of such loan would result in a "modification" (as defined in Section 424 of the Code) of any incentive stock option. Such loans shall be subject to the following terms and conditions and such other terms and conditions as the Committee shall determine not inconsistent with the 1996 Plan. Such loans shall bear interest at such rates as the Committee shall determine from time to time, which rates may be below then current market rates (except in the case of incentive stock options). In no event may any such loan exceed the fair market value, at the date of exercise, of the shares covered by the option, or portion thereof, exercised by the holder. No loan shall have an initial term exceeding five years, but any such loan may be renewable at the discretion of the Committee. When a loan shall have been made, shares of Common Stock having a fair market value at least equal to the principal amount of the loan shall be pledged by the holder to the Company as security for payment of the unpaid balance of the loan. Every loan shall comply with all applicable laws, regulations and rules of the Board of Governors of the Federal Reserve System and any other governmental agency having jurisdiction.

8. Award and Exercise of Rights

(a) A right may be awarded by the Committee in connection with any option granted under the 1996 Plan (a "tandem right"), either at the time the option is granted or thereafter at any time prior to the exercise, termination or expiration of the option. A right may also be awarded separately (a "free-standing right"). Each tandem right shall be subject to the same terms and conditions as the related option and shall be exercisable only to the extent the option is exercisable.

The term of each freestanding right granted under the 1996 Plan shall be such period of time as the Committee shall determine. Subject to the provisions of the 1996 Plan, such right shall become vested as determined by the Committee. Prior to becoming 100% vested, each freestanding right shall become exercisable, in installments or otherwise, as the Committee shall determine. The Committee may also, in its discretion, accelerate the exercisability of any freestanding right at any time and provide, in the agreement covering a freestanding right, that the right shall become immediately exercisable on or following an acceleration date (as defined in paragraph 7(a)).

No right shall be exercisable by an employee who is subject to the provisions of Section 16(b) of the Exchange Act without the prior consent of the Committee prior to the expiration of six months from the date the right is awarded (and then, as to a tandem right, only to the extent the related option is exercisable). Notwithstanding the foregoing, no right shall be exercisable by an employee who is subject to the provisions of Section 16(b) of the Exchange Act without the prior consent of the Committee prior to the expiration of one year from the date of the initial sale of shares of Common Stock of the Company to the public.

(b) A right shall entitle the employee upon exercise in accordance with its terms (subject, in the case of a tandem right, to the surrender unexercised of the related option or any portion or portions thereof which the employee from time to time determines to surrender for this purpose) to receive, subject to the provisions of the 1996 Plan and such rules and regulations as from time to time may be established by the Committee, a payment having an aggregate value equal to (A) the excess of (i) the fair market value on the exercise date of one share over (ii) the option price per share, in the case of a tandem right, or the price per share specified in the terms of the right, in the case of a freestanding right, times (B) the number of shares with respect to which the right shall have been exercised. The payment shall be made in the form of all cash, all shares of Common Stock, or a combination thereof, as elected by the employee, provided that, unless otherwise approved by the Committee, the election by an employee who is subject to the provisions of Section 16(b) of the Exchange Act to receive all or a part of a payment in cash, as well as the exercise by the employee of the right for cash, shall be made only during a Window Period (as defined in paragraph 7(e) hereof); and provided further, that the Committee shall have sole discretion to consent to or disapprove the election of an officer or director to receive all or part of a payment in cash (which consent or disapproval may be given at any time after the election to which it relates). The price per share specified in a freestanding right shall be determined by the Committee but in no event shall be less than the average of the daily closing prices for the Common Stock as reported by NASDAQ during a period determined by the Committee in its sole discretion that shall consist of any trading day or any number of consecutive trading days, not exceeding 30, during the period of 30 trading days ending on the trading day immediately preceding the date the right is granted, provided that, in the absence of a different determination by the Committee, the price per share shall be determined on the basis of a period consisting of 30 trading days. Such price shall be subject to adjustment as provided in paragraph 14. The Committee shall determine the date on which a freestanding right is granted. In the absence of such determination, the date on which the Committee adopts a resolution granting such right shall be considered the date of grant, provided the employee is promptly notified of the grant and an agreement is duly executed as of the date of the resolution.

If upon exercise of a right the employee is to receive a portion of the payment in shares of Common Stock, the number of shares received shall be determined by dividing such portion by the fair market value of a share on the exercise date. The number of shares received may not exceed the number of shares covered by any option or portion thereof surrendered. Cash will be paid in lieu of any fractional share.

No payment will be required from the employee upon exercise of a right, except that any amount necessary to satisfy applicable federal, state or local tax requirements shall be withheld or paid promptly upon notification of the amount due and prior to or concurrently with delivery of cash or a certificate representing shares. The Committee may permit such amount to be paid in shares of Common Stock previously owned by the employee, or a portion of the shares of Common Stock that otherwise would be distributed to such employee upon exercise of the right, or a combination of cash and shares of such Common Stock.

(c) For purposes of this paragraph 8, the fair market value of a share on any particular date shall mean the Market Value of such share on such date, or if there are no sales on such date, on the next preceding day on which there were sales; provided, however, that with respect to exercises of rights by an employee who is subject to the provisions of Section 16(b) of the Exchange Act during any Window Period, the Committee may prescribe, by rule of general application, such other measure of fair market value per share as the Committee may, in its discretion, determine but not in excess of the highest sale price of the Common Stock during such Window Period and, in the case of rights that relate to an incentive stock option, not in excess of the maximum amount that would be permissible under Section 422 of the Code and the Treasury Regulations thereunder without disqualifying such option as an incentive stock option under Section 422.

(d) Upon exercise of a tandem right, the number of shares subject to exercise under the related option shall automatically be reduced by the number of shares represented by the option or portion thereof surrendered.

(e) A right related to an incentive stock option may only be exercised if the fair market value of a share of Common Stock on the exercise date exceeds the option price.

(f) Whether payments to employees upon exercise of tandem rights related to non-qualified options or of freestanding rights are made in cash, shares of Common Stock or a combination thereof, the Committee shall have sole discretion as to timing of the payments, whether in one lump sum or in annual installments or otherwise deferred, which deferred payments may in the Committee's sole discretion (i) bear amounts equivalent to interest or cash dividends, (ii) be treated as invested in the manner from time to time determined by the Committee, with dividends or other income thereon being deemed to have been so reinvested, or (iii) for the convenience of the Company, contributed to a trust, which may be revocable by the Company or subject to the claims of its creditors, for investment in the manner from time to time determined by the Committee and set forth in the instrument creating such trust, all as the Committee shall determine.

(g) If a freestanding right is not exercised, or neither a tandem right nor the related option is exercised, before the end of the day on which the right ceases to be exercisable and the fair market value of a share on such date exceeds (i) the option price per share in the case of a tandem right or (ii) the price per share specified in the terms of the right in the case of a freestanding right, such right shall be deemed exercised and a payment in the amount prescribed by subparagraph 8(b), less any applicable taxes, shall be paid to the employee in cash.

9. Award and Exercise of Limited Rights

(a) A limited right may be awarded by the Committee in connection with any option granted under the 1996 Plan with respect to all or some of the shares of Common Stock covered by such related option. A limited right may be granted either at the time the option is granted or thereafter at any time prior to the exercise, termination or expiration of the option. A limited right may be granted to an employee irrespective of whether such employee is being granted or has been granted a right under paragraph 8 hereof. A limited right may be exercised only during the ninety-day period beginning on an acceleration date (as defined in paragraph 7(a)). In addition, each limited right shall be exercisable only if, and to the extent that, the related option is exercisable and, in the case of a limited right granted in respect of an incentive stock option, only when the fair market value per share of the Common Stock exceeds the option price per share. Upon exercise of a limited right, such related option shall cease to be exercisable to the extent of the shares of Common Stock with respect to which such limited right is exercised. Upon the exercise or termination of a related option, the limited right with respect to such related option shall terminate to the extent of the shares of Common Stock with respect to which the related option was exercised or terminated.

(b) Upon the exercise of limited rights, the holder thereof shall receive in cash whichever of the following amounts is applicable:

(i) in the case of an exercise of limited rights by reason of the occurrence of an Offer (as defined in paragraph 7(a)(i)), an amount equal to the Offer Spread (as defined in paragraph 9(d));

(ii) in the case of an exercise of limited rights by reason of an acquisition of Common Stock described in paragraph 7(a)(ii), an amount equal to the Acquisition Spread (as defined in paragraph 9(h) hereof);

(iii) in the case of an exercise of limited rights by reason of an event described in paragraph 7(a)(iii), an amount equal to the Merger Spread (as defined in paragraph 9(f) hereof); or

(iv) in the case of an exercise of limited rights by reason of a change in the composition of the Board of Directors as described in paragraph 7(a)(iv), an amount equal to the Spread (as defined in paragraph 9(i) hereof).

Notwithstanding the foregoing, in the case of a limited right granted in respect of an incentive stock option, the holder may not receive an amount in excess of such amount as will enable such option to qualify as an incentive stock option.

(c) The term "Offer Price per Share" as used in this paragraph 9 shall mean, with respect to the exercise of any limited right by reason of the occurrence of an Offer, the greater of (i) the highest price per share of Common Stock paid in any Offer, which Offer is in effect at any time during the ninety-day period ending on the date on which such limited right is exercised, or (ii) the highest fair market value per share of Common Stock during such ninety-day period. Any securities or property which are part or all of the consideration paid for shares of Common Stock in the Offer shall be valued in determining the Offer Price per Share at the higher of (A) the valuation placed on such securities or property by the corporation, person or other entity making such Offer or (B) the valuation placed on such securities or property by the Committee.

(d) The term "Offer Spread" as used in this paragraph 9 shall mean an amount equal to the product computed by multiplying (i) the excess of (A) the Offer Price per Share over (B) the option price per share of Common Stock at which the related option is exercisable, by (ii) the number of shares of Common Stock with respect to which such limited right is being exercised.

(e) The term "Merger Price per Share" as used in this paragraph 9 shall mean, with respect to the exercise of any limited right by reason of an event described in paragraph 7(a)(iii), the greater of (i) the fixed or formula price for the acquisition of shares of Common Stock occurring pursuant to such event if such fixed or formula price is determinable on the date on which such limited right is exercised, and (ii) the highest fair market value per share of Common Stock during the ninety-day period ending on the date on which such limited right is exercised. Any securities or property which are part or all of the consideration paid for shares of Common Stock pursuant to such event shall be valued in determining the Merger Price per Share at the higher of (A) the valuation placed on such securities or property by the corporation, person or other entity which is a party with the Company to such event or (B) the valuation placed on such securities or property by the Committee.

(f) The term "Merger Spread" as used in this paragraph 9 shall mean an amount equal to the product computed by multiplying (i) the excess of (A) the Merger Price per Share over (B) the option price per share of Common Stock at which the related option is exercisable, by (ii) the number of shares of Common Stock with respect to which such limited right is being exercised.

(g) The term "Acquisition Price per Share" as used in this paragraph 9 shall mean, with respect to the exercise of any limited right by reason of an acquisition of Common Stock described in paragraph 7(a)(ii), the greater of (i) the highest price per share stated on the Schedule 13D or any amendment thereto filed by the holder of 30% or more of the Company's voting power which gives rise to the exercise of such limited right, and (ii) the highest fair market value per share of Common Stock during the ninety-day period ending on the date the limited right is exercised.

(h) The term "Acquisition Spread" as used in this paragraph 9 shall mean an amount equal to the product computed by multiplying (i) the excess of (A) the Acquisition Price per Share over (B) the option price per share of Common Stock at which the related option is exercisable, by (ii) the number of shares of Common Stock with respect to which such limited right is being exercised.

(i) The term "Spread" as used in this paragraph 9 shall mean, with respect to the exercise of any limited right by reason of a change in the composition of the Board described in paragraph 7(a) (iv), an amount equal to the product computed by multiplying (i) the excess of (A) the highest fair market value per share of Common Stock during the ninety-day period ending on the date the limited right is exercised over (B) the option price per share of Common Stock at which the related option is exercisable, by (ii) the number of shares of Common Stock with respect to which the limited right is being exercised.

(j) Notwithstanding any other provision of the 1996 Plan, rights granted pursuant to paragraph 8 may not be exercised to the extent that any limited rights granted with respect to the same option are then exercisable.

(k) For purposes of this paragraph 9, "fair market value per share of Common Stock" for any day shall mean the Market Value for such day (or if there were no sales on such day, on the next preceding day on which there were sales).

10. Non-Transferability of Options and Rights

Options, rights and limited rights granted under the 1996 Plan shall not be transferable otherwise than by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by Section 414(p) of the Code. Options, rights and limited rights may be exercised during the lifetime of the employee only by the employee or by the employee's guardian or legal representative (unless such exercise would disqualify an option as an incentive stock option).

11. Award and Delivery of Restricted Shares or Restricted Units

(a) At the time an award of restricted shares or restricted units is made, the Committee shall establish a period of time (the "Restricted Period") applicable to such award. Each award of restricted shares or restricted units may have a different Restricted Period. The Committee may, in its sole discretion, at the time an award is made, prescribe conditions for the incremental lapse of restrictions during the Restricted Period, for the lapse or termination of restrictions upon the satisfaction of other conditions in addition to or other than the expiration of the Restricted Period with respect to all or any portion of the restricted shares or restricted units and provide for the lapse of all restrictions with respect to all restricted shares or restricted units covered by the award upon the occurrence of an acceleration date as defined in paragraph 7(a). The Committee may also, in its sole discretion, shorten or terminate the Restricted Period or waive any conditions for the lapse or termination of restrictions with respect to all or any portion of the restricted shares or restricted units. Notwithstanding the foregoing, all restrictions shall lapse or terminate with respect to all restricted shares or restricted units upon death or total disability (as defined in paragraph 13).

(b) Upon the grant of an award of restricted shares, a stock certificate representing a number of shares of Common Stock equal to the number of restricted shares granted to an employee shall be registered in the employee's name but shall be held in custody by the Company for the employee's account. The employee shall generally have the rights and privileges of a stockholder as to such restricted shares, including the right to

vote such restricted shares, except that, subject to the provisions of paragraph 12, the following restrictions shall apply: (i) the employee shall not be entitled to delivery of the certificate until the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee; (ii) none of the restricted shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period and until the satisfaction of any other conditions prescribed by the Committee; and (iii) all of the restricted shares shall be forfeited and all rights of the employee to such restricted shares shall terminate without further obligation on the part of the Company unless the employee has remained an employee of the Company or any of its subsidiaries or any combination thereof until the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee applicable to such restricted shares. At the discretion of the Committee, cash and stock dividends with respect to the restricted shares may be either currently paid or withheld by the Company for the employee's account subject to the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee, and interest may be paid on the amount of cash dividends withheld at a rate and subject to such terms as determined by the Committee. Upon the forfeiture of any restricted shares, such forfeited restricted shares and any cash or stock dividends withheld for the employee's account shall be transferred to the Company without further action by the employee. The employee shall have the same rights and privileges, and be subject to the same restrictions, with respect to any shares received pursuant to paragraph 14.

(c) Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee or at such earlier time as provided for in paragraph 12, the restrictions applicable to the restricted shares shall lapse and a stock certificate for the number of shares of Common Stock with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions, except any that may be imposed by law, to the employee or the employee's beneficiary or estate, as the case may be. The Company shall not be required to deliver any fractional share of Common Stock but will pay, in lieu thereof, the fair market value (determined as of the date the restrictions lapse) of such fractional share to the employee or the employee's beneficiary or estate, as the case may be. No payment will be required from the employee upon the issuance or delivery of any restricted shares, except that any amount necessary to satisfy applicable federal, state or local tax requirements shall be withheld or paid promptly upon notification of the amount due and prior to or concurrently with the issuance or delivery of a certificate representing such shares. The Committee may permit such amount to be paid in (i) shares of Common Stock previously owned by the employee, (ii) a portion of the shares of Common Stock that otherwise would be distributed to such employee upon the lapse of the restrictions applicable to the restricted shares, or (iii) a combination of cash and shares of such Common Stock; provided, however, unless otherwise approved by the Committee, that an election by an employee subject to Section 16(b) of the Exchange Act to use shares of Common Stock described in clause (ii) above to satisfy any federal, state or local tax requirement shall be made only during a Window Period (as defined in paragraph 7(e) hereof), and provided further that the Committee shall have sole discretion to consent to or disapprove of any such election (which consent or disapproval may be given at any time after the election to which it relates).

(d) In the case of an award of restricted units, no shares of Common Stock shall be issued at the time the award is made, and the Company shall not be required to set aside a fund for the payment of any such award. At the discretion of the Committee, cash and stock dividends with respect to the Common Stock ("Dividend Equivalents") may be currently paid or withheld by the Company for the employee's account subject to the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee, and interest may be paid on the amount of cash dividends withheld at a rate and subject to such terms as determined by the Committee.

Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee or at such earlier time as provided for in paragraph 12, the Company shall deliver to the employee or the employee's beneficiary or estate, as the case may be, one share of Common

Stock for each restricted unit with respect to which the restrictions have lapsed ("vested unit"), and cash equal to any Dividend Equivalents credited with respect to each such vested unit and any interest thereon; provided, however, that the Committee may, in its sole discretion, elect to pay cash or part cash and part Common Stock in lieu of delivering only Common Stock for vested units. If a cash payment is made in lieu of delivering Common Stock, the amount of such cash payment shall be equal to the Market Value for the date on which the Restricted Period lapsed with respect to such vested unit, or if there are no sales on such date, on the next preceding day on which there were sales. No payment will be required from the employee upon the award of any restricted units, the crediting or payment of any Dividend Equivalents, or the delivery of Common Stock or the payment of cash in respect of vested units, except that any amount necessary to satisfy applicable federal, state or local tax requirements shall be withheld or paid promptly upon notification of the amount due. The Committee may permit such amount to be paid in (i) shares of Common Stock previously owned by the employee, (ii) a portion of the shares of Common Stock that otherwise would be distributed to such employee in respect of vested units, or (iii) a combination of cash and shares of such Common Stock; provided, however, unless otherwise approved by the Committee, that an election by an employee subject to Section 16(b) of the Exchange Act to use the shares of Common Stock described in clause (ii) above to satisfy any federal, state or local tax requirement shall be made only during a Window Period (as defined in paragraph 7(e) hereof); and provided further that the Committee shall have sole discretion to consent to or disapprove of any such election (which consent or disapproval may be given at any time after the election to which it relates).

Upon the occurrence of an acceleration date (as defined in paragraph 7(a)), all outstanding vested units (including any restricted units whose restrictions have lapsed as a result of the occurrence of such acceleration date) and credited Dividend Equivalents shall be payable as soon as practicable but in no event later than 90 days after such acceleration date in cash, in shares of Common Stock, or part in cash and part in Common Stock, as the Committee, in its sole discretion, shall determine. To the extent that an employee receives cash in payment for his vested units, such employee shall receive an amount equal to the product of (i) the number of vested units credited to such employee's account for which such employee is receiving payment in cash times (ii) the Multiplication Factor (as defined below). To the extent that an employee receives Common Stock in payment for his vested units, such employee shall receive the number of shares of Common Stock determined by dividing (i) the product of (x) the number of vested units credited to such employee's account for which such employee is receiving payment in Common Stock times (z) the Multiplication Factor, by (ii) the fair market value per share of the Common Stock as of the day preceding the payment date. "Multiplication Factor" shall mean (i) in the event of the occurrence of an Offer as defined in paragraph 7(a)(i), the Offer Price per Share as modified below, (ii) in the case of an acquisition of Common Stock described in paragraph 7(a) (ii), the Acquisition Price per Share as modified below, (iii) in the case of an event described in paragraph 7(a)(iii), the Merger Price per Share as modified below, or (iv) in the case of a change in the composition of the Board of Directors as described in paragraph 7(a)(iv), the highest fair market value per share of the Common Stock for any day during the applicable ninety-day period described below. For purposes of the preceding sentence, (i) the applicable ninety-day period described in paragraphs 9(c), (e) and (g) and in clause (iv) above shall mean the ninety-day period ending on or within 89 days following an acceleration date which the Committee, in its sole discretion, shall select and (ii) fair market value per share of the Common Stock shall mean the Market Value.

(e) The restricted unit award agreement may permit an employee to request that the payment of vested units (and Dividend Equivalents and the interest thereon with respect to such vested units) be deferred beyond the payment date specified in the agreement. The Committee shall, in its sole discretion, determine whether to permit such deferral and to specify the terms and conditions, which are not inconsistent with the 1996 Plan, to be contained in the agreement. In the event of such deferral, the Committee may determine that interest shall be credited annually on the Dividend Equivalents, at a rate to be determined by the Committee. The Committee may also determine to compound such interest.

12. Termination of Employment

Unless otherwise determined by the Committee, and subject to such restrictions as may be imposed by the Code in the case of any incentive stock options, in the event that the employment of an employee to whom an option, right or limited right has been granted under the 1996 Plan shall be terminated (except as set forth in paragraph 13), such option, right or limited right may, subject to the provisions of the 1996 Plan, be exercised (to the extent that the employee was entitled to do so at the termination of his employment) at any time within three months after such termination, or, in the case of an employee whose termination results from retirement from active employment at or after age 55 within one year after such termination, but in no case later than the date on which the option, right or limited right terminates; provided, however, that any option, right or limited right held by an employee whose employment is terminated for cause shall forthwith terminate, to the extent not theretofore exercised.

Unless otherwise determined by the Committee, if an employee to whom restricted shares or restricted units have been granted ceases to be an employee of the Company or of a subsidiary prior to the end of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee for any reason other than death or total disability (as defined in paragraph 13), the employee shall immediately forfeit all restricted shares and restricted units. Awards granted under the 1996 Plan shall not be affected by any change of duties or position so long as the holder continues to be an employee of the Company or any of its subsidiaries. Any option, right, limited right, restricted share or restricted unit agreement, or any rules and regulations relating to the 1996 Plan, may contain such provisions as the Committee shall approve with reference to the determination of the date employment terminates and the effect of leaves of absence. Any such rules and regulations with reference to any option agreement shall be consistent with the provisions of the Code and any applicable rules and regulations thereunder. Nothing in the 1996 Plan or in any award granted pursuant to the 1996 Plan shall confer upon any employee any right to continue in the employ of the Company or any of its subsidiaries or interfere in any way with the right of the Company or any such subsidiary to terminate such employment at any time.

Notwithstanding anything else in the 1996 Plan to the contrary, if the corporation employing an individual to whom an option, right, limited right, restricted unit or restricted share has been granted under the 1996 Plan ceases to be a subsidiary of the Company, then the Committee may provide that service with such employer or its direct or indirect subsidiaries in any capacity shall be considered employment with the Company for purposes of the 1996 Plan.

13. Death or Total Disability of Employee

If an employee to whom an option, right or limited right has been granted under the 1996 Plan shall die or suffer a "total disability" while employed by the Company or its subsidiaries or within three months (or, in the case of an employee whose termination results from retirement from active employment at or after age 55, within one year) after the termination of such employment (other than termination for cause), such option, right or limited right may be exercised, to the extent that the employee was entitled to do so at the termination of employment (including by reason of death or total disability), as set forth herein (subject to the restrictions set forth in paragraphs 8 and 9 with respect to persons subject to Section 16(b) of the Exchange Act) by the employee, the legal guardian of the employee (unless such exercise would disqualify an option as an incentive stock option), a legatee or legatees of the employee under the employee's last will, or by the employee's personal representatives or distributees, whichever is applicable, at any time within one year after

the date of the employee's death or total disability, but in no case later than the date on which the option, right or limited right terminates. For purposes hereof, "total disability" is defined as the permanent inability of an employee, as a result of accident or sickness, to perform any and every duty pertaining to such employee's occupation or employment for which the employee is suited by reason of the employee's previous training, education and experience.

14. Adjustment upon Changes in Capitalization, etc.

Notwithstanding any other provision of the 1996 Plan, the Committee may at any time, in its sole discretion, make or provide for such adjustments to the 1996 Plan, to the number and class of shares available thereunder or to any outstanding options, rights, restricted shares or restricted units as it may deem appropriate to prevent dilution or enlargement of rights, including adjustments in the event of distributions to holders of Common Stock other than a normal cash dividend, changes in the outstanding Common Stock by reason of stock dividends, split-ups, recapitalizations, mergers, consolidations, combinations or exchanges of shares, separations, reorganizations, liquidations and the like. In the event of any offer to holders of Common Stock generally relating to the acquisition of their shares, the Committee may, in its sole discretion, make any adjustment as it deems equitable in respect of outstanding options, rights, limited rights and restricted units, including in the Committee's discretion revision of outstanding options, rights, limited rights and restricted units so that they may be exercisable for or payable in the consideration payable in the acquisition transaction. Any such determination by the Committee shall be conclusive. No adjustment shall be made in respect of an incentive stock option if such adjustment would disqualify such option as an incentive stock option under Section 422 of the Code and the Treasury Regulations thereunder. No adjustment shall be made in the minimum number of shares with respect to which an option may be exercised at any time. Any fractional shares resulting from such adjustments to options, rights, limited rights or restricted units shall be eliminated.

15. Effective Date

The 1996 Plan shall be effective as of July 30, 1996, (the "Effective Date"), provided that the adoption of the 1996 Plan shall have been approved by the stockholders of the Company. The Committee thereafter may, in its discretion, grant awards under the 1996 Plan, the grant, exercise or payment of which shall be expressly subject to the conditions that, to the extent required at the time of grant, exercise or payment, (i) if the Company deems it necessary or desirable, a Registration Statement under the Securities Act of 1933 with respect to such shares shall be effective, and (ii) any requisite approval or consent of any governmental authority of any kind having jurisdiction over awards granted under the 1996 Plan shall be obtained.

16. Termination and Amendment

The Board of Directors of the Company may suspend, terminate, modify or amend the 1996 Plan, provided that any amendment that would increase the aggregate number of shares that may be issued under the 1996 Plan, materially increase the benefits accruing to participants under the 1996 Plan, or materially modify the requirements as to eligibility for participation in the 1996 Plan shall be subject to the approval of the Company's stockholders to the extent required by Rule 16b-3, applicable law or any other governing rules or regulations, except that any such increase or modification that may result from adjustments authorized by paragraph 14 does not require such approval. If the 1996 Plan is terminated, the terms of the 1996 Plan shall, notwithstanding such termination, continue to apply to awards granted prior to such termination. In addition, no suspension, termination, modification or amendment of the 1996 Plan may, without the consent of the employee to whom an award shall theretofore have been granted, adversely affect the rights of such employee under such award.

17. Written Agreements

Each award of options, rights, limited rights, restricted shares or restricted units shall be evidenced by a written agreement, executed by the employee and the Company, which shall contain such restrictions, terms and conditions as the Committee may require.

18. Effect on Other Stock Plans

The adoption of the 1996 Plan shall have no effect on awards made or to be made pursuant to other stock plans covering employees of the Company or its subsidiaries, or any predecessors or successors thereto.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Plan as of the 22 day of August, 1996.

TransAct Technologies Incorporated

By: BART C. SHULDMAN
Title: Chief Executive Officer

FORM OF

TransAct Technologies Incorporated

NON-EMPLOYEE DIRECTORS' STOCK PLAN

TransAct Technologies Incorporated Non-Employee Directors' Stock Plan (the "Plan") is adopted by TransAct Technologies Incorporated (the "Company") for the purpose of advancing the interests of the Company by providing compensation and other incentives for the continued services of the Company's non-employee directors and by attracting able individuals to directorships with the Company.

1. Definitions. For purposes of this Plan, the following terms shall have the meanings set forth below:

"Administrator" means the person(s) appointed by the Board to administer the Plan as provided in Paragraph 2 hereof.

"Annual Meeting" means the annual meeting of the Company's stockholders.

"Board" means the Board of Directors of TransAct Technologies Incorporated.

"Change of Control" means (i) approval by the Company's stockholders of a merger in which the Company does not survive as an independent, publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all the Company's assets, or (ii) any acquisition of voting securities of the Company by any person or group (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), but excluding (a) the Company or any of its subsidiaries, (b) any person who was an officer or director of the Company on the day prior to the Effective Date, or (c) any savings, pension or other benefits plan for the benefit of employees of the Company or any of its subsidiaries, which theretofore did not beneficially own voting securities representing more than 30% of the voting power of all outstanding voting securities of the Company, if such acquisition results in such entity, person or group owning beneficially securities representing more than 30% of the voting power of all outstanding voting securities of the Company. As used herein, "voting power" means ordinary voting power for the election of directors of the Company.

"Common Shares" means the Company's common stock, \$.01 par value per share.

"Company" means TransAct Technologies Incorporated, a Delaware corporation.

"Effective Date" means the date of the initial offering of the Company's Common Shares to the public.

"Grant Date" means the effective date of a grant of options pursuant to Paragraph 4(a) hereof.

"Market Value" means the closing price of the Common Shares as reported by NASDAQ.

"Participant" means a director who has met the requirements of eligibility and participation described in Paragraph 3 hereof.

2. Administration. The Plan shall be administered by the Administrator. The Administrator may establish, subject to the provisions of the Plan, such rules and regulations as it deems necessary for the proper

administration of the Plan, and make such determination and take such action in connection therewith or in relation to the Plan as it deems necessary or advisable, consistent with the Plan.

3. Eligibility and Participation.

(a) A non-employee director of the Company shall automatically become a Participant in the Plan as of the later of (i) the Effective Date, or (ii) the date of initial election to the Board. A director who is a regular employee or officer of the Company is not eligible to participate in the Plan.

(b) A Participant shall cease participation in the Plan as of the date the Participant (i) fails to be re-elected to the Board, (ii) resigns or otherwise vacates his position on the Board, or (iii) becomes a regular employee or officer of the Company.

4. Compensation. For all services rendered as a director of the Company, the Company shall grant options to each Participant as provided herein.

(a) Grant of Options. Each person who is a Participant on the Effective Date shall be awarded a non-qualified option to purchase 10,000 Common Shares effective as of the Effective Date, at a price equal to the Market Value of Common Shares on that date. Any person who becomes a Participant after the Effective Date shall be awarded non-qualified options to purchase 5,000 Common Shares effective as of the date of the Annual Meeting at which such election occurs, or if the Participant is first elected to the Board other than at an Annual Meeting, as of the date of such election, at a price equal to the Market Value of Common Shares on that date.

For years beginning after 1996, on the date of the first Board meeting following the Annual Meeting of each year, a Participant (other than a director who is first elected at the Annual Meeting for that year or within six months prior to such Annual Meeting), shall be awarded non-qualified options to purchase 2,500 Common Shares, effective as of the date of such Board meeting, at a price equal to the Market Value of Common Shares on that date.

(b) Term and Exercisability. All options shall have a term of 10 years and shall vest in accordance with the following schedule:

Percentage of Options -----	Vesting Date -----
20%	1st anniversary of Grant Date
20%	2nd anniversary of Grant Date
20%	3rd anniversary of Grant Date
20%	4th anniversary of Grant Date
20%	5th anniversary of Grant Date

Notwithstanding the foregoing, all options shall become immediately exercisable upon a Change of Control of the Company.

(c) Method of exercise. An option granted under the Plan may be exercised, in whole or in part, by submitting a written notice to the Board, signed by the Participant or such other person who may be entitled to exercise such option, and specifying the number of Common Shares as to which the option is being

exercised. Such notice shall be accompanied by the payment of the full option price for such Common Shares, or shall fix a date (not more than ten business days from the date of such notice) for the payment of the full option price of the Common Shares being purchased. Payment shall be made in the form of cash, Common Shares (to the extent permitted by law), or both. A certificate or certificates for the Common Shares purchased shall be issued by the Company after the exercise of the option and full payment therefor.

(d) Termination of Directorship. If a Participant fails to be re-elected to the Board, resigns or otherwise ceases to be a director of the Company for reasons other than death or disability (within the meaning of Section 22(e)(3) of the Internal Revenue Code), all options granted under this Plan to such Participant which are not exercisable on such date shall immediately terminate, and any remaining options shall terminate if not exercised before thirty (30) days following such termination, or at such earlier time as may be applicable under Paragraph 4(b) above. If the Participant dies or becomes disabled within the thirty (30) day period described above, such remaining options may be exercised by the Participant or the Participant's personal representative at any time before the expiration of twelve (12) months following the date of death or commencement of disability.

If a Participant ceases to be a director of the Company by reason of death or disability (within the meaning of Section 22(e)(3) of the Internal Revenue Code), all options granted under this Plan to such Participant which are not exercisable on such date shall become immediately exercisable, and may be exercised at any time before the expiration of twelve (12) months following the date of death or commencement of disability, or such earlier time as may be applicable under Paragraph 4(b) above.

(e) Non-transferability. Each option and all rights thereunder shall be exercisable during the Participant's lifetime only by him and shall be non-assignable and non-transferable by the Participant except, in the event of the Participant's death, by will or by the laws of descent and distribution. In the event the death of a Participant occurs, the representative or representatives of the Participant's estate, or the person or persons who acquired (by bequest or inheritance) the rights to exercise the Participant's options in whole or in part may exercise the option prior to the expiration of the applicable exercise period, as specified in Paragraph 4(d) above.

(f) No rights as stockholder. A Participant shall have no rights as a stockholder with respect to any Common Shares subject to the option prior to the date of issuance of a certificate or certificates for such Common Shares.

(g) Compliance with securities laws. Options granted and Common Shares issued by the Company upon exercise of options shall be granted and issued only in full compliance with all applicable securities laws, including laws, rules and regulations of the Securities and Exchange Commission and applicable state Blue Sky Laws. With respect thereto, the Board may impose such conditions on transfer, restrictions and limitations as it may deem necessary and appropriate to assure compliance with such applicable securities laws.

5. Shares Subject to the Plan.

(a) The Common Shares to be issued and delivered by the Company upon the exercise of options under the Plan may be either authorized but unissued shares or treasury shares of the Company.

(b) The aggregate number of Common Shares of the Company which may be issued under the Plan shall not exceed 100,000 shares; subject, however, to the adjustment provided in Paragraph 6 in the event of stock splits, stock dividends, exchanges of shares or the like occurring after the effective date of this Plan.

(c) Common Shares covered by an option which is no longer exercisable with respect to such shares shall again be available for issuance under this Plan.

6. Share Adjustments. In the event there is any change in the Company's Common Shares resulting from stock splits, stock dividends, combinations or exchanges of shares, or other similar capital adjustments, equitable proportionate adjustments shall automatically be made without further action by the Board or Administrator in (i) the number of Common Shares available for award under this Plan, (ii) the number of Common Shares subject to options granted under this Plan, and (iii) the option price of options granted under this Plan.

7. Amendment or Termination. The Board may terminate this Plan at any time, and may amend the Plan at any time or from time to time; provided, however, that the Plan shall not be amended more than once every six months, other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act, or the rules thereunder; and further provided that any amendment that would increase the aggregate number of Common Shares that may be issued under the Plan, materially increase the benefits accruing to Participants under the Plan, or materially modify the requirements as to eligibility for participation in the Plan shall be subject to the approval of the Company stockholders to the extent required by Rule 16b-3 under the Securities Exchange Act of 1934, as amended, or any other governing rules or regulations except that such increase or modification that may result from adjustments authorized by Paragraph 6 does not require such approval. If the Plan is terminated, any unexercised option shall continue to be exercisable in accordance with its terms.

8. Company Responsibility. All expenses of this Plan, including the cost of maintaining records, shall be borne by the Company.

9. Implied Consent. Every Participant, by acceptance of an award under this Plan, shall be deemed to have consented to be bound, on his or her own behalf and on behalf of his or her heirs, assigns, and legal representatives, by all of the terms and conditions of this Plan.

10. Delaware Law to Govern. This Plan shall be construed and administered in accordance with and governed by the laws of the State of Delaware.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by its duly authorized officer as of the 22 day of August, 1996.

TransAct Technologies Incorporated

By: BART C. SHULDMAN

Title: Chief Executive Officer

FORM OF
SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is entered into as of the 4th day of September, 1996, by and between Lucy H. Staley, an individual with a residence address of 208 Iriquois Road, Ithaca, NY 14850 (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 the 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 TransAct (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 TransAct 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-twelfth of the Executive's annual target bonus amount under the TransAct Executive Incentive Compensation Plan, prorated for the portion of the fiscal year occurring prior to termination; and (iii) continuation of medical, dental, vision, life and long term disability insurance.

(b) WITH A TERMINATING EVENT. If the Company terminates this Agreement 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 medical, dental, vision, life and long term disability insurance. 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 and 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 one (1) year after the Company is no longer a subsidiary of Tridex.

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 my 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 the Company at:

7 Laser Lane
Wallingford, Connecticut 06492
Attn: President

(b) to the Executive at:

208 Iriquois Road
Ithaca, NY 14850

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.

11. EFFECT OF PROPOSED REORGANIZATION. The parties hereby acknowledge and agree that it is contemplated that the Company, currently a wholly owned subsidiary of Tridex, intends to sell up to 19.7% of its capital stock in an initial public offering and that Tridex intends to distribute to its stockholders, after receipt of a favorable private letter ruling from the Internal Revenue Service, the balance of the outstanding capital stock of the Company owned by Tridex in a tax-free reorganization (the "Distribution"). The Executive and the Company agree that neither the initial public offering nor the Distribution will give rise to any rights to severance payments under this Agreement.

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

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ BART C. SHULMAN

Title: Chief Executive Officer

EXECUTIVE:

/s/ LUCY H. STALEY

FORM OF
SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is entered into as of the 10th day of September, 1996, by and between John Cygielnik, an individual with a residence address of 25 Lexington Road, Shrewsbury, MA 01545 (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 the 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 TransAct (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 TransAct 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-twelfth of the Executive's annual target bonus amount under the TransAct Executive Incentive Compensation Plan, prorated for the portion of the fiscal year occurring prior to termination; and (iii) continuation of medical, dental, vision, life and long term disability insurance.

(b) WITH A TERMINATING EVENT. If the Company terminates this Agreement 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 medical, dental, vision, life and long term disability insurance. 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 and 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 one (1) year after the Company is no longer a subsidiary of Tridex.

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 my 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 the Company at:

7 Laser Lane
Wallingford, Connecticut 06492
Attn: President

(b) to the Executive at:

25 Lexington Road
Shrewsbury, MA 01545

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.

11. EFFECT OF PROPOSED REORGANIZATION. The parties hereby acknowledge and agree that it is contemplated that the Company, currently a wholly owned subsidiary of Tridex, intends to sell up to 19.7% of its capital stock in an initial public offering and that Tridex intends to distribute to its stockholders, after receipt of a favorable private letter ruling from the Internal Revenue Service, the balance of the outstanding capital stock of the Company owned by Tridex in a tax-free reorganization (the "Distribution"). The Executive and the Company agree that neither the initial public offering nor the Distribution will give rise to any rights to severance payments under this Agreement.

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: Chief Executive Officer

EXECUTIVE:

/s/ JOHN CYGIELNIK

FORM OF
SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is entered into as of the 4th day of September, 1996, by and between Michael S. Kumpf, an individual with a residence address of 716 Bowling Green, Cortland, NY 13045 (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 the 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 TransAct (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 TransAct 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-twelfth of the Executive's annual target bonus amount under the TransAct Executive Incentive Compensation Plan, prorated for the portion of the fiscal year occurring prior to termination; and (iii) continuation of medical, dental, vision, life and long term disability insurance.

(b) WITH A TERMINATING EVENT. If the Company terminates this Agreement 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 medical, dental, vision, life and long term disability insurance. 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 and 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 one (1) year after the Company is no longer a subsidiary of Tridex.

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 my 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 the Company at:

7 Laser Lane
Wallingford, Connecticut 06492
Attn: President

(b) to the Executive at:

716 Bowling Green
Cortland, NY 13045

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.

11. EFFECT OF PROPOSED REORGANIZATION. The parties hereby acknowledge and agree that it is contemplated that the Company, currently a wholly owned subsidiary of Tridex, intends to sell up to 19.7% of its capital stock in an initial public offering and that Tridex intends to distribute to its stockholders, after receipt of a favorable private letter ruling from the Internal Revenue Service, the balance of the outstanding capital stock of the Company owned by Tridex in a tax-free reorganization (the "Distribution"). The Executive and the Company agree that neither the initial public offering nor the Distribution will give rise to any rights to severance payments under this Agreement.

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: Chief Executive Officer

EXECUTIVE:

/s/ MICHAEL S. KUMPF

TRANSACT TECHNOLOGIES INCORPORATED
EXHIBIT 11 COMPUTATION OF PRO FORMA PER SHARE EARNINGS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 28, 1996	September 30, 1995	September 28, 1996	September 30, 1995
PRIMARY:				
EARNINGS:				
Net income	\$ 927,000 =====	\$ 648,000 =====	\$2,660,000 =====	\$1,601,000 =====
SHARES:				
Pro forma average common shares outstanding	5,901,071	5,400,000	5,567,638	5,400,000
Dilutive effect of outstanding options and warrants as determined by the treasury stock method	8,339 =====	-- =====	2,790 =====	-- =====
	5,909,410	5,400,000	5,570,428	5,400,000
PRO FORMA EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE:				
Primary	\$ 0.16 =====	\$ 0.12 =====	\$ 0.48 =====	\$ 0.30 =====

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM (A) TRANSACT TECHNOLOGIES INCORPORATED QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 28, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH (B) FINANCIAL STATEMENTS.

1,000

9-MOS	DEC-31-1996	
	JAN-01-1996	
	SEP-28-1996	1,454
		0
		5,094
		90
		7,084
	14,344	8,942
	5,175	
	20,501	
5,244		1,000
0		0
		67
20,501		13,675
		31,019
	31,019	20,557
	26,901	
	(279)	
	0	
	5	
	4,392	
	1,732	
2,660		
	0	
	0	
		0
	2,660	
	0.48	
	0	