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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

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

**For the quarterly period ended: March 31, 2011**
**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: 0-21121**

TRANSACT
Technologies Incorporated

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **06-1456680** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **One Hamden Center, 2319 Whitney Avenue, Suite 3B, Hamden, CT** | **06518** |
| (Address of principal executive offices) | (Zip Code) |

**Registrant's telephone number, including area code 203-859-6800**

(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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (check one):

| | |
|---|---|
| Large accelerated filer o | Accelerated filer o |
| Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company ☒ |

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

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

| **Class** | **Outstanding as of April 29, 2011** |
|---|---|
| **Common stock, $.01 par value** | **9,317,566** |

**TRANSACT TECHNOLOGIES INCORPORATED**

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## PART I - FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

### TRANSACT TECHNOLOGIES INCORPORATED
### CONDENSED CONSOLIDATED BALANCE SHEETS
### (unaudited)

| *(In thousands, except share data)* | **March 31, 2011** | December 31, 2010 |
|---|---|---|
| **Assets:** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 9,195** | $ 11,285 |
| Receivables, net | **14,679** | 10,864 |
| Inventories | **13,140** | 12,795 |
| Deferred tax assets | **1,705** | 1,705 |
| Other current assets | **584** | 403 |
| Total current assets | **39,303** | 37,052 |
| | | |
| Fixed assets, net | **3,835** | 4,071 |
| Goodwill | **1,469** | 1,469 |
| Deferred tax assets | **784** | 789 |
| Intangible and other assets, net of accumulated amortization of $496 and $475, respectively | **538** | 240 |
| | **6,626** | 6,569 |
| Total assets | **$ 45,929** | $ 43,621 |
| | | |
| **Liabilities and Shareholders' Equity:** | | |
| Current liabilities: | | |
| Accounts payable | **$ 8,922** | $ 8,342 |
| Accrued liabilities | **2,785** | 2,865 |
| Deferred revenue | **392** | 320 |
| Total current liabilities | **12,099** | 11,527 |
| | | |
| Deferred revenue, net of current portion | **274** | 295 |
| Deferred rent, net of current portion | **387** | 393 |
| Other liabilities | **310** | 272 |
| | **971** | 960 |
| Total liabilities | **13,070** | 12,487 |
| | | |
| Shareholders' equity: | | |
| Common stock, $0.01 par value, 20,000,000 authorized at March 31, 2011 and December 31, 2010; 10,642,280 and 10,612,881 shares issued, respectively; 9,406,705 and 9,426,443 shares outstanding at March 31, 2011 and December 31, 2010, respectively | **106** | 106 |
| Additional paid-in capital | **23,311** | 22,875 |
| Retained earnings | **18,762** | 16,937 |
| Accumulated other comprehensive loss, net of tax | **(61)** | (69) |
| Treasury stock, 1,235,575 and 1,186,438 shares at March 31, 2011 and December 31, 2010, respectively | **(9,259)** | (8,715) |
| Total shareholders' equity | **32,859** | 31,134 |
| Total liabilities and shareholders' equity | **$ 45,929** | $ 43,621 |

See notes to condensed consolidated financial statements.

**TRANSACT TECHNOLOGIES INCORPORATED**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**
**(unaudited)**

| *(In thousands, except share data)* | Three Months Ended March 31, 2011 | 2010 |
|---|---|---|
| Net sales | $ 20,694 | $ 14,208 |
| Cost of sales | 13,762 | 9,019 |
| Gross profit | 6,932 | 5,189 |
| Operating expenses: | | |
| Engineering, design and product development | 769 | 745 |
| Selling and marketing | 1,519 | 1,583 |
| General and administrative | 1,856 | 1,879 |
| | 4,144 | 4,207 |
| Operating income | 2,788 | 982 |
| Interest and other income: | | |
| Interest, net | 4 | 2 |
| Other, net | 15 | 6 |
| | 19 | 8 |
| Income before income taxes | 2,807 | 990 |
| Income tax provision | 982 | 361 |
| Net income | $ 1,825 | $ 629 |
| Net income per common share: | | |
| Basic | $ 0.19 | $ 0.07 |
| Diluted | $ 0.19 | $ 0.07 |
| Shares used in per-share calculation: | | |
| Basic | 9,446 | 9,349 |
| Diluted | 9,702 | 9,522 |

See notes to condensed consolidated financial statements.

# TRANSACT TECHNOLOGIES INCORPORATED
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
### (unaudited)

| *(In thousands)* | Three Months Ended March 31, 2011 | 2010 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | **$ 1,825** | $ 629 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Share-based compensation expense | **140** | 171 |
| Incremental tax benefits from stock options exercised | **(48)** | (4) |
| Depreciation and amortization | **384** | 399 |
| Gain on sale of fixed assets | **-** | (1) |
| Foreign currency transaction gain | **(15)** | (5) |
| Changes in operating assets and liabilities: | | |
| Receivables | **(3,807)** | 837 |
| Inventories | **(319)** | (2,586) |
| Refundable income taxes | **-** | 270 |
| Other current assets | **(186)** | 79 |
| Other assets | **(1)** | 4 |
| Accounts payable | **579** | 1,163 |
| Accrued liabilities and other liabilities | **190** | (155) |
| Net cash (used in) provided by operating activities | **(1,258)** | 801 |
| Cash flows from investing activities: | | |
| Purchases of fixed assets | **(122)** | (209) |
| Additions to capitalized software | **(318)** | - |
| Proceeds from sale of assets | **-** | 1 |
| Net cash used in investing activities | **(440)** | (208) |
| Cash flows from financing activities: | | |
| Proceeds from stock option exercises | **107** | 86 |
| Purchases of common stock for treasury | **(544)** | - |
| Incremental tax benefits from stock options exercised | **48** | 4 |
| Net cash (used in) provided by financing activities | **(389)** | 90 |
| Effect of exchange rate changes on cash | **(3)** | (7) |
| (Decrease) increase in cash and cash equivalents | **(2,090)** | 676 |
| Cash and cash equivalents, beginning of period | **11,285** | 10,017 |
| Cash and cash equivalents, end of period | **$ 9,195** | $ 10,693 |

See notes to condensed consolidated financial statements.

**TRANSACT TECHNOLOGIES INCORPORATED**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
(unaudited)

### 1. Basis of presentation

The accompanying unaudited financial statements of TransAct Technologies Incorporated have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America to be included in full year financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the periods presented have been included. The December 31, 2010 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2010 included in our Annual Report on Form 10-K.

The financial position and results of operations of our U.K. foreign subsidiary are measured using local currency as the functional currency. Assets and liabilities of such subsidiary have been translated at the end of period exchange rates, and related revenues and expenses have been translated at the weighted average exchange rates with the resulting translation gain or loss recorded in accumulated other comprehensive income in the condensed consolidated balance sheets. Transaction gains and losses are included in other income in the condensed consolidated statement of income.

The results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results to be expected for the full year. Certain prior period amounts in the Condensed Consolidated Financial Statements have been reclassified to conform with the current period presentation.

### 2. Recently issued accounting pronouncements

***Multiple-Deliverable Revenue Arrangements:*** In October 2009, the FASB established the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This guidance provides amendments to the criteria for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting. The amendments also establish a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures are also required to provide information about a vendor's multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables, and its performance within arrangements. The amendments also require providing information about the significant judgments made and changes to those judgments and about how the application of the relative selling-price method affects the timing or amount of revenue recognition. The amendments are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010. Early adoption was permitted. We adopted this standard effective January 1, 2011 and it did not have an impact on our condensed consolidated financial statements.

***Business combinations:*** In December 2010, the Financial Accounting Standards Board ("FASB") issued amended guidance to clarify the acquisition date that should be used for reporting pro forma financial information for business combinations. If comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date has been completed as of the beginning of the comparable prior annual reporting period. The amendments in this guidance are effective prospectively for business combinations for which the acquisition date is on or after January 1, 2011. Adoption of this amended guidance did not have an impact on our consolidated financial results.

***Goodwill impairment testing:*** In December 2010, the FASB issued amendments to the guidance on goodwill impairment testing. The amendments modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In making that determination, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. These amendments were effective for fiscal years and interim periods beginning January 1, 2011 and are not expected to have an impact on our financial position, results of operations or cash flows.

### 3. Inventories

The components of inventories are:

| *(In thousands)* | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Raw materials and purchased component parts | $ 5,376 | $ 5,077 |
| Work-in-process | - | 2 |
| Finished goods | 7,764 | 7,716 |
| | $ 13,140 | $ 12,795 |

**TRANSACT TECHNOLOGIES INCORPORATED**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
(unaudited)

**4. Accrued product warranty liability**

We generally warrant our products for between 24 and 36 months and record the estimated cost of such product warranties at the time the sale is recorded. Estimated warranty costs are based upon actual past experience of product repairs and the related estimated cost of labor and material to make the necessary repairs.

The following table summarizes the activity recorded in the accrued product warranty liability during the three months ended March 31, 2011:

| *(In thousands)* | Three months ended March 31, 2011 |
|---|---|
| Balance, beginning of period | $ 249 |
| Accruals for warranties issued during the period | 51 |
| Changes in estimates | 52 |
| Settlements during the period | (63) |
| Balance, end of period | $ 289 |

The current portion of the accrued product warranty liability is included in accrued liabilities in the condensed consolidated balance sheets.

**5. Earnings per share**

The following table sets forth the reconciliation of basic weighted average shares outstanding and diluted weighted average shares outstanding:

| | Three months ended March 31, | |
|---|---|---|
| *(In thousands, except per share data)* | 2011 | 2010 |
| Net income | $ 1,825 | $ 629 |
| | | |
| Shares: | | |
| Basic: Weighted average common shares outstanding | 9,446 | 9,349 |
| Add: Dilutive effect of outstanding options and restricted stock as determined by the treasury stock method | 256 | 173 |
| Diluted: Weighted average common and common equivalent shares outstanding | 9,702 | 9,522 |
| | | |
| Net income per common share: | | |
| Basic | $ 0.19 | $ 0.07 |
| Diluted | $ 0.19 | $ 0.07 |

Unvested restricted stock is excluded from the calculation of weighted average common shares for basic EPS. For diluted EPS, weighted average common shares include the impact of unvested restricted stock under the treasury stock method.

For the three months ended March 31, 2011 and 2010, there were 149,750 and 257,250, respectively, potentially dilutive shares consisting of stock options and nonvested restricted stock, that were excluded from the calculation of earnings per diluted share.

**6. Comprehensive income**

The following table summarizes our comprehensive income:

| | Three months ended March 31, | |
|---|---|---|
| *(In thousands)* | 2011 | 2010 |
| Net income | $ 1,825 | $ 629 |
| Foreign currency translation adjustment | 8 | (8) |
| Total comprehensive income | $ 1,833 | $ 621 |

**TRANSACT TECHNOLOGIES INCORPORATED**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
(unaudited)

**7. Stockholders' equity**
Changes in stockholders' equity for the three months ended March 31, 2011 were as follows (in thousands):

| | | |
|---|---|---|
| Balance at December 31, 2010 | $ | 31,134 |
| Net income | | 1,825 |
| Proceeds from issuance of shares from exercise of stock options | | 107 |
| Issuance of deferred stock units | | 141 |
| Tax benefit related to employee stock sales and vesting of restricted stock | | 48 |
| Share-based compensation expense | | 140 |
| Purchases of common stock for treasury | | (544) |
| Foreign currency translation adjustment | | 8 |
| Balance at March 31, 2011 | $ | 32,859 |

We paid a portion of the 2010 incentive bonus for the chief executive officer and chief financial officer in the form of deferred stock units. Such deferred stock units were granted in March 2011 and were fully vested at the time of grant.

**8. Income taxes**

We recorded an income tax provision for the first quarter of 2011 of $982,000 at an effective tax rate of 35.0%, compared to an income tax provision during the first quarter of 2010 of $361,000 at an effective tax rate of 36.5%.

We are subject to U.S. federal income tax as well as income tax of certain state and foreign jurisdictions. We have substantially concluded all U.S. federal income tax, state and local, and foreign tax matters through 2003. During 2008, a limited scope examination of our 2005 and 2006 federal tax returns was completed. However, our federal tax returns for the years 2004 through 2009 remain open to examination. Various state and foreign tax jurisdiction tax years remain open to examination as well, though we believe that any additional assessment would be immaterial to the consolidated financial statements. No federal, state or foreign tax jurisdiction income tax returns are currently under examination.

As of March 31, 2011, we had $204,000 of total gross unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods. Within the next twelve months, we expect the total amount of unrecognized tax benefits to increase due to the recognition of certain credits.

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

### Forward Looking Statements

*Certain statements included in this report, including without limitation statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations, which are not historical facts are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "project" or "continue" or the negative thereof or other similar words. All forward-looking statements involve risks and uncertainties, including, but not limited to those listed in Item 1A of our most recently filed Form 10-K. Actual results may differ materially from those discussed in, or implied by, the forward-looking statements. The forward-looking statements speak only as of the date of this report and we assume no duty to update them.*

### Overview

TransAct Technologies Incorporated designs, develops, assembles, markets and services world-class transaction printers under the Epic and Ithaca® brand names. Known and respected worldwide for innovative designs and real-world service reliability, our thermal, inkjet and impact printers generate top-quality transaction records such as receipts, tickets, coupons, register journals and other documents. We focus on the following core markets: banking and point-of-sale ("POS"), casino and gaming, and lottery. We sell our products to original equipment manufacturers ("OEMs"), value-added resellers ("VARs"), selected distributors, as well as directly to end-users. Our product distribution spans across the Americas, Europe, the Middle East, Africa, Asia, Australia, the Caribbean Islands and the South Pacific. Beyond printers, TransAct is a leader in providing printing supplies to the full transaction printer market. Through our TransAct Services Group ("TSG") we provide a complete range of supplies and consumables used in the printing and scanning activities of customers in the hospitality, banking, retail, gaming, and government markets. Through our webstore, www.transactsupplies.com, and our direct selling team, we address the on-line demand for these products. We operate in one reportable segment: the design, development, assembly and marketing of transaction-based printers and providing printer-related services, supplies and spare parts.

### Critical Accounting Judgments and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared by us in accordance with accounting principles generally accepted in the United States of America. The presentation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities. Our estimates include those related to revenue recognition, inventory obsolescence, the valuation of deferred tax assets and liabilities, depreciable lives of equipment, warranty obligations, and contingent liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances.

For a complete description of our accounting policies, see Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations, "Critical Accounting Policies and Estimates," included in our Form 10-K for the year ended December 31, 2010. We have reviewed those policies and determined that they remain our critical accounting policies for the three months ended March 31, 2011.

*Intangible Software* - Costs incurred in researching and developing a computer software product are charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, all material software costs are capitalized within Intangible and other assets in our consolidated balance sheet until the product is available for general release to customers. Judgment is required in determining when technological feasibility of a product is established. We have determined that technological feasibility for our software products is reached after all high-risk development issues have been documented in a formal detailed plan design. The amortization of these costs will be included in cost of sales over the estimated life of the product.

### Results of Operations: Three months ended March 31, 2011 compared to three months ended March 31, 2010

***Net Sales.*** Net sales, which include printer sales and sales of replacement parts, consumables and repair services, by market for the three months ended March 31, 2011 and 2010 were as follows:

| *(In thousands)* | Three months ended March 31, 2011 | | Three months ended March 31, 2010 | | Change $ | Change % |
|---|---|---|---|---|---|---|
| Banking and point-of-sale | $ 2,462 | 11.9% | $ 2,353 | 16.6% | $ 109 | 4.6% |
| Casino and gaming | 6,954 | 33.6% | 6,961 | 49.0% | (7) | (0.1%) |
| Lottery | 7,542 | 36.4% | 1,656 | 11.6% | 5,886 | 355.4% |
| TransAct Services Group | 3,736 | 18.1% | 3,238 | 22.8% | 498 | 15.4% |
| | $ 20,694 | 100.0% | $ 14,208 | 100.0% | $ 6,486 | 45.7% |
| | | | | | | |
| International * | $ 5,422 | 26.2% | $ 4,713 | 33.2% | $ 709 | 15.0% |

* International sales do not include sales of printers made to domestic distributors or other domestic customers who may in turn ship those printers to international destinations.

Net sales for the first quarter of 2011 increased $6,486,000, or 46%, from the same period last year due primarily to higher printer sales into our lottery (an increase of $5,886,000, or 355%) and banking and point-of-sale markets (an increase of $109,000, or 5%) as well as increased sales in TSG (an increase of $498,000, or 15%) partially offset by a $7,000, or less than 1% decrease from our casino and gaming market. Overall, international sales increased $709,000, or 15%, largely due to higher international shipments of our printers in all three printer markets. During the first quarter of 2011, our printer sales volume increased 72% to 72,000 units compared to the first quarter of 2010. This increase in unit volume was led by the lottery market where our unit volume increased 391% from the prior year's first quarter. The average selling price of our printers decreased 10% in the first quarter of 2011 compared to the first quarter of 2010 as we sold significantly more lottery printers, which have lower average selling prices than our other printers.

***Banking and point-of-sale:***
Revenue from the banking and point-of-sale ("POS") market includes sales of printers used by banks, credit unions, and other financial institutions to print and/or validate receipts at bank teller stations. Revenue from this market also includes sales of inkjet, thermal and impact printers used primarily by retailers in the restaurant (including fine dining, casual dining and fast food), hospitality, and specialty retail industries to print receipts for consumers, validate checks, or print on linerless labels or other inserted media. Sales of our banking and POS printers worldwide increased $109,000, or 5%, from the first quarter of 2010.

| *(In thousands)* | Three months ended March 31, 2011 | | Three months ended March 31, 2010 | | Change $ | Change % |
|---|---|---|---|---|---|---|
| Domestic | $ 2,084 | 84.6% | $ 2,216 | 94.2% | $ (132) | (6.0%) |
| International | 378 | 15.4% | 137 | 5.8% | 241 | 175.9% |
| | $ 2,462 | 100.0% | $ 2,353 | 100.0% | $ 109 | 4.6% |

Domestic banking and POS revenue decreased to $2,084,000, representing a $132,000, or 6%, decrease from the first quarter of 2010 primarily due to a 77% decrease in banking printer sales partially offset by an 8% increase in POS printer sales. Banking printer sales decreased 77% in the first quarter of 2011 compared to the first quarter of 2010 due to the completion of a project by one of our large banking customers utilizing our BANKjet® 2500 bank teller printers in the fourth quarter of 2010. Although we are currently pursuing several banking opportunities, due to the project-oriented nature of these sales, we cannot predict the level of future sales. POS printer sales increased 8% from the first quarter of 2010 due to higher sales of our two printer products for McDonalds, the Ithaca® 8000 and Ithaca® 8040. We expect to continue to benefit from our relationship with McDonalds during 2011 as McDonalds continues and completes the roll out of its new POS system, which includes the grill initiative printer upgrades, to more than 14,000 U.S. stores and begins to expand the roll out to more than 18,000 international stores.

International banking and POS printer shipments increased $241,000, or 176%, to $378,000, due primarily to the roll out of the McDonalds POS system upgrade and grill initiative as well as the combined beverage initiative to its Canadian stores.

***Casino and gaming:***
Revenue from the casino and gaming market includes sales of printers used in slot machines, video lottery terminals ("VLTs"), and other gaming machines that print tickets or receipts instead of issuing coins ("ticket-in, ticket-out" or "TITO") at casinos and racetracks ("racinos") and other gaming venues worldwide. Revenue from this market also includes sales of printers used in the international off-premise gaming market in gaming machines such as Amusement with Prizes ("AWP"), Skills with Prizes ("SWP") and Fixed Odds Betting Terminals ("FOBT") at non-casino gaming establishments, as well as royalties related to our patented casino and gaming technology. Sales of our casino and gaming printers decreased $7,000 or less than 1%, from the first quarter of 2010.

| *(In thousands)* | Three months ended March 31, 2011 | | Three months ended March 31, 2010 | | Change $ | Change % |
|---|---|---|---|---|---|---|
| Domestic | $ 2,350 | 33.8% | $ 2,641 | 37.9% | $ (291) | (11.0%) |
| International | 4,604 | 66.2% | 4,320 | 62.1% | 284 | 6.6% |
| | $ 6,954 | 100.0% | $ 6,961 | 100.0% | $ (7) | (0.1%) |

Domestic sales of our casino and gaming printers decreased $291,000, or 11%, due largely to a decrease in sales of our thermal casino printers that we believe resulted from a significant customer purchasing a large stocking order in the fourth quarter of 2010 that resulted in no purchases in the first quarter of 2011 as well as the overall replacement cycle of slot machines being lower in the first quarter of 2011 as compared to the first quarter of 2010. Even though we anticipate little improvement in the domestic slot machine replacement cycle in 2011, we expect our domestic casino sales to be higher in 2011 than in 2010 as we expect to continue to gain market share. However, we believe the current uncertain economic environment could continue to negatively impact the casino industry's level of capital expenditures in 2011, and as a result, our future sales to the domestic casino and gaming market could be unpredictable and adversely affected.

International casino and gaming printer sales increased $284,000, or 7%, to $4,604,000 in the first quarter of 2011. This increase was due primarily to an 83% increase in thermal casino printer sales to our European distributor as well as approximately $600,000 of sales of our off-premise gaming printer to a new customer for use in gaming machines in the U.K. These increases were somewhat offset by an 88% decrease in thermal casino printer sales to our Australian distributor and Canadian OEM. The decline in sales to our Canadian OEM was primarily due to sales of gaming machines into Italy during 2010 as the Italian government approved the installation of approximately 50,000 VLT games beginning in 2010. Since a substantial portion of these games were installed during 2010, installations (and resulting printer sales) were significantly lower in the first quarter of 2011 as compared to the first quarter of 2010, and we expect such sales for the remainder of 2011 to continue to be lower than the comparable 2010 period.

***Lottery*:**
Revenue from the lottery market includes sales of thermal lottery printers to GTECH Corporation ("GTECH"), the world's largest provider of lottery terminals, for various lottery applications. Sales of our lottery products increased $5,886,000, or 355%, from the first quarter of 2010.

| *(In thousands)* | Three months ended March 31, 2011 | | Three months ended March 31, 2010 | | Change $ | Change % |
|---|---|---|---|---|---|---|
| Domestic | $ 7,395 | 98.1% | $ 1,656 | 100.0% | $ 5,739 | 346.6% |
| International | 147 | 1.9% | - | - | 147 | 100.0% |
| | $ 7,542 | 100.0% | $ 1,656 | 100.0% | $ 5,886 | 355.4% |

Domestic and international printer sales to GTECH, which include thermal on-line and other lottery printers, increased $5,886,000, or 355%, in the first quarter of 2011 compared to 2010, with domestic sales increasing $5,739,000 and international sales increasing $147,000. Our sales to GTECH are directly dependent on the timing and number of new and upgraded lottery terminal installations GTECH performs, and as a result, may fluctuate significantly quarter-to-quarter. Our sales to GTECH are not indicative of GTECH's overall business or revenue. Based on our backlog of orders, we expect total sales to GTECH for 2011 to be significantly higher than those reported during 2010, particularly during the first half of 2011.

***TransAct Services Group:***
Revenue from TSG includes sales of consumable products (inkjet cartridges, ribbons, receipt paper and other printing supplies), replacement parts, maintenance and repair services, testing services, refurbished printers, and shipping and handling charges. Sales from TSG increased $498,000, or 15%, from the first quarter of 2010.

| *(In thousands)* | Three months ended March 31, 2011 | | Three months ended March 31, 2010 | | Change $ | Change % |
|---|---|---|---|---|---|---|
| Domestic | $ 3,443 | 92.2% | $ 2,982 | 92.1% | $ 461 | 15.5% |
| International | 293 | 7.8% | 256 | 7.9% | 37 | 14.5% |
| | $ 3,736 | 100.0% | $ 3,238 | 100.0% | $ 498 | 15.4% |

Domestic revenue from TSG increased $461,000, or 16%, largely due to an increase of 31% in sales of consumable products compared to the same period in 2010. The increase in consumable products sales was primarily due to a 41% increase in sales of inkjet cartridges largely due to increased volume to existing customers as well as newly acquired customers. In addition, sales of replacement parts increased 38%. We expect TSG sales in 2011 to be consistent with 2010.

Internationally, TSG revenue increased $37,000, or 15%, to $293,000, due primarily to increased sales of consumable products.

***Gross Profit.*** Gross profit information is summarized below (in thousands, except percentages):

| | March 31, 2011 | March 31, 2010 | Percent Change | Percent of Total Sales - 2011 | Percent of Total Sales - 2010 |
|---|---|---|---|---|---|
| Three months ended | $ 6,932 | $ 5,189 | 33.6% | 33.5% | 36.5% |

Gross profit is measured as revenue less cost of goods sold. Cost of goods sold includes primarily the cost of all raw materials and component parts, direct labor and the associated manufacturing overhead expenses, and the cost of finished products purchased directly from contract manufacturers. Gross profit increased $1,743,000, or 34%, to $6,932,000 and gross margin decreased to 33.5% from 36.5%. Our gross profit increased and our gross margin decreased due to (1) a 46% increase in sales and (2) a less favorable sales mix as we sold more lower margin lottery printers and consumable products in the first quarter of 2011 compared to the first quarter of 2010.

***Engineering, Design and Product Development.*** Engineering, design and product development information is summarized below (in thousands, except percentages):

| | March 31, 2011 | March 31, 2010 | Percent Change | Percent of Total Sales - 2011 | Percent of Total Sales - 2010 |
|---|---|---|---|---|---|
| Three months ended | $ 769 | $ 745 | 3.2% | 3.7% | 5.2% |

Engineering, design and product development expenses primarily include salary and payroll related expenses for our engineering staff, depreciation and product design expenses (including prototype printer expenses, outside design and testing services, and supplies). Such expenses for the first quarter of 2011 increased $24,000, or 3%, due primarily to an increase of $27,000 in employee compensation related expenses resulting largely from annual salary increases compared to the prior year period.

***Selling and Marketing.*** Selling and marketing information is summarized below (in thousands, except percentages):

| | March 31, 2011 | March 31, 2010 | Percent Change | Percent of Total Sales - 2011 | Percent of Total Sales - 2010 |
|---|---|---|---|---|---|
| Three months ended | $ 1,519 | $ 1,583 | (4.0%) | 7.3% | 11.1% |

Selling and marketing expenses primarily include salaries and payroll related expenses for our sales and marketing staff, sales commissions, travel expenses, expenses associated with the lease of sales offices, advertising, trade show expenses, e-commerce and other promotional marketing expenses. Selling and marketing expenses for the first quarter of 2011 decreased $64,000, or 4%, primarily due to $73,000 of lower employee compensation related expenses associated with decreased headcount within the sales and marketing departments as compared to the first quarter of 2010.

***General and Administrative***. General and administrative information is summarized below (in thousands, except percentages):

| | March 31, 2011 | March 31, 2010 | Percent Change | Percent of Total Sales - 2011 | Percent of Total Sales - 2010 |
|---|---|---|---|---|---|
| Three months ended | $ 1,856 | $ 1,879 | (1.2%) | 9.0% | 13.2% |

General and administrative expenses primarily include salaries and payroll related expenses for our executive, accounting, human resource, business development and information technology staff, expenses for our corporate headquarters, professional and legal expenses, telecommunication expenses, and other expenses related to being a publicly-traded company. General and administrative expenses decreased $23,000, or 1%, due primarily to $88,000 in lower legal expenses related to business development and general corporate matters, $24,000 in lower severance charges, and $8,000 in lower information technology expenses. These decreases were partially offset by an increase of $70,000 in employee compensation related expenses and $53,000 in recruitment expenses.

***Operating Income.*** Operating income information is summarized below (in thousands, except percentages):

| | March 31, 2011 | March 31, 2010 | Percent Change | Percent of Total Sales - 2011 | Percent of Total Sales - 2010 |
|---|---|---|---|---|---|
| Three months ended | $ 2,788 | $ 982 | 183.9% | 13.5% | 6.9% |

During the first quarter of 2011, we reported operating income of $2,788,000, or 13.5% of net sales, compared to operating income of $982,000, or 6.9% of net sales in the first quarter of 2010. The increase in our operating income and operating margin was primarily due to higher gross profit resulting from a 46% increase in net sales combined with lower operating expenses in the first quarter of 2011 compared to that of 2010.

***Interest.*** We recorded net interest income of $4,000 in the first quarter of 2011 compared to net interest income of $2,000 in the first quarter of 2010. Interest expense related to the unused revolving credit line fee and amortization of the deferred financing costs on our revolving credit facility with TD Bank remained consistent in the first quarter of 2011 compared to the first quarter of 2010. See “Liquidity and Capital Resources” below for more information.

***Other Income.*** We recorded other income of $15,000 in the first quarter of 2011 compared to $6,000 in the first quarter of 2010. The increase was primarily due to a higher foreign currency transaction exchange gain recorded by our U.K. subsidiary in the first quarter of 2011.

***Income Taxes.*** We recorded an income tax provision for the first quarter of 2011 of $982,000 at an effective tax rate of 35.0%, compared to an income tax provision during the first quarter of 2010 of $361,000 at an effective tax rate of 36.5%. Our effective tax rate for the first quarter of 2010 was unusually high because it did not include any benefit from the federal research and development credit that expired at the end of 2009. We expect our annual effective tax rate for 2011 to be between 34% and 35%.

***Net Income.*** We reported net income during the first quarter of 2011 of $1,825,000, or $0.19 per diluted share, compared to $629,000, or $0.07 per diluted share, for the first quarter of 2010.

**<u>Liquidity and Capital Resources</u>**

**Cash Flow**

In the first three months of 2011, our cash flows primarily reflected the results of higher sales volume, purchases of treasury stock and investment in the development of our new EPICENTRAL™ promotional printing system ("EPICENTRAL™") for the casino market. Our cash balance decreased $2,090,000, or 19%, from December 31, 2010 and we ended the first quarter of 2011 with $9,195,000 in cash and cash equivalents and no debt outstanding.

*Operating activities*: The following significant factors affected our cash used in operations of $1,258,000 in the first three months of 2011 as compared to our cash provided by operations of $801,000 in the first three months of 2010:

During the first three months of 2011:

- We reported net income of $1,825,000.
- We recorded depreciation, amortization, and non-cash compensation expense of $524,000.
- Accounts receivable increased $3,807,000 due to higher sales volume and the timing of sales during the quarter.
- Inventories increased $319,000 due to higher stocking levels resulting from anticipated higher sales volume in the first half of 2011. We expect our inventories to decline starting in the second quarter of 2011 as we ship our backlog of orders and reduce our inventory purchases.
- Accounts payable increased $579,000 due to increased inventory purchases and the timing of payments during the quarter.
- Accrued liabilities and other liabilities increased $190,000 due primarily to higher income tax liabilities resulting from a higher level of income before taxes, largely offset by lower payroll and fringe benefit related accruals based on the payment of 2010 annual bonuses in March 2011.

During the first three months of 2010:

- We reported net income of $629,000.
- We recorded depreciation, amortization, and non-cash compensation expense of $570,000.
- Accounts receivable decreased $837,000 due to the timing of sales during the quarter and improved collections.
- Inventories increased $2,586,000 as we began to increase stocking levels of our supply of lower cost, fully-built printers from our contract manufacturer in China given our higher sales volume in the first quarter of 2010.
- Accounts payable increased $1,163,000 due to increased inventory purchases and the timing of payments during the quarter.
- Accrued liabilities and other liabilities decreased $155,000 due primarily to lower payroll and fringe benefit related accruals based on the payment of 2009 annual bonuses in March 2010.

*Investing activities:* Our capital expenditures were $122,000 and $209,000 in the first three months of 2011 and 2010, respectively. Expenditures in 2011 included $89,000 for the purchase of computer equipment, $30,000 for the purchase of new product tooling and the remaining amount primarily for the purchase of engineering and manufacturing equipment. Expenditures in 2010 included $99,000 for the purchase of new product tooling, $85,000 for the purchase of computer equipment, and the remaining amount primarily for the purchase of engineering and manufacturing equipment.

Our capitalized software development costs were $318,000 in the first three months of 2011. These expenditures were for the development costs of our new EPICENTRAL™ promotional printing system for the casino market.

Capital expenditures, including capitalized software development costs, for 2011 are expected to be approximately $1,500,000 to $2,000,000, primarily for new product tooling and tooling enhancements for our existing products, as well as development costs for EPICENTRAL™.

*Financing activities:* We used $389,000 of cash from financing activities during the first three months of 2011 due to the repurchase of $544,000 of Company stock partially offset by proceeds and tax benefits from stock option exercises of $155,000. During the first three months of 2010, we generated $90,000 of cash from financing activities from proceeds from stock option exercises.

**Working Capital**

Our working capital increased 7% to $27,204,000 at March 31, 2011 from $25,525,000 at December 31, 2010. The increase in our working capital was largely due to higher accounts receivable balances and inventory balances offset by lower cash and cash equivalent balances and higher accounts payable balances resulting from higher sales and inventory purchases. Our current ratio remained consistent at 3.2 as of March 31, 2011 and December 31, 2010.

**Credit Facility and Borrowings**

On November 28, 2006, we signed a five-year $20,000,000 credit facility (the "TD Bank Credit Facility") with TD Bank, N.A. ("TD Bank"). The credit facility provides for a $20,000,000 revolving credit line expiring on November 28, 2011. Borrowings under the revolving credit line bear a floating rate of interest at the prime rate minus one percent and are collateralized by a lien on all of our assets. We also pay a fee of 0.25% on unused borrowings under the revolving credit line. The total deferred financing costs relating to expenses incurred to complete the TD Bank Credit Facility was $94,000. The TD Bank Credit Facility imposes certain quarterly financial covenants on us and restricts, among other things, our ability to incur additional indebtedness, the payment of dividends on our common stock and the creation of other liens. We were in compliance with all financial covenants of the TD Bank Credit Facility at March 31, 2011. The following table lists the financial covenants and the performance measurements at March 31, 2011:

| Financial Covenant | Requirement/Restriction | Calculation at March 31, 2011 |
|---|---|---|
| Operating cash flow / Debt service | Total Minimum of 1.25 times | 88.9 times |
| Funded Debt / EBITDA | Maximum of 3.25 times | 0 times |

As of March 31, 2011, we had no balances outstanding on the revolving credit line. Undrawn commitments under the TD Bank Credit facility were $20,000,000 at March 31, 2011.

**Stock Repurchase Program**

On May 27, 2010, our Board of Directors approved a new stock repurchase program (the "Stock Repurchase Program"). Under the Stock Repurchase Program, we are authorized to repurchase up to $10,000,000 of our outstanding shares of common stock from time to time in the open market over a three-year period ending May 27, 2013, depending on market conditions, share price and other factors.

During the three months ended March 31, 2011, we repurchased 49,137 shares of our common stock for $544,000 at an average price per share of $11.06. As of March 31, 2011, approximately $9,279,000 remains authorized for future repurchases under this program.

**Contractual Obligations / Off-Balance Sheet Arrangements**

The disclosure of payments we have committed to make under our contractual obligations is set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations" in our Form 10-K for the fiscal year ended December 31, 2010. There have been no material changes in our contractual obligations outside the ordinary course of business since December 31, 2010. We have no material off-balance sheet arrangements as defined in Regulation S-K 303(a)(4)(ii).

**Resource Sufficiency**

We believe that our cash on hand and cash flows generated from operations will provide sufficient resources to meet our working capital needs, finance our capital expenditures and meet our liquidity requirements through at least the next twelve months.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The disclosure of our exposure to market risk is set forth under the heading "Quantitative and Qualitative Disclosures about Market Risk" in our Form 10-K for the fiscal year ended December 31, 2010. There has been no material changes in our exposure to market risk during the three months ended March 31, 2011.

## Item 4. CONTROLS AND PROCEDURES

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2011. There have been no change in the Company's internal control over financial reporting during the quarter ended March 31, 2011, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

# PART II. OTHER INFORMATION

## Item 1. LEGAL PROCEEDINGS

None.

## Item 1A. RISK FACTORS

Information regarding risk factors appears in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010. There have been no material changes from the risk factors previously disclosed in that Annual Report on Form 10-K. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

## Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## ISSUER PURCHASES OF EQUITY SECURITIES

On May 27, 2010, our Board of Directors approved a new stock repurchase program (the "Stock Repurchase Program"). Under the Stock Repurchase Program, we are authorized to repurchase up to $10,000,000 of our outstanding shares of common stock from time to time in the open market over a three-year period ending May 27, 2013, depending on market conditions, share price and other factors.

During the three months ended March 31, 2011, we repurchased 49,137 shares of our common stock for $544,000 at an average price per share of $11.06. As of March 31, 2011, approximately $9,279,000 remains authorized for future repurchases under this program. The following table summarizes the repurchase of our common stock in the three months ended March 31, 2011:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased under the May 2010 Program |
|---|---|---|---|---|
| January 1, 2011 – January 31, 2011 | - | $ - | - | $ 9,823,000 |
| February 1, 2011 – February 28, 2011 | - | - | - | $ 9,823,000 |
| March 1, 2011 – March 31, 2011 | 49,137 | 11.06 | 49,137 | $ 9,279,000 |
| Total | 49,137 | $ 11.06 | 49,137 | |

**Item 6. EXHIBITS**

Exhibit 10.1 Severance Agreement by and between TransAct and Benjamin C. Wyatt, dated May 27, 2008.

Exhibit 10.2 Amendment to Severance Agreement by and between TransAct and Benjamin C. Wyatt, dated December 23, 2008.

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

## SIGNATURES

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

| | |
|---|---|
| | TRANSACT TECHNOLOGIES INCORPORATED<br>(Registrant) |
| | /s/ Steven A. DeMartino |
| May 10, 2011 | Steven A. DeMartino<br>President, Chief Financial Officer, Treasurer and Secretary<br>(Principal Financial Officer) |
| | /s/ Christopher Galletta |
| | Christopher Galletta<br>Corporate Controller<br>(Principal Accounting Officer) |

## EXHIBIT LIST

The following exhibits are filed herewith.

| Exhibit | |
|---|---|
| 10.1 | Severance Agreement by and between TransAct and Benjamin C. Wyatt, dated May 27, 2008. |
| 10.2 | Amendment to Severance Agreement by and between TransAct and Benjamin C. Wyatt, dated December 23, 2008. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |

# SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is entered into as of the 27th day of May 2008, by and between Benjamin C. Wyatt, an individual with a residence address of 83 Berkshire Road, Newtown, CT 06482 (the "Executive"), and TransAct Technologies Incorporated, a Delaware corporation with a mailing address of One Hamden Center, 2319 Whitney Avenue, Ste. 3B, Hamden, Connecticut 06518 (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 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 believes 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 hereinbelow 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, or a crime involving moral turpitude; or (iii) the refusal of the Executive to follow the reasonable and lawful instructions of the CEO or the Board of Directors of the Company with respect to the services to be rendered and the manner of rendering such services by Executive, provided such refusal is material and repetitive and is not justified or excused either by the terms of this Agreement or by actions taken by the Company in violation of this Agreement, and with respect to the first two refusals Executive has been given reasonable written notice and explanation thereof and reasonable opportunity to cure and no cure has been effected within a reasonable time after such notice.

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

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

(d) "Terminating Event" shall mean: (i) termination by the Company of the employment of the Executive for any reason other than retirement or for Cause, occurring within twelve (12) months after 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 after 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 Executive’s principal place of employment (without his consent) to a location more than 50 miles from its current location (unless such new location is closer 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 of the Executive's participation in the Company's Executive Incentive Compensation Plan (“EIC”) or a reduction in the Executive’s target bonus amount under the EIC.

2. Severance.

(a) Without Cause. If the Company terminates the employment of the Executive without Cause, other than as a result of a Terminating Event, then commencing on the date of such termination and for a period of six (6) months thereafter, the Company shall provide Executive with a severance package which shall consist of the following: (i) payment on the first business day of each month of an amount equal to one-twelfth of the Executive's then current annual base salary; (ii) payment on the first business day of each month of an amount equal to one-sixth of the Executive's annual target bonus amount under the EIC, pro rated for the portion of the fiscal year occurring prior to termination; and (iii) subject to any employee contribution applicable to the Executive on the date of termination, contribution to the cost of the Executive’s participation in the Company’s group medical and dental plans, provided that the Executive is entitled to continue such participation under applicable law and plan terms.

(b) With A Terminating Event. If the Company terminates the employment of the Executive as a result of a Terminating Event, then commencing on the date of such termination and for a period equal to one (1) year thereafter, the Company shall provide Executive with a severance package which shall consist of the following: (i) payment on the first business day of each month an amount equal to one-twelfth of the Executive's then current annual base salary; (ii) payment on the first business day of each month of an amount equal to one-twelfth of the Executive's annual target bonus amount under the Company's Executive Incentive Compensation Plan; and (iii) subject to any employee contribution applicable to the Executive on the date of termination, contribution to the cost of the Executive’s participation in the Company’s group medical and dental plans, provided that the Executive is entitled to continue such participation under applicable law and plan terms. 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 contribute to medical and dental 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.

(e) Effect of Breach. In the event that the Executive breaches Section 3 of this Agreement, he shall forfeit any right to severance payments of benefits contribution hereunder and shall be required to return any severance payments or benefits contributions provided prior to such breach within ten (10) days after a written demand by the Company.

3. Non-Competition. During Executive's employment with the Company and (a) in the case of termination other than as a result of a Terminating Event, for six (6) months following the termination of Executive's employment with the Company or (b) in the case of termination as a result of a Terminating Event, for one (1) year following the termination of Executive's employment with the Company, Executive will not directly or indirectly whether as a partner, consultant, agent, employee, co-venturer, greater than two percent owner or otherwise or through any other person (as hereafter defined): (a) be engaged in any business or activity which is competitive with the business of the Company in any part of the world in which the Company is at the time of the Executive's termination engaged in selling their products directly or indirectly; or (b) attempt to recruit any employee of the Company, assist in their hiring by any other person, or encourage any employee to terminate his or her employment with the Company; or (c) encourage any customer of the Company to conduct with any other Person any business or activity which such customer conducts or could conduct with the Company. For purpose of this Section 3, the term "Company" shall include any person controlling, under common control with or controlled by, the Company.

For purposes of this Agreement, 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 his 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 property of the Company including, but not limited to, all manuals, documents, photographs, recordings, and any other instrument or device by which, through which, or on which Confidential Information has been recorded and/or preserved, which are in Executive's possession, custody or control. Executive acknowledges that for purposes of this Section 4 the term "Company" means any person or entity now or hereafter during the term of this Agreement which controls, is under common control with, or is controlled by, the Company.

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

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

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

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

(a) to the Company at:

One Hamden Center
2319 Whitney Avenue, Ste. 3B
Hamden, CT 06518
Attn: CEO

(b(b) to the Executive at:

83 Berkshire Road
Newtown, CT 06482

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 Assignment. Neither the Company nor the Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other; provided, however, that the Company may assign its rights and obligations under this Agreement without the consent of the Executive in the event that the Company shall hereafter affect a reorganization, consolidate with, or merge into, any other Person or transfer all or substantially all of its properties or assets to any other Person. This Agreement shall inure to the benefit of and be binding upon the Company and the Executive, their respective successors, executors, administrators, heirs and permitted assigns.

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

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Steven A. DeMartino
Name: Steven A. DeMartino
Title: EVP, CFO, Treasurer and Secretary

EXECUTIVE:

By: /s/ Benjamin C. Wyatt
Name: Benjamin C. Wyatt
Title: Vice President, Business Development

December 23, 2008

Benjamin C. Wyatt
83 Berkshire Road
Newtown, CT 06482

Re: Amendment to Severance Agreement

Dear Mr. Wyatt:

Reference is made to the Severance Agreement by and between you and TransAct Technologies, Incorporated (the "Company") dated May 27, 2008 (the "Agreement"). In order that the Agreement comply in form with the applicable requirements of Section 409A of the Internal Revenue Code of 1986, as amended, the following changes to the Agreement are hereby proposed:

1. Deleting clause (D) in Subsection 1(d) and replacing it with the following text:

"(D) Any other action or inaction that constitutes a material breach of the Agreement by the Company, including without limitation Section 11. It is further understood that a resignation shall qualify as a "terminating event" only if: (i) the Executive gives the Company notice, within ninety (90) days of its first existence or occurrence (without the consent of the Executive) of any or any combination of the events described in this Section 1(e)(ii); (ii) the Company fails to cure the eligibility condition(s) within thirty (30) days of receiving such notice; and (iii) the Executive separates from service not later than 30 days following the end of such thirty-day period."

2. Adding a new Subsection 1(e) immediately following Subsection 1(d), to read as follows:

"(e) "Separation from Service" for purposes of the Agreement shall mean a "separation from service" (as defined at Section 1.409A-1(h) of the Treasury Regulations) from the Company and from all other corporations and trades or businesses, if any, that would be treated as a single "service recipient" with the Company under Section 1.409A-1(h)(3) of the Treasury Regulations."

3. Adding the following sentence at the end of Subsection 2(b):

"; *provided*, that this sentence shall not apply to any portion of the amounts payable under Section 2(b)(i)-(ii) that constitutes or includes nonqualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code")."

4. Adding the following text at the end of Subsection 2(c):

"Any such release must be executed in a form prescribed by or acceptable to the Company and delivered to the Company not later than sixty (60) days following the Executive's separation from service. If the Executive's properly executed release is timely delivered to the Company and the Executive does not revoke the release within seven (7) days thereafter or within such shorter period as the Company may prescribe, the severance benefits payable hereunder shall commence upon the expiration of such seven-day or shorter period; *provided*, that the first such payment shall include any amounts that would have been paid earlier but for the provisions of this subsection (c)."

5. Adding a new Section 11 immediately following Section 12, to read as follows:

"11 Executive Incentive Compensation Plan. During the twelve (12) month period subsequent to any Change in Control, neither the Company, nor, if applicable, any successor to the Company, will eliminate the Executive's participation in the Company's Executive Incentive Compensation Plan or reduce the Executive's target bonus amount under that plan."

6. Adding a new Section 12 immediately following new Section 11, to read as follows:

"12 Section 409A.

(a) In General. To the extent any portion of the payments to be made under the Agreement constitute deferred compensation subject to Section 409A of the Code, such payments shall be made in accordance with the payment schedule provided in Section 2 of the Agreement, but not earlier than the 67th day following the date of the Involuntary Termination.

(b) Specified Employee. Notwithstanding any other provision of the Agreement, if, at the time of separation from service, the Executive is a specified employee as hereinafter defined, any and all amounts payable in connection with such separation from service that constitute deferred compensation subject to Section 409A of the Code, as determined by the Company in its sole discretion, and that would (but for this sentence) be payable within six (6) months following such separation from service, shall instead be paid on the date that follows the date of such separation from service by six (6) months and one (1) day, without interest. For purposes of the preceding sentence, the term "specified employee" means an individual who is determined by the Company to be a specified employee as defined in subsection (a)(2)(B)(i) of Section 409A of the Code. The Company may, but need not, elect in writing, subject to the applicable limitations under Section 409A of the Code, any of the special elective rules prescribed in Section 1.409A-1(i) of the Treasury Regulations for purposes of determining "specified employee" status. Any such written election shall be deemed part of the Agreement."

If the foregoing proposed changes to the Agreement are acceptable to you, please so indicate in the space indicated below, whereupon the Agreement shall be so amended effective as of January 1, 2008.

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Steven A. DeMartino

Date: 12/23/08

Agreed:

/s/ Benjamin C. Wyatt
Benjamin C. Wyatt

Exhibit 31.1

**CERTIFICATION**

I, Bart C. Shuldman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransAct Technologies Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2011

/s/ Bart C. Shuldman
Bart C. Shuldman
Chairman and Chief Executive Officer

Exhibit 31.2

**CERTIFICATION**

I, Steven A. DeMartino, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransAct Technologies Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2011

/s/ Steven A. DeMartino
Steven A. DeMartino
President, Chief Financial Officer, Treasurer and Secretary

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of TransAct Technologies Incorporated (the "Company") on Form 10-Q for the period ending March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bart C. Shuldman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2011

/s/ Bart C. Shuldman
Bart C. Shuldman
Chairman and Chief Executive Officer

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of TransAct Technologies Incorporated (the "Company") on Form 10-Q for the period ending March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven A. DeMartino, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2011

/s/ Steven A. DeMartino
Steven A. DeMartino
President, Chief Financial Officer, Treasurer and Secretary