FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended: June 30, 2002

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.)

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

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

Not applicable
(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 [x] 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 JULY 26, 2002
COMMON STOCK, $.01 PAR VALUE	5,710,048

TRANSACT TECHNOLOGIES INCORPORATED

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ITEM 1. FINANCIAL STATEMENTS

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	JUNE 30, 2002 (UNAUDITED)	December 31, 2001
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 201	$ 417
Receivables, net	3,874	4,047
Inventories	9,093	10,633
Deferred tax assets	2,308	2,382
Other current assets	217	212
Total current assets	15,693	17,691
Fixed assets, net	4,476	5,190
Goodwill, net	1,469	1,469
Deferred tax assets	1,120	1,120
Other assets	296	321
	7,361	8,100
	$ 23,054	$ 25,791
LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Current portion of term loan	$ 100	$ 100
Accounts payable	2,482	2,903
Accrued liabilities	3,696	3,320
Customer advance payment (Note 4)	944	--
Accrued restructuring expenses (Note 5)	1,595	3,002
Total current liabilities	8,817	9,325
Revolving bank loan payable	2,509	4,994
Long-term portion of term loan	300	350
Other liabilities	58	61
	2,867	5,405
Mandatorily redeemable preferred stock	3,785	3,746
Shareholders' equity:		
Common stock	57	57
Additional paid-in capital	6,405	6,303
Retained earnings	1,630	1,649
Unamortized restricted stock compensation	(160)	(286)
Loan receivable from officer	(330)	(330)
Accumulated other comprehensive loss	(17)	(78)
Total shareholders' equity	7,585	7,315
	$ 23,054	$ 25,791

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share data)	THREE MONTHS ENDED JUNE 30, 2002	THREE MONTHS ENDED JUNE 30, 2001	SIX MONTHS ENDED JUNE 30, 2002	SIX MONTHS ENDED JUNE 30, 2001
Net sales	$ 10,921	$ 10,796	$ 21,446	$ 20,569
Cost of sales	7,809	8,383	15,708	16,353
Gross profit	3,112	2,413	5,738	4,216
Operating expenses:				
Engineering, design and product development expenses	504	873	1,050	1,691
Selling and marketing expenses	1,094	1,309	2,125	2,455
General and administrative expenses	1,108	1,626	2,284	3,133
Business consolidation and restructuring expenses (Note 5)	5	422	46	1,446
	2,711	4,230	5,505	8,725
Operating income (loss)	401	(1,817)	233	(4,509)
Other income (expense):				
Interest, net	(34)	(88)	(89)	(182)
Other, net (Note 4)	84	(1)	105	40
	50	(89)	16	(142)
Income (loss) before income taxes	451	(1,906)	249	(4,651)
Income tax provision (benefit)	162	(686)	89	(1,674)
Net income (loss)	289	(1,220)	160	(2,977)
Dividends and accretion charges on preferred stock	(89)	(89)	(179)	(179)
Net income (loss) available to common shareholders	$ 200	$ (1,309)	$ (19)	$ (3,156)
Net income (loss) per share:				
Basic and diluted	$ 0.04	$ (0.24)	$ --	$ (0.57)
Shares used in per share calculation:				
Basic and diluted	5,626	5,556	5,615	5,547

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW
(UNAUDITED)

(In thousands)	SIX MONTHS ENDED JUNE 30, 2002	2001
Cash flows from operating activities:		
Net income (loss)	$ 160	$(2,977)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,148	1,599
Deferred income taxes	74	(1,865)
Loss on disposal of equipment	--	67
Changes in operating assets and liabilities:		
Receivables	173	(1,510)
Inventories	1,540	(497)
Other current assets	(5)	210
Other assets	(19)	(208)
Accounts payable	(421)	1,662
Accrued liabilities and other liabilities	373	694
Customer advance payment (Note 4)	944	--
Accrued restructuring expenses (Note 5)	(1,407)	1,280
Net cash provided by (used in) operating activities	2,560	(1,545)
Cash flows from investing activities:		
Purchases of fixed assets	(269)	(597)
Net cash used in investing activities	(269)	(597)
Cash flows from financing activities:		
Revolving bank loan borrowings (repayments), net	(2,485)	742
Term loan borrowings (repayments), net	(50)	500
Proceeds from option exercises	107	195
Payment of cash dividends on preferred stock	(140)	(140)
Net cash provided by (used in) financing activities	(2,568)	1,297
Effect of exchange rate changes on cash	61	(51)
Decrease in cash and cash equivalents	(216)	(896)
Cash and cash equivalents at beginning of period	417	992
Cash and cash equivalents at end of period	$ 201	$ 96

See notes to consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. In the opinion of TransAct Technologies Incorporated (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 June 30, 2002, and the results of its operations and cash flows for the three and six months ended June 30, 2002 and 2001. The December 31, 2001 consolidated condensed balance sheet has been derived from the audited financial statements at that date. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2001 included in the Company's Annual Report on Form 10-K.

The financial position and results of operations of the Company's foreign subsidiaries are measured using local currency as the functional currency. Assets and liabilities of such subsidiaries have been translated at end of period exchange rates, and related revenues and expenses have been translated at weighted average exchange rates. Transaction gains and losses are included in other income.

The results of operations for the three and six months ended June 30, 2002 are not necessarily indicative of the results to be expected for the full year.

The Company has adopted the provisions of Statement of Financial Accounting Standard 142, "Goodwill and Other Intangible Assets" ("FAS 142") on January 1, 2002. Under FAS 142, goodwill will no longer be amortized and will be tested for impairment at least annually at the reporting unit level.

Prior to the adoption of FAS 142 on January 1, 2002, the Company had been amortizing goodwill related to the acquisition of (1) Ithaca Peripherals, Inc. ("Ithaca") in 1991 and (2) the ribbon business formerly conducted by Tridex ("Tridex Ribbon Business"). The original amount applicable to the Ithaca acquisition totaled $3,536,000 and was being amortized on the straight-line method over 20 years. The original amount applicable to the Tridex Ribbon Business acquisition totaled $180,000 and was being amortized on the straight-line method over five years. The Company recorded amortization of goodwill of approximately $33,000 and $67,000, net of taxes, during the three and six months ended June 30, 2001, respectively.

FAS 142 requires that goodwill be tested annually for impairment. The Company has performed an impairment test as of January 1, 2002 and determined that no transition adjustment related to impairment is necessary.

2. Earnings per share

Basic earnings per common share for the three and six months ended June 30, 2002 and 2001 were based on the weighted average number of shares outstanding during the period. Diluted earnings per share for the same periods were based on the weighted average number of shares after consideration of any dilutive effect of stock options and warrants. For the three and six months ended June 30, 2002 and 2001, the effects of potential dilutive securities have been excluded, as they would have been anti-dilutive.

3. Inventories:

The components of inventory are:

(In thousands)	June 30, 2002	December 31, 2001
Raw materials and component parts	$ 8,988	$10,299
Work-in-process	5	25
Finished goods	100	309
	$ 9,093	$10,633

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

4. Significant transactions

In June 2002, the Company received 2,146 shares of common stock from its health insurance company, Anthem, Inc., upon its demutualization. The value of these shares was approximately $145,000 at June 30, 2002, and is included in Other Income. The Company sold these shares in the third quarter of 2002.

On February 22, 2002, at the request of a major customer, the Company received a cash payment of approximately $5,824,000 in advance of printer shipments to be made from March through August 2002. As a result of this payment, the Company repaid all its outstanding revolving borrowings under the LaSalle Credit Facility in February 2002. The advance payment has been classified as a current liability, and is being reduced by the sales value of shipments as they are made. As of June 30, 2002 approximately $900,000 of the original $5.8 million advance remains outstanding, and outstanding borrowings have increased to $2,509,000.

5. Business consolidation and restructuring

In February 2001, the Company announced plans to establish a global engineering and manufacturing center at its Ithaca, NY facility. As part of this strategic decision, the Company undertook a plan to consolidate all manufacturing and engineering into its existing Ithaca, NY facility and close its Wallingford, CT facility (the "Consolidation"). As of December 31, 2001, substantially all Wallingford product lines were successfully transferred to Ithaca, NY. The Company currently maintains one small component production line in Wallingford. The closing of the Wallingford facility resulted in the termination of employment of approximately 70 production, administrative and management employees. The Company has applied the consensus set forth in EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)" in recognizing the accrued restructuring expenses. The Company estimates that the non-recurring costs associated with the Consolidation, including severance pay, stay bonuses, employee benefits, moving expenses, non-cancelable lease payments, accelerated depreciation and other costs, will be approximately $4.2 million, of which approximately $4.1 million was recognized during 2001.

The following table summarizes the activity recorded in the restructuring accrual during the three and six months ended June 30, 2002 and 2001.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2002	2001	2002	2001
Accrual balance, beg of period	$ 2,358	$ 1,007	$ 3,002	$ 105
Business consolidation and restructuring expenses:				
Employee severance and termination expenses (1)	--	379	40	574
Facility closure and consolidation expenses (2)	5	43	6	872
	5	422	46	1,446
Cash payments	(768)	(44)	(1,453)	(166)
Accrual balance, end of period	$ 1,595	$ 1,385	$ 1,595	$ 1,385

(1) Employee severance and termination related expenses are the estimated termination salaries, benefits, outplacement, counseling services and other related costs expected to be paid to involuntarily terminated employees.

(2) Facility closure and consolidation expenses are the estimated costs to close the Wallingford, CT facility including lease termination costs and other related costs, in accordance with the restructuring plan. The Wallingford facility closure was substantially completed by December 31, 2001.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

5. Business consolidation and restructuring (continued)

The following table summarizes the components of all charges related to the Consolidation.

(In thousands)	Three months ended June 30, 2002	Three months ended June 30, 2001	Six months ended June 30, 2002	Six months ended June 30, 2001
Business consolidation and restructuring expenses	$ 5	$ 422	$ 46	$1,446
Accelerated depreciation and asset disposal losses (1)	--	163	--	261
Total business consolidation, restructuring and related charges	$ 5	$ 585	$ 46	$1,707

(1) Represents accelerated depreciation on certain leasehold improvements and other fixed assets, due to the closing of the Wallingford facility. These charges are included in general and administrative expenses.

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

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. All forward-looking statements involve risks and uncertainties, including, but not limited to, customer acceptance and market share gains, both domestically and internationally, in the face of substantial competition from competitors that have broader lines of products and greater financial resources; introduction of new products by competitors; successful product development; dependence on significant customers including GTECH Corporation; dependence on third parties for sales in Europe and Latin America; economic conditions in the United States, Europe and Latin America; marketplace acceptance of our new products; risks associated with foreign operations; our ability to successfully sublease our facility in Wallingford, CT subsequent to its closing; availability of third-party components at reasonable prices; and the absence of price wars or other significant pricing pressures affecting our products in the United States or abroad. 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 to reflect new, changing or unanticipated events or circumstances.

PLANT CONSOLIDATION

In February 2001, we announced plans to establish a global engineering and manufacturing center at our Ithaca, NY facility. As part of this strategic decision, we undertook a plan to consolidate all manufacturing and engineering into our existing Ithaca, NY facility and close our Wallingford, CT facility (the "Consolidation"). Our technology shift to inkjet and thermal printing from dot matrix impact printing has dramatically reduced the labor content in our printers, and therefore, lowers the required production capacity. As of December 31, 2001, we successfully transferred substantially all our Wallingford product lines to Ithaca, NY, with the exception of one small production line that remains in Connecticut. The closing of the Wallingford facility resulted in the termination of employment of approximately 70 production, administrative and management employees. We estimate that the non-recurring costs associated with the Consolidation, including severance pay, stay bonuses, employee benefits, moving expenses, non-cancelable lease payments, and other costs, will be approximately $4.2 million, of which approximately $4.1 million was recognized during 2001. See the "Liquidity and Capital Resources" section for a discussion of the expected impact of the Consolidation on our future results of operations and cash flows.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2002 COMPARED TO THREE MONTHS ENDED JUNE 30, 2001

NET SALES. Net sales by market for the current and prior year's quarter were as follows:

(In thousands, except %)	Three months ended June 30, 2002		Three months ended June 30, 2001	
Point of sale	$ 4,612	42.2%	$ 4,935	45.7%
Gaming and lottery	5,859	53.7	4,813	44.6
Other	450	4.1	1,048	9.7
	$10,921	100.0%	$10,796	100.0%
International	$ 1,073	9.8%	$ 1,894	17.5%

Net sales for the second quarter of 2002 increased $125,000, or 1%, from the prior year's second quarter due to significantly higher shipments into the gaming and lottery market, largely offset by decreased sales into the point of sale ("POS") and other markets. Overall, international sales decreased by $821,000, or 43%, largely due to a reduction in POS revenue through distribution primarily in Europe and Latin America (approximately $400,000) and kiosk printer shipments for use in a Canadian government application (approximately $400,000).

Point of sale: Sales of our POS printers overall decreased by approximately $323,000, or 7% from the same period last year. Despite softness in demand for POS printers, domestic POS printer sales rose to $3,642,000, representing a $131,000, or 4% increase over the second quarter of 2002. These sales were bolstered by increasing sales of our POSjet line of inkjet printers.

International POS printer shipments declined by approximately $454,000, or 32%, to $970,000 due to a number of factors. First, shipments of our thermal fiscal printer in Europe declined by approximately $500,000 to $229,000 in the second quarter of 2002. Although we continue to pursue sales of our fiscal printer, such sales are principally project-oriented, and we cannot predict if and when future sales may occur. Secondly, sales in Latin America through Okidata, a distribution partner in the region, decreased by approximately $300,000 to approximately $100,000. Both of these decreases were partially offset by an increase of (1) approximately $100,000 of printer, spare parts and service revenue, primarily through distribution in Europe and (2) approximately $200,000 in service and spare parts revenue for the British Post Office Project. Although we expect continued weakness in our international POS sales for the remainder of the year, we are actively seeking additional distribution partners in both Latin America and Europe in order to increase our breadth of coverage and future sales in these regions.

Due to on-going economic weakness and continued lower capital spending by users of our POS products, we expect continued worldwide softness in demand for our POS products for the remainder of 2002. As a result, we expect sales into the POS market for each of the last two quarters of 2002 to be consistent with those reported for the second quarter of 2002.

Gaming and lottery: Sales of our gaming and lottery printers increased by $1,046,000, or 22%, from the second quarter a year ago, primarily on strong sales of our video lottery terminal ("VLT") and slot machine printers, and to a lesser extent, higher shipments of our on-line lottery printer.

Shipments to GTECH Corporation ("GTECH") (a worldwide lottery terminal provider and major customer), which include on-line and in-lane lottery printers and spare parts revenue, increased $150,000 to approximately $3,550,000 in the second quarter of 2002. On-line lottery printers and spare parts sales totaled approximately $3,450,000 in the second quarter of 2002, compared to $3,300,000 in the second quarter of 2001. We have orders from GTECH for on-line lottery printers, of which approximately $2,500,000 will be delivered during the remainder of 2002 and $500,000 in 2003. Shipments of in-lane lottery printers totaled approximately $100,000 in both the second quarter of 2002 and 2001. Since sales of in-lane lottery printers are project-oriented, we cannot predict if and when future sales may occur. In July 2002, we entered into a 5-year agreement with GTECH to provide a newly-designed thermal on-line lottery printer. We expect to begin shipping our new thermal on-line lottery printer in early 2003, and to continue to ship our existing impact on-line printer (although at significantly lower volumes than in 2002).

Sales of our VLT printers increased by $300,000 to approximately $800,000, due largely to installations in several states. Since VLT printer sales are largely project-oriented, we cannot predict if and when future sales may occur. However based on existing orders and sales opportunities, we expect higher sales of VLT printers in 2002 compared to 2001. Sales for the full year 2001 were approximately $1,700,000.

In addition, sales of our slot machine printers, spare parts and repairs increased by approximately $600,000 to $1,500,000. Such printers are primarily for use in slot machines at casinos in California and Nevada that print receipts instead of dropping coins ("ticket-in, ticket-out"). We expect sales of our slot machine printers to continue to increase during the second half of 2002 as more regulatory approvals are expected to be obtained and more casinos are expected to convert to ticket-in, ticket-out slot machines.

Other: Sales of our printers into other markets decreased by $598,000 or 57%, to $450,000 from the prior year's comparable quarter. The second quarter of 2001 included shipments of approximately $400,000 of our thermal kiosk printers for use in a Canadian government application. No shipments of these printers were made in the second quarter of 2002. However, we expect to ship printers for this application during the second half of 2002, although the amount is not known at this time. In addition, sales of our other kiosk printers and related spare parts declined by approximately $200,000. Since printer sales into this market are principally project-oriented, we cannot predict if and when future sales may occur.

GROSS PROFIT. Gross profit increased $699,000, or 29%, due primarily to an improved sales mix and cost reductions resulting from the Consolidation. The gross margin also increased to 28.5% from 22.4%. We expect gross margin for the full-year 2002 to be between 26% and 27%, which is substantially higher that the full-year 2001 gross margin of 22.2%.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses decreased $369,000, or 42%, and decreased as a percentage of net sales to 4.6% from 8.1%. This decrease is primarily due to a reduction in engineering staff at our Wallingford, CT facility due to the Consolidation.

SELLING AND MARKETING. Selling and marketing expenses decreased $215,000, or 16%, and decreased as a percentage of net sales to 10.0% from 12.1%. Such expenses decreased mostly due to lower planned promotional and advertising expenses and staff reductions resulting from the Consolidation.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased by $518,000, or 32%, and decreased as a percentage of net sales to 10.2% from 15.1%. The decrease primarily resulted from (1) staff reductions resulting from the Consolidation and (2) the inclusion in the second quarter of 2001 of $163,000 of accelerated depreciation on certain assets located at the Company's Wallingford, CT facility (primarily leasehold improvements and computer equipment) whose useful lives were shortened as a result of the Consolidation.

BUSINESS CONSOLIDATION AND RESTRUCTURING. During the second quarter of 2002, we incurred $5,000 of expenses related to the Consolidation, compared to approximately $422,000 in the second quarter a year ago. In the second quarter of 2002 these expenses included moving expenses; in the second quarter of 2001 these expenses included a portion of employee severance and termination expenses incurred during the quarter, and facility closure and consolidation expenses (including moving expenses, estimated non-cancelable lease payments and other costs). See Note 5 to the Consolidated Condensed Financial Statements.

OPERATING INCOME (LOSS). During the second quarter of 2002 we reported operating income of $401,000, or 3.7% of net sales, compared to an operating loss of $1,817,000 in the second quarter of 2001. Our return to operating profitability was due to (1) significantly lower Consolidation expenses, (2) higher gross margin and (3) significantly reduced operating expenses as a direct result of the Consolidation.

INTEREST. Net interest expense decreased to $34,000 from $88,000 in the second quarter of 2001 due largely to a significant reduction in our outstanding borrowings under our revolving bank facility resulting from receipt of an advance payment from a customer, and to a lesser extent, lower interest rates. The cash proceeds for the repayment resulted from the receipt of an advance payment of approximately $5.8 million from a major customer in advance of printer shipments to be made from March through August 2002. See Note 4 to the Consolidated Condensed Financial Statements. We expect revolving borrowings to return to approximately $4 million by the end of the third quarter 2002, and to remain at approximately that level during the fourth quarter of 2002. As a result, interest expense is expected to increase sequentially in each of the remaining quarters of 2002. See "Liquidity and Capital Resources" below.

OTHER INCOME. Other income for the second quarter of 2002 includes a one-time gain of $145,000 resulting from the receipt of 2,146 shares of common stock from our health insurance company, Anthem, Inc., upon its demutualization. We sold these shares during the third quarter of 2002. This gain was partially offset by approximately $60,000 of transaction exchange loss recorded by our UK subsidiary in the quarter, due to the strengthening of the British pound against the dollar.

INCOME TAXES. We recorded an income tax provision of $162,000 in the second quarter of 2002, and an income tax benefit of $686,000 in the second quarter of 2001, at an effective rate of approximately 36.0% in both quarters.

NET INCOME (LOSS). We reported net income during the second quarter of 2002 of $289,000, or $0.04 per share (basic and diluted) after giving effect to $89,000 of dividends and accretion charges on preferred stock. This compares to a net loss of $1,220,000, or $0.24 per share (basic and diluted) for the second quarter of 2001, after giving effect to $89,000 of dividends and accretion charges on preferred stock. In future quarters, dividends and accretion charges on preferred stock will be approximately $90,000, assuming no conversion or redemption of the preferred stock.

SIX MONTHS ENDED JUNE 30, 2002 COMPARED TO SIX MONTHS ENDED JUNE 30, 2001

NET SALES. Net sales by market for the current and prior year's six month period were as follows:

(In thousands, except %)	Six months ended June 30, 2002		Six months ended June 30, 2001	
Point of sale	$ 8,234	38.4%	$10,940	53.2%
Gaming and lottery	12,312	57.4	6,741	32.8
Other	900	4.2	2,888	14.0
	$21,446	100.0%	$20,569	100.0%
International	$ 2,084	9.7%	$ 5,438	26.4%

Net sales for the first half of 2002 increased $877,000, or 4%, due to significantly higher shipments into the Company's gaming and lottery market, including significantly higher shipments of on-line lottery printers to GTECH, largely offset by lower sales into the POS and other markets. Overall, international sales decreased by $3,354,000, or 62%, largely due to a reduction in (1) revenue related to the British Post Office project (approximately $600,000), (2) kiosk printer shipments for use in a Canadian government application (approximately $1,400,000), (3) shipments of our thermal fiscal printer in Europe (approximately $850,000) and (4) POS revenue through distribution in Europe and Latin America (approximately $500,000)

Point of sale: Sales of our POS printers decreased approximately $2,706,000, or 25%, in the first half of 2002 compared to the first half of 2001.

International POS printer shipments decreased approximately $1,997,000, or 51%, to $1,931,000 for several reasons. First, sales to ICL Pathway for the British Post Office project, which include printer shipments, spare parts and service revenue, declined by approximately $600,000 to $700,000 for the first half of 2002. We completed shipping printers for the British Post Office project during the first quarter of 2001, and expect no future sales, other than spare parts and service of approximately $250,000 per quarter, for the remainder of 2002. Secondly, shipments of the Company's thermal fiscal printer in Europe declined by approximately $850,000 to $300,000 in the first half of 2002. Although we continue to pursue sales of our fiscal printer, such sales are principally project-oriented, and we cannot predict if and when future sales may occur. Lastly, the Company experienced a decrease of approximately $500,000 in sales through distribution, primarily in Europe and Latin America. Although we expect continued weakness in our international POS sales for the remainder of the year, we are actively seeking additional distribution partners in both Latin America and Europe in order to increase our breadth of coverage and future sales in these regions.

Domestic POS printer sales totaling $6,303,000 were lower by $709,000, or 10%, as we experienced softness in demand from our domestic distributors, particularly in the first quarter of 2002. However, sales in the first half of 2002 included increasing sales of our POSjet line of inkjet printers.

Due to on-going economic weakness and continued lower capital spending by users of our POS products, we expect continued worldwide softness in demand for our POS products for the remainder of 2002. As a result, we expect sales into the POS market for each of the last two quarters of 2002 to be consistent with those reported for the second quarter of 2002.

Gaming and lottery: Sales into the gaming and lottery market increased by $5,571,000, or 83%, from the first half a year ago, primarily due to significantly higher shipments of our on-line and in-lane lottery printers to GTECH, as well as strong sales of our video lottery terminal ("VLT") and slot machine printers.

Shipments to GTECH, which include on-line and in-lane lottery printers and spare parts revenue, increased $4,500,000 to approximately $7,900,000 in the first half of 2002. On-line lottery printers and spare parts sales totaled approximately $7,250,000 in the first half of 2002, compared to $3,300,000 in the first half of 2001. We have orders from GTECH for on-line lottery printers, of which approximately $2,500,000 will be delivered during the remainder of 2002 and $500,000 in 2003. Shipments of in-lane lottery printers totaled approximately $650,000 in first half of 2002 compared to $100,000 in the first half of 2001. Since sales of in-lane lottery printers are project-oriented, we cannot predict if and when future sales may occur. In July 2002, we entered into a 5-year agreement with GTECH to provide a newly-designed thermal on-line lottery printer. We expect to begin shipping our new thermal on-line lottery printer in early 2003, and to continue to ship our existing impact on-line printer (although at significantly lower volumes than in 2002).

Sales of our VLT printers increased by $1,100,000 to approximately $2,300,000, due largely to installations in West Virginia and other states. Since VLT printer sales are largely project-oriented, we cannot predict if and when future sales may occur. However based on existing orders and sales opportunities, we expect higher sales of VLT printers in 2002 compared to 2001. Sales for the full year 2001 were approximately $1,700,000.

In addition, sales of our slot machine printers, spare parts and repairs remained flat at approximately $2,100,000. Such printers are primarily for use in slot machines at casinos in California and Nevada that print receipts instead of dropping coins ("ticket-in, ticket-out"). The Company expects sales of its slot machine printers to increase during the second half of 2002 as more regulatory approvals are expected to be obtained and more casinos are expected to convert to ticket-in, ticket-out slot machines.

Other: Sales of our printers into other markets decreased by $1,988,000 or 69%, to $2,888,000 from the first six months of 2001. The first half of 2001 included shipments of approximately $1,400,000 of our thermal kiosk printers for use in a Canadian government application. No shipments of these printers were made in the first half of 2002. However, we expect to ship printers for this application during the second half of 2002, although the amount is not known at this time. In addition, sales of our other kiosk printers and related spare parts declined by approximately $1,500,000. Since printer sales into this market are principally project-oriented, we cannot predict if and when future sales may occur.

GROSS PROFIT. Gross profit increased by $1,522,000, or 36%, to $5,738,000, and the gross margin also increased to 26.8% from 20.5%. Both gross profit and gross margin for the first half of 2002 benefited from an improved sales mix and cost reductions resulting from the Consolidation. We expect gross margin for the full-year 2002 to be between 26% and 27%, which is substantially higher that the full-year 2001 gross margin of 22.2%.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses decreased $641,000, or 38%, and also decreased as a percentage of net sales to 4.9% from 8.2%. This decrease is primarily due to a reduction in engineering staff at our Wallingford, CT facility due to the Consolidation.

SELLING AND MARKETING. Selling and marketing expenses decreased $330,000, or 13%, and decreased as a percentage of net sales to 9.9% from 11.9%. Such expenses decreased mostly due to lower planned promotional and advertising expenses and staff reductions resulting from the Consolidation.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased by $849,000, or 27%, and decreased as a percentage of net sales to 10.7% from 15.2%. The decrease primarily resulted from (1) staff reductions resulting from the Consolidation and (2) the inclusion in the first half of 2001 of $197,000 of accelerated depreciation on certain assets located at the Company's Wallingford, CT facility (primarily leasehold improvements and computer equipment) whose useful lives were shortened as a result of the Consolidation.

BUSINESS CONSOLIDATION AND RESTRUCTURING. During the first half of 2002, we incurred approximately $46,000 of expenses related to the Consolidation. These expenses primarily included severance costs and moving expenses. During the first half of 2001, we incurred approximately $1,446,000 of expenses, which included a portion of employee severance and termination expenses incurred during the period, and facility closure and consolidation expenses (including moving expenses, estimated non-cancelable lease payments and other costs). See Note 5 to the Consolidated Condensed Financial Statements.

OPERATING INCOME (LOSS). During the first half of 2002 we reported operating income of $233,000, or 1.1% of net sales, compared to an operating loss of $4,509,000 in the first half of 2001. Our return to operating profitability was due to (1) significantly lower Consolidation expenses, (2) higher gross margin and (3) significantly reduced operating expenses as a direct result of the Consolidation.

INTEREST. Net interest expense decreased to $89,000 from $182,000 in the first half of 2001 due largely to a significant reduction in our outstanding borrowings under our revolving bank facility resulting from receipt of an advance payment from a customer, and to a lesser extent, lower interest rates. The cash proceeds for the repayment resulted from the receipt of an advance payment of approximately $5.8 million from a major customer in advance of printer shipments to be made from March through August 2002. See Note 4 to the Consolidated Condensed Financial Statements. We expect revolving borrowings to return to approximately $4 million by the end of the third quarter 2002, and to remain at approximately that level during the fourth quarter of 2002. As a result, interest expense is expected to increase sequentially in each of the remaining quarters of 2002. See "Liquidity and Capital Resources" below.

OTHER INCOME. Other income for the first half of 2002 includes a one-time gain of $145,000 resulting from the receipt of 2,146 shares of common stock from our health insurance company, Anthem, Inc., upon its demutualization. We sold these shares during the third quarter of 2002. This gain was partially offset by approximately $40,000 of transaction exchange loss recorded by our UK subsidiary in the half, due to the strengthening of the British pound against the dollar in the second quarter of 2002.

INCOME TAXES. We recorded an income tax provision of $89,000 in the first half of 2002, and an income tax benefit of $1,674,000 in the first half of 2001, at an effective rate of approximately 36.0% in both periods.

NET INCOME (LOSS). We reported net income during the first half of 2002 of $160,000, or $0.00 per share (basic and diluted) after giving effect to $179,000 of dividends and accretion charges on preferred stock,. This compares to a net loss of $2,977,000, or $0.57 per share (basic and diluted) after giving effect to $179,000 of dividends and accretion charges on preferred stock in the first half of 2001. In future quarters, dividends and accretion charges on preferred stock will be approximately $90,000, before the effect of any conversion or redemption of the preferred stock.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

We generated cash from operations of $2,560,000 in the first half of 2002, compared to using cash in operations of $1,545,000 in the first half of 2001. The significant increase in cash generated from operations in the first half of 2002 was largely the result of a return to profitability in the first half of 2002. During the first half of 2002, we earned net income of $160,000 compared to a net loss of $2,977,000 in the first half of 2001.

During the first half of 2002, depreciation and amortization totaled $1,148,000. We received a $5,824,000 advance payment from a major customer in February 2002, of which $944,000 was outstanding at June 30, 2002. (See Note 4 to the Consolidated Condensed Financial Statements.) Receivables were lower by $173,000 despite higher sales, primarily as a result of the advance payment noted above. Without the advance payment, receivables would have increased by approximately $1,100,000. Inventories were reduced in the first half of 2002 by approximately $1,540,000 due to higher shipments and tighter inventory management. Offsetting the activities providing cash in the quarter was a net reduction in the restructuring accrual of $1,407,000, representing primarily payouts for severance pay and related benefits of $1,453,000 and an additional accrual of $46,000.

We used $2,568,000 in financing activities, largely due to repayments on our revolving credit facility resulting from the advance payment from a major customer.

WORKING CAPITAL

Our working capital decreased to $6,876,000 at June 30, 2002 from $8,366,000 at December 31, 2001. The current ratio also decreased to 1.78 to 1 at June 30, 2002 from 1.90 to 1 at December 31, 2001. The decrease in both working capital and the current ratio were largely due to (1) lower inventories ($1,540,000) and (2) the receipt of a $5,824,000 advance payment from a major customer in February 2002, the balance of which ($944,000) is carried as a current liability in the condensed consolidated balance sheet, but will be eliminated by the end of the third quarter.

CREDIT FACILITY AND BORROWINGS

On May 25, 2001, we entered into a three-year, $13.5 million credit facility (the "LaSalle Credit Facility") with LaSalle Business Credit, Inc. ("LaSalle") expiring on May 25, 2004 to replace a prior credit facility with Webster Bank. The LaSalle Credit Facility provides a $12 million revolving credit line, a $0.5 million term loan and a $1 million equipment loan facility. Borrowings under the LaSalle Credit Facility bear a floating rate of interest based on LaSalle's prime rate. Under certain circumstances, we may select a fixed interest rate for a specified period of time of up to 180 days on borrowings based on the current LIBOR rate.

On October 30, 2001, we amended the LaSalle Credit Facility. Under the terms of the amendment ("LaSalle Amendment No.1"), LaSalle, in consideration of certain waivers and other matters, (1) increased the floating rate of interest on borrowings under the revolving credit line to LaSalle's prime rate plus 1.0%, or the current LIBOR rate plus 3.5%, and (2) increased the floating rate of interest on borrowings under the term loan and equipment loan to LaSalle's prime rate plus 1.5%, or the current LIBOR rate plus 4.0%. Upon execution of LaSalle Amendment No. 1, we paid a fee of $20,000 to LaSalle.

On December 21, 2001, we amended the LaSalle Credit Facility to reset certain financial covenants for 2002 and beyond ("LaSalle Amendment No. 2). Upon execution of LaSalle Amendment No. 2, we paid a fee of $5,000 to LaSalle.

As of June 30, 2002, we had $2,509,000 of outstanding borrowings on the revolving credit line compared to $4,994,000 outstanding at December 31, 2001. We expect our outstanding borrowings on the revolving credit line to increase to approximately $4 million by the end of the third quarter 2002, and to remain at approximately that level during the fourth quarter 2002. At June 30, 2002 we had $400,000 outstanding under the term loan, compared to $450,000 at December 31, 2001. Annual principal payments on the term loan are $100,000. There were no borrowings under the equipment loan.

PREFERRED STOCK

In connection with its 7% Series B Cumulative Convertible Redeemable Preferred Stock (the "Preferred Stock"), we paid $70,000 of cash dividends to Advance Capital Advisors, L.P. in each of the first two quarters of 2002 and 2001, and expect to pay $70,000 per quarter for the remainder of 2002. The preferred stock is redeemable at the option of the holders on April 7, 2005 for an aggregate of $4,000,000 plus any unpaid dividends.

CAPITAL EXPENDITURES

Our capital expenditures were approximately $269,000 and $597,000 in the first half of 2002 and 2001, respectively. These expenditures for 2002 primarily included new product tooling and computer equipment. We expect capital expenditures for the year 2002 to be approximately $800,000, a majority for new product tooling.

CONSOLIDATION EXPENSES

During 2001, we incurred approximately $4,096,000 of business consolidation, restructuring and related charges as a result of the Consolidation. These expenses primarily included employee severance and termination related expenses, facility closure and consolidation expenses (including moving expenses, estimated non-cancelable lease payments and other costs) and accelerated depreciation and asset disposal losses on certain leasehold improvements and other fixed assets. Although the Consolidation was substantially completed in 2001, we expect to incur an additional $50,000 to $100,000 of non-recurring costs associated with the Consolidation during 2002, of which $46,000 was recorded in the first half of 2002. These costs in 2002 primarily include (1) expenses incurred to physically move the remaining assets of the Wallingford, CT facility to Ithaca, NY and (2) severance costs for employees who terminate in 2002. We believe that the Consolidation will significantly lower our cost structure in 2002, with estimated annual cost savings of approximately $4.0 million compared to 2001. The first half 2002 operating results reflect a portion of these cost savings.

Of the total of $4,200,000 of expenses, approximately $3,400,000 requires cash outlays. During 2001, we paid approximately $400,000 of these costs, with substantially all the remaining costs expected to be paid during 2002. The Company paid approximately $1,453,000 of these expenses during the six months ended June 30, 2002.

RESOURCE SUFFICIENCY

We believe that cash flows generated from operations and borrowings available under the LaSalle Credit Facility, as amended, will provide sufficient resources to meet our working capital needs, including costs associated with the Consolidation, finance our capital expenditures and meet our liquidity requirements through December 31, 2002.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

Our exposure to market risk for changes in interest rates relates primarily to borrowings under our Credit Facility with LaSalle Business Credit. These borrowings bear interest at variable rates and the fair value of this indebtedness is not significantly affected by changes in market interest rates. An effective increase or decrease of 10% in the current effective interest rates under the Credit Facility would not have a material effect on our results of operations or cash flow.

FOREIGN CURRENCY EXCHANGE RISK

A substantial portion of our sales are denominated in U.S. dollars and, as a result, we have relatively little exposure to foreign currency exchange risk with respect to sales made. This exposure may change over time as business practices evolve and could have a material adverse impact on our financial results in the future. We do not use forward exchange contracts to hedge exposures denominated in foreign currencies or any other derivative financial instruments for trading or speculative purposes. The effect of an immediate 10% change in exchange rates would not have a material impact on our future results of operations or cash flow.

PART II. OTHER INFORMATION

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

The Company held its Annual Meeting of Stockholders on May 17, 2002. Matters voted upon at the meeting and the number of votes cast for, against, withheld or abstentions, are as follows:

(1) To consider and act upon a proposal to elect two Directors to serve until the Annual Meeting of Stockholders in the year 2005 or until their successors have been duly elected and qualified. Nominees were Thomas R. Schwarz and Bart C. Shuldman. Votes cast were as follows:

	For	Withheld
Thomas R. Schwarz	5,232,748	12,005
Bart C. Shuldman	5,232,748	12,005

(2) To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent accountants for 2002. Votes cast were as follows: 5,228,734 common shares for; 9,200 common shares against; 6,819 common shares abstained; 4,000 preferred shares (representing 444,444 votes) for.

The following directors continue to serve until the Annual Meeting of Stockholders in the year 2003 or until their successors have been duly elected and qualified: Charles A. Dill and Jeffrey T. Leeds.

The following directors continue to serve until the Annual Meeting of Stockholders in the year 2004 or until their successors have been duly elected and qualified: Graham Y. Tanaka and Richard L. Cote.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits filed herein

Exhibit 10.27 OEM Purchase Agreement by and between GTECH Corporation and TransAct Technologies Incorporated commencing July 2, 2002. (Pursuant to Rule 24-b-2 under the Exchange Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)

Exhibit 11.1 Computation of earnings per share

Exhibit 99.1 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

b. Reports on Form 8-K

None.

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)

August 13, 2002

/s/ Richard L. Cote

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

/s/ Steven A. DeMartino

Steven A. DeMartino
Senior Vice President, Finance and
Information Technology
(Principal Accounting Officer)

EXHIBIT LIST

The following exhibits are filed herewith.

Exhibit	
10.27	OEM Purchase Agreement by and between GTECH Corporation and TransAct Technologies Incorporated commencing July 2, 2002. (Pursuant to Rule 24-b-2 under the Exchange Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)
11.1	Computation of earnings per share.
99.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

[GTECH LOGO] EXHIBIT 10.27

AGREEMENT NO. 530133-7202

BY AND BETWEEN

GTECH CORPORATION
55 TECHNOLOGY WAY
WEST GREENWICH, RHODE ISLAND 02817

AND

TRANSACT TECHNOLOGIES INCORPORATED
7 LASER LANE
WALLINGFORD, CT 06492

For the Purchase of

GTECH Model GLP305/SA

GTECH REPRESENTATIVES:	VENDOR REPRESENTATIVES
John Picard	Mark Bauer

GTECH OEM PURCHASE AGREEMENT

THIS AGREEMENT between GTECH CORPORATION, a Delaware corporation, with offices at 55 Technology Way, West Greenwich, RI 02817 ("GTECH") and TransAct Technologies Incorporated a Delaware corporation, with offices at 7 Laser Lane, Wallingford, CT 06492 ("VENDOR") sets out the terms and conditions under which VENDOR will sell the Products and provide the Services described in this Agreement and Attachments to GTECH.

1. TERMS AND CONDITIONS

1.1 Products. As used in this Agreement, "Products" means the thermal printer, as well as the VENDOR's recommended spare parts, subassemblies, operating supplies, maintenance kits, and options, if any, produced in accordance with the specifications and any subsequent modifications authorized in accordance with the terms of this Agreement attached hereto as Attachment 1 ("Specifications").

1.2 Services. As used in this Agreement, "Services" means the ancillary services, if any, to be provided by VENDOR in accordance with the terms of this Agreement including without limitation, those services described in Sections 12 and 13 of this Agreement.

1.3 OEM Purchases. The Products purchased under this Agreement are intended primarily for resale, rental or lease directly and indirectly to GTECH's customers under trademarks and trade names selected by GTECH for use in conjunction with GTECH systems. Products may also be used by GTECH and its subsidiaries for their internal use.

1.4 No Minimum Commitment; No Exclusivity. Unless otherwise specified in Attachment 2, there is no minimum quantity of purchases under this Agreement. VENDOR will furnish Products and Services on an as-ordered basis. It is expressly understood and agreed that GTECH is not obligated to purchase any or all of the Products and Services from VENDOR and that GTECH may manufacture competitive Products and Services itself and/or procure competitive products and services from other vendors.

1.5 Spare Parts. VENDOR shall provide a Recommended Spare Parts List ("RSL") for all Products covered by this Agreement upon receipt of the first production order. The RSL shall include all parts and assemblies necessary to repair and maintain the Products purchased under this Agreement. The RSL shall include a non-binding, best estimate forecast of parts that must be repaired and/or replaced over the first three years of service. A separate RSL shall be supplied for each product model or configuration, identifying all common parts.

a. Non-Standard Spare Parts. If the Product contains a part not readily available in the marketplace "Non-Standard Spare Parts"), VENDOR shall make such part available to GTECH in accordance with Section 1.5(c).

b. Emergency Stock. VENDOR shall maintain an adequate supply of spare parts at its facility to support Priority Orders, as described in Section 2.3.

c. Spare Part Support. VENDOR shall make all spare parts including Non-Standard Spare Parts as described in Section 1.5(a) above, available during the Term of this Agreement and for a period of five (5) years thereafter. In the event VENDOR is unable to fill GTECH's Purchase Orders for spare parts promptly, VENDOR shall make available, at no charge to GTECH, VENDOR's manufacturing drawings and specifications, list of suppliers, and information necessary to purchase and/or manufacture all parts and/or assemblies or subassemblies for the parts that are not available from the VENDOR, and VENDOR shall be liable for the difference between GTECH's cost of manufacture and VENDOR's sales price.

2. ORDERING

2.1 Purchase Orders. All purchases under this Agreement will be made under purchase orders ("Purchase Orders") referencing this Agreement issued by GTECH or by any subsidiary or affiliate of GTECH. Purchase Orders will be placed directly with VENDOR and deemed accepted by VENDOR unless rejected in writing by VENDOR specifying the reasons for rejection within fourteen (14) calendar days after receipt of the Purchase Order. VENDOR may reject purchase orders only if a Purchase Order does not comply with the terms and conditions of this Agreement.

2.2 Lead Time. Unless otherwise agreed, Purchase Orders shall specify a delivery date with the normal lead-time of sixty (60) calendar days ("Lead Time"). If GTECH requests delivery to meet a special requirement, including but not limited to the replacement of Products lost or damaged in shipment, VENDOR will use all commercially reasonable efforts to expedite delivery; including, without limitation, giving GTECH first priority with respect to all Products in stock or on order, provided however, that GTECH shall not pay any additional charges or costs for expediting unless such charges or costs have been accepted in writing by GTECH. In the event that Products ordered within the Lead Time are overdue for delivery to GTECH, VENDOR shall ship replacement Products to GTECH at no cost to GTECH, and any premium airfreight charges shall be prepaid by, and borne by VENDOR.

2.3 Priority Orders. GTECH Purchase Orders for any and all spare parts identified as "Priority Orders" shall be shipped within twenty-four (24) hours after receipt by VENDOR.

2.4 Rescheduling. Within 30 calendar days of scheduled delivery date, GTECH may reschedule within the scheduled month. At 31-60 calendar days before scheduled delivery date, an order may be rescheduled up to 30 calendar days later than the scheduled delivery date, or the end of the calendar quarter, whichever is greater. Each order may be rescheduled a maximum of two times, once with each method listed in this section.

2.5 Cancellation for Convenience. Within 60 calendar days calendar days of scheduled delivery date, no cancellation is permitted. At 61+ calendar days before scheduled delivery date, GTECH may cancel any or all Purchase Orders.

2.6 Forecast. Any forecast, which may be provided, is a good faith estimate of GTECH's anticipated requirements for the Products for the periods indicated based on current market conditions and does not constitute a commitment to purchase any quantity of Products or Services.

3. SHIPPING, PACKAGING, AND DELIVERY

3.1 F.O.B., Title, Risk of Loss. Unless otherwise agreed, delivery of Products will be made F.O.B. VENDOR's dock at 20 Bomax Drive, Ithaca NY 14850. Subject to proper packaging, title and risk of loss shall pass to GTECH upon proper tender of the Products to the carrier. VENDOR will provide proof of delivery upon request and will provide reasonable assistance to GTECH at no charge in any claim GTECH may make against a carrier or insurer for misdelivery, loss or damage to Products after title has passed to GTECH.

3.2 Shipment. VENDOR will ship Products in accordance with GTECH's instructions as specified in the Purchase Order. In the absence of any other instructions, Products will be shipped by common carrier commercial land freight for delivery in the continental United States and by ocean freight for deliveries elsewhere, insurance and shipping charges collect.

3.3 Packaging. VENDOR shall affix to the outside of each shipment a list of contents, including serial numbers, to allow for review of contents upon receipt. Products shall be packaged in accordance with GTECH's General Packaging Specifications as specified in Attachment 5.

3.4 International Shipments. If GTECH specifies delivery for international shipment by GTECH or GTECH's freight forwarder, VENDOR will be responsible for obtaining any necessary U.S. Department of Commerce export licenses, permits or approvals. GTECH will be responsible for any licenses, permits or approvals of the country of import.

3.5 Early Arrival. GTECH reserves the right to reject Products arriving at GTECH's facilities more than five (5) calendar days before the delivery date specified in the Purchase Order.

4. PRICE

4.1 Unit Prices. All pricing will be specified in Attachment 2. All pricing shall remain in effect for the Term of this Agreement and any extensions thereafter.

4.2 Price Reduction. VENDOR represents that the prices specified in Attachment 2 are the lowest prices charged to any other customer of VENDOR purchasing the same or lesser quantities of Products and/or Services under similar terms and conditions. If at any time or times hereafter, VENDOR offers Products and/or Services to any other customer on more favorable terms, conditions or prices, VENDOR shall, at that time, offer the same terms, conditions and prices to GTECH. If accepted by GTECH, such terms, conditions and/or prices shall apply to all Products and Services purchased by GTECH for the balance of the Term and any extensions thereafter.

4.3 Price Reductions On Spare Parts And Repairs. In the event of a price reduction on the Products covered under this Agreement, VENDOR agrees to reduce the list price of all spare parts on VENDORs' RSL, and the cost of repairs, by a percentage rate equal to the reduction in the price of the Products. Any and all discounts that are stated in Attachment 2 of this Agreement shall remain in effect, and may be applied to all purchases made hereunder. The price reduction will apply to all Purchase Orders for spare parts and repairs that are scheduled for delivery no less than fifteen (15) calendar days after the effective date of the price reduction.

5. PAYMENT

5.1 *

6. TAXES AND DUTIES

GTECH will pay as a separate invoiced item only such sales, use, value-added or similar tax listed therein (all other taxes are excluded, including, without limitation, taxes based upon VENDOR's net income), lawfully imposed on the sale of the Products or provision of Services to GTECH. Taxes, duties or like charges imposed on the Products after title has passed to GTECH will be paid by GTECH unless such charges are the result of a trade sanction imposed on VENDOR's Products, as specified in Section 21.2, below. In lieu of taxes, GTECH may furnish to VENDOR a tax exemption certificate. VENDOR agrees to provide reasonable assistance to GTECH, without charge, in any proceeding for the refund or abatement of any taxes GTECH is required to pay under this Section 6.

7. CHANGES

7.1 Product Changes. VENDOR shall submit evaluation samples of all Products changes that affect form, fit, function, maintainability, repairability, reliability or appearance at least ninety (90) calendar days before such changes are implemented. VENDOR shall forward (2) copies of all requests to make the changes generally described above to: GTECH CORPORATION, 55 Technology Way, West Greenwich, RI 02817 Attention: Purchasing Agent. GTECH may, at its option, decline to have such changes incorporated into the Products. Proposed changes will not be incorporated into the Products until accepted in writing by GTECH. GTECH shall make best effort to respond in writing to VENDOR within fifteen (15) calendar days of GTECH's receipt of change notification. In no event will GTECH ever be deemed to have accepted any change in the price or delivery schedule without its prior written consent.

7.2 GTECH Changes. GTECH may request changes in the Products at any time or times during the Term of this Agreement. If such changes in the Products will require changes in the prices and/or delivery schedule, VENDOR must respond promptly with a written change proposal setting forth the changes in prices and/or delivery schedule. Such proposal, when signed by an authorized representative of GTECH, will become part of this Agreement. If VENDOR does not

* Confidential treatment requested

respond with a written change proposal within thirty (30) calendar days after receipt of GTECH's request, such changes will be implemented without any alternation in the price and/or delivery schedule. Such changes are and shall remain the property of GTECH, and VENDOR may not use such changes or disclose them to others without the prior written consent of GTECH.

7.3 Enhancements, Successor Products. If during the Term of this Agreement, VENDOR offers improvements, options, additional functionality or other enhancements ("Enhancements") to the Products not available at the time this Agreement is signed or other products which substantially replace the Products ("Successor Products"), VENDOR will offer such Enhancements and/or Successor Products to GTECH at prices *. If GTECH elects, in writing, to purchase such Enhancements or Successor Products, the Enhanced Products or Successor Products will be ordered separately from any orders which may be open at that time. No substitutions will be made on open purchase orders with delivery within sixty (60) calendar days lead-time.

In any event, GTECH may, at its option, elect to continue to purchase Products as originally specified for the Term of this Agreement and any extensions thereafter.

8. COOPERATION IN LOTTERY AND GAMING MARKET

8.1 Transfer of Equipment. During the Term of this Agreement and any extensions thereof, GTECH shall have the sole discretion as to whether to submit proposals or bids for the sale, lease or other transfer of the Products to any current or potential customer of GTECH or its affiliates, and as to whether such a proposal or bid shall be submitted by GTECH, by VENDOR or jointly with other parties. During the Term of this Agreement and any extensions thereof, VENDOR shall not without GTECH's prior written consent, supply the Products provided herein to any other person or entity for use in connection with the operation of public or private on-line or in-lane lotteries in the U.S. or abroad.

8.2 Non-Compete Clause. VENDOR further agrees that during the Term of this Agreement and any extensions thereof, and for the one (1) year period after the expiration or earlier termination but not if VENDOR has terminated this Agreement pursuant to Section 21.3 hereof, VENDOR shall not directly or indirectly, become engaged in, or financially interested in, any on-line or in-lane lottery business which is in competition with the on-line or in-lane lottery business of GTECH, its subsidiaries or affiliates; provided, however, that (a) nothing contained herein shall prevent VENDOR from supplying products or services to competitors of GTECH so long as such products or services do not compete against GTECH's on-line or in-lane lottery business or (b) purposely and knowingly engage in or participate in any effort or act to induce any of the customers, or employees of GTECH or its affiliated companies to take any action, which is in direct conflict with the on-line or in-lane lottery business of GTECH, its subsidiaries or affiliates or (c) GTECH elects to purchase comparable thermal printer products for Altura on-line terminal and no longer purchases Product from VENDOR ; provided further, however, that the limitations of the last sentence of Section 8.1, and of this Section 8.2 ,shall not apply from and after the earlier to occur of (i) GTECH or an

* Confidential treatment requested

affiliated company enters into an agreement with a third party to purchase a new comparable thermal printer that competes with VENDOR's Product, (ii) GTECH or an affiliated company purchases a new comparable thermal printer that competes with VENDOR's Product from a third party, or (iii) GTECH or an affiliated company commences manufacturing (itself or under contract with a third party)a new comparable thermal printer that competes with VENDOR's Product.

8.3 VENDOR Outside Requirements. VENDOR agrees that it shall advise its distributors outside the U.S. of the covenants and responsibilities set forth in this Agreement.

9. QUALITY AND RELIABILITY REQUIREMENTS

9.1 Quality and Reliability Requirements. GTECH requires that the VENDOR have in place at its manufacturing facility, adequate quality and reliability safeguards to ensure that all Products shipped to GTECH meet or exceed all parameters specified in the Product Specification, and that the Product is not subject to any infant mortality.

9.2 Reliability Plan. The VENDOR will submit to GTECH Quality Assurance ("QA") a reliability test plan for the Products, which will include the VENDOR's reliability requirements based on the Products Specification and test schedule. GTECH QA will review the reliability plan for the Product, provide comments and approve the plan when satisfied that all design requirements will be adequately tested.

9.3 Reliability Test. The VENDOR will conduct a reliability test on the Products to ensure that the Products meet or exceed all parameters specified in the Product Specification. GTECH may participate and/or monitor the VENDOR's reliability test on the Product at the VENDOR's facility.

9.4 Reliability Test Report. The VENDOR will submit to GTECH QA a formal reliability test report for the Products based on the results of the Product reliability test. The reliability test report will contain all data necessary to verify and confirm that the Products meet all the design requirements identified in the Product Specification and any resultant design changes and corrective action to resolve any test failures. GTECH QA must approve the VENDOR's reliability test report before the VENDOR can be approved to ship Products to GTECH.

9.5 Vendor Survey. The VENDOR will allow GTECH to perform a vendor survey at the VENDOR'S facility. This survey will include, but is not limited to, an audit of the manufacturing process, reviewing the yields at each inspection and test point in the manufacturing process, review of the on-going reliability test data, Product design changes, corrective action, and field reliability performance and repair data.

9.6 Test Equipment and Procedure Correlation. The test equipment and procedures used in the VENDOR's final inspection and test, will correlate with the test equipment and procedures used by GTECH. If correlation is not achieved within 30 calendar days prior to the first production shipment, the VENDOR agrees to obtain additional test equipment and/or develop procedures that are capable of correlation. Said test equipment and procedures will be mutually agreed upon by both the VENDOR and GTECH Purchasing, QA and Test Engineering.

9.7 Final Test and Inspection Data. The VENDOR will provide GTECH with inspection and/or test data based on the mutually agreed upon test equipment and procedures with each lot of Products delivered to GTECH. The VENDOR will make final test and inspection data (yield information), on-going reliability test data, field reliability performance data, and repair data available at the request of GTECH throughout the life of the Products.

9.8 Source Inspection. The VENDOR will allow GTECH (or its representatives) to perform source inspection at their facility, using mutually agreed upon test equipment and procedures. It is GTECH's plan to source inspect the initial lots of Products scheduled for shipment from VENDOR's manufacturing facility to GTECH production or field sites. To do this in a timely fashion, the VENDOR will notify GTECH (or its representative) that source inspection is available at least one week prior to the requested source inspection date. Source inspection activity will continue, at the discretion of GTECH QA.

9.9 Receiving Inspection. GTECH plans to conduct receiving inspection and test on all OEM components. GTECH will 100% inspect and test the first seven (7) consecutive lots of VENDOR Products for visual, mechanical, electrical and other types of compliance as specified. After the initial seven (7) lots have been qualified, GTECH plans to conduct receiving inspection using MIL-STD-105E, General Inspection Level I, with an AQL of 1.0 for normal sampling inspection. If Product performance fails to meet this level of compliance at receiving inspection, GTECH may (a) recover all costs associated with continued unacceptable quality by taking a credit against the purchase price of the Products or (b) allow VENDOR the option of providing timely resources on-site at GTECH to correct the unacceptable quality condition. These costs are typically related to sorting, testing, packaging, handling, freight and source inspection expenses in support of receiving and in-process inspection and test.

9.10 Field Reliability Reporting. The VENDOR agrees to supply GTECH QA with field reliability performance data for the Products purchased by GTECH. The field reliability data is to be structured in the following manner (or equivalent) and made available on electronic mail:

VENDOR FAILURE ANALYSIS SPREADSHEET

PRODUCT SER. NO.	DATE RECV'D	RETURN SOURCE	RETURN REASON	INITIAL FINDINGS	DATE ANALYZED	REPAIR PERFORMED	ROOT CAUSE	CORRECTIVE ACTION TAKEN	RMA NO.	SHIP DATE

9.11 Failure Analysis and Corrective Actions. The VENDOR agrees to supply, within 15 calendar days, written notice of non-conformance, written failure analysis and corrective actions for any in warranty devices failing to meet any and all form, fit, function, quality or reliability requirements called out in the Products Specification.

9.12 GTECH's Rights with Respect to Non-Conforming Goods. The testing procedures available to GTECH are discretionary and not mandatory. In the event GTECH chooses not to perform any or some portion of such testing, or such testing would not reasonably reveal a non-conformance in the Products, GTECH reserves its right under the Uniform Commercial Code to reject any shipment of Products and to purchase similar Products and be immediately reimbursed by the VENDOR for the difference between the cost of such Products and the VENDOR's Products.

9.13 Failures of consequence. If GTECH's customers world-wide experience excessively high failure rates (> or equal to 20% annualized) during the warranty period in any given jurisdiction that is determined by both parties to be VENDOR's responsibility, GTECH may recover all costs associated with this unacceptable Product performance by taking credit against the purchase price of the Product or VENDOR can, at its discretion assume all costs directly by providing required support services to repair, upgrade or replace defective Product in a timely manner to GTECH satisfaction. These additional costs are typically related to screening, sorting, testing, packaging, handling by a third party and airfreight to expedite any of these activities.

10. INSURANCE

10.1 Vendor Insurance Coverage. VENDOR shall purchase and maintain throughout the life of this Agreement, such insurance as will protect it and GTECH from claims set forth below which may arise out of or result from the VENDOR's operations under this Agreement whether such operations be by it or by any subcontractor or by anyone for whose acts any of them may be liable. VENDOR shall cause GTECH to be additional insured under all coverages except Workers' Compensation. Appropriate endorsements will be attached to state that the VENDOR's policy will be primary to any other policies that may be in effect.

10.2 General Liability. Policy will provide a minimum of $2,000,000 per occurrence for Products and Completed Operations.

10.3 Proof of Insurance. Evidence of said insurance will be in the form of a certificate of insurance and will be provided within ten (10) calendar days from the date of this Agreement. Notification to GTECH will occur within thirty (30) calendar days of any cancellation or material change in coverage. In the event of a failure to furnish such proof or the cancellation or material change of such insurance, without prejudice to any other remedy GTECH may have, GTECH may terminate this Agreement, or at its option, charge the cost of required insurance to the VENDOR. Coverage will be in effect with insurance carriers licensed to do business in any state that the VENDOR will perform its services and will be rated no less than A by the AM Best Company. All Certificates of Insurance are to be forwarded to: GTECH Corporation, 55 Technology Way, West Greenwich, RI 02817. ATTN: Risk Management Department.

10.4 *

11. INDEMNITY

In addition to, and not in limitation of, any other indemnifications, warranties and covenants set forth herein, VENDOR hereby agrees to indemnify and hold GTECH harmless with respect to any and all costs, expenses and liability, including without limitation reasonable attorney's fees, arising out of any claim or action based on a failure of the Products or Services to meet the specifications set forth herein, or the failure of the VENDOR to meet any of its obligations hereunder.

VENDOR shall defend, indemnify and hold GTECH, its subsidiaries, affiliates, distributors and customers harmless from any and all costs, expenses and liability, including reasonable attorney's fees, arising out of any claim or action based on actual or alleged infringement by the Products or any patent, copyright, trade secret or other proprietary interest related to such Products. GTECH shall give VENDOR prompt written notice of any claim or action and shall provide reasonable assistance, at VENDOR'S expense, in defending any such claim or action. If an injunction is issued which prohibits the use or sale of the Products by reason of any matter covered by this Section 10, then VENDOR shall, at its expense, either: (a) procure for GTECH, its subsidiaries, affiliates, distributors and customers the right to continue using the Products; (b) modify the Products so they become non-infringing; (c) substitute equivalent non-infringing products; or, (d) if neither (a) through (c) are reasonably available, GTECH may return the Products to VENDOR and VENDOR will refund the purchase price to GTECH less depreciation based upon the straight line method and a product life of five (5) years.

Notwithstanding the foregoing, VENDOR shall have no liability to GTECH for actual or claimed infringement arising out of: (a) compliance with detail designs, plans or specifications furnished by GTECH unless such infringement would arise independent of such designs, plans or specifications; (b) use of the Products in combination with other equipment or software not reasonably contemplated by VENDOR; or, (c) use of the Products in any process not reasonably

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contemplated by VENDOR. VENDOR acknowledges that the Specifications in Attachment 1 is not a "specification" which excuses or releases VENDOR from performing its indemnity and other obligations hereunder.

12. REPAIR SUPPORT

12.1 Repair Orders. In addition to VENDOR's obligations under Section 14, VENDOR agrees to repair all `in warranty' and `out of warranty' failures within * from the receipt of the Products, or else replace such Products with new Products that shall conform to the Specifications.

12.2 International Repair and Support. VENDOR will identify or establish international repair locations as required by GTECH and within ninety calendar days of written notice by GTECH of new jurisdictional requirements to support the repair of Products and subassemblies. In the event that those international facilities are not wholly owned subsidiaries of the VENDOR, then VENDOR shall procure for GTECH the right to have repairs on the Products performed at the international locations whether the failure occurs within the warranty period as specified in Section 14 or otherwise. If VENDOR fails to comply with this section 12.2, *.

12.3 Failure Analysis. VENDOR shall provide a failure analysis on Products that are returned for repair under warranty. On serialized Products, repair data shall be provided for each serialized unit returned. VENDOR shall provide general failure data on out of warranty returns.

12.4 Repair Capabilities. GTECH reserves the right to repair any of the assemblies, subassemblies, or other items comprising the Products purchased under this Agreement. VENDOR will supply GTECH with the necessary support to repair the Products, including the information listed under Sections 12.3, 12.5, 12.6, 12.7 and 12.8.

12.5 Test Equipment. VENDOR shall make available to GTECH, upon written request by GTECH, any test procedures, special tools, jigs, fixtures, diagnostics, programs, test equipment or supplies necessary to repair the unit, any of the assemblies, subassemblies, piece parts, components, or other items comprising the Products purchased under this Agreement to component level. GTECH agrees to pay reasonable costs to VENDOR for hardware test equipment only. Other items such as procedures, schematics diagnostics, programs etc. will be made available at no charge.

12.6 Qualified Vendor List. Upon production release, VENDOR shall supply GTECH with a qualified vendor list (QVL) for all components used in the Products purchased under this Agreement. This QVL shall include the component manufacturers and vendors along with the corresponding part numbers for all components used in the Product, any of the assemblies, subassemblies, piece parts, components, or other items comprising the Products purchased under this Agreement. Updates to this list shall be forwarded to GTECH CORPORATION, 55

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Technology Way, West Greenwich, RI 02817 Attention: Procurement Agent Responsible for this Commodity.

12.7 Diagnostics. VENDOR shall provide to GTECH its diagnostics, test programs and test routines, necessary to repair to component level, the unit, any of the assemblies, subassemblies, piece parts, components, or other items comprising the Products purchased under this Agreement.

12.8 Documentation. In consideration of the purchase of Products under this Agreement, and at no additional cost, VENDOR hereby grants onto GTECH the unlimited right to use, reprint, and distribute VENDOR's Product manuals and documentation ("Documentation"), including but not limited to user's manuals, schematics, maintenance, theory of operation and troubleshooting guides, and any other Documentation that VENDOR shall make available during the Term of this Agreement. Upon request, VENDOR shall provide camera-ready copies of the Documentation to GTECH at no additional charge. GTECH agrees to display copyright notices in accordance with VENDOR's reasonable written instructions.

13. TRAINING

13.1 Initial Training. VENDOR agrees to provide, at no charge to GTECH, three (3) training classes with up to twelve (12) students per class at a GTECH-designated site during the term of this Agreement. Pursuant to the above, GTECH shall: (1) reimburse VENDOR for instructor's reasonable transportation and living expenses and, (2) provide equipment (or reimburse VENDOR for equipment transportation) as required to support training classes. VENDOR shall provide the instructor and instructional materials for the above referenced classes. Training classes may be video taped for future use by GTECH.

13.2 Component Level Training. VENDOR shall provide at no charge to GTECH, such training necessary to enable GTECH to repair to a component level (i.e. resistor, capacitor, integrated circuit) the unit, any of the assemblies, subassemblies, or other items comprising the Products purchased under this Agreement. A minimum of one (1) of the training classes described in Section 13.1 shall consist of Component Level Training.

13.3 Future Training. GTECH may schedule a maximum of three (3) students per quarter in VENDOR's regularly scheduled class, at VENDOR's location, during the Term of this Agreement. If no regularly scheduled classes are conducted, then GTECH may request VENDOR to conduct one (1) class per year in which GTECH may schedule a maximum of six (6) students.

14. WARRANTIES

14.1 VENDOR Standards. VENDOR represents and warrants that all Products delivered to GTECH under this Agreement will comply with applicable U.L, CSA, CE, TUV and VDE standards and will comply with the applicable FCC rules for the type of Products involved, including type acceptance or certification where required. VENDOR will obtain and maintain at its own expense all applicable listings, certifications and approvals in VENDOR's name. VENDOR will provide all necessary information and assistance to GTECH with respect to listings, certifications and approvals that are required to be in GTECH's name.

14.2 Authority. VENDOR warrants that: (a) it has the right to enter into this Agreement; (b) all necessary actions, corporate and otherwise, have been taken to authorize the execution and delivery of this Agreement and the same is the valid and binding obligation of VENDOR; (c) all licenses, consents and approvals necessary to carry out all of the transactions contemplated in this Agreement have been obtained by VENDOR; and (d) VENDOR'S performance of this Agreement will not violate the terms of any license contract, note or other obligation to which VENDOR is a party.

14.3 Title; Infringement. VENDOR warrants that: (a) it has and shall pass to GTECH good title to the Products free and clear of all liens and encumbrances; (b) the Products do not infringe any patent, trademark or copyright or otherwise violate the rights of any third party; (c) no claim or action is pending or threatened against VENDOR or, to VENDOR's knowledge, against any licenser or supplier of VENDOR that would adversely affect the right of GTECH or any customer of GTECH to use the Products for their intended use.

14.4 Conformance; Defects. Unless otherwise specified in Attachment 1, VENDOR warrants that the Products will: (a) be new; (b) conform to the Specification; (c) be free from defects in materials and workmanship for a period of twenty-seven (27) months from shipment to GTECH. Upon written notice from GTECH of a Product or part that fails to meet the foregoing warranty, VENDOR will promptly repair or replace such Products within five (5) calendar days of receipt by VENDOR of the failed or non-conforming Products or spare parts.

14.5 Freight Costs on Repairs. All Products returned to VENDOR for repair under warranty shall be shipped to VENDOR by standard ground service, *.

14.6 Freight Charges on Non-Warranty Repairs. Freight charges directly associated with the repair of non-warranty products and/or spare parts shall be borne by GTECH.

14.7 Warranty Terms. VENDOR shall detail all pertinent information upon production release in Attachment 4.

15. TOOLING

15.1 Any tooling purchased by GTECH for the manufacture of the Products ("Tooling"), whether kept at GTECH's, VENDOR's or VENDOR's vendor's premises shall remain the property of GTECH for GTECH's exclusive use. The Tooling purchased by GTECH and used by VENDOR in the manufacture of the Products shall be stored and maintained by VENDOR but may be removed from the VENDOR's location at any time by GTECH, without notice, and at no additional

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cost to GTECH. VENDOR shall take such steps to protect GTECH's title to the Tooling as GTECH may reasonably request. At a minimum, VENDOR shall cause a sign to be affixed to such tooling stating "Property of GTECH Corporation". VENDOR will immediately notify GTECH of any change in the location of the tooling.

16. FORCE MAJEURE

For the purposes of this Agreement, a "Force Majeure" shall mean an event or effect that cannot be reasonably anticipated or controlled, including but not limited to an action of the elements, or any other cause which, by the exercise of reasonable diligence, said Party is unable to prevent. Neither GTECH nor VENDOR shall be liable to the other for any delay in or failure of performance under this Agreement due to a "Force Majeure" occurrence provided that the Party claiming Force Majeure notifies the other in writing within five (5) calendar days of the commencement of the codition preventing its performance and its intent to rely theron to extend the time for its performance of this Agreement.

17. CONFIDENTIALITY

VENDOR acknowledges and agrees that all documents, data, software or information in any form which are provided by GTECH (hereinafter "Confidential Information") is the property of GTECH. VENDOR will receive and maintain all Confidential Information in the strictest confidence and, except as provided herein, shall not use Confidential Information for its own benefit or disclose it or otherwise make it available to third parties without the prior written consent of GTECH. VENDOR agrees to limit the use of Confidential Information to only those of its employees who need the Confidential Information for the purpose of this Agreement and to advise all of its employees of GTECH's rights in the Confidential Information. Nothing in this Agreement shall be construed as granting or conferring any rights by license or otherwise in any Confidential Information, trademarks, patents or copyrights of GTECH, except for the limited purposes of VENDOR's performance hereunder. Confidential Information does not include information which is: (a) in the public domain; (b) already known to the Party to whom it is disclosed (hereinafter "Recipient") at the time of such disclosure; (c) subsequently received by Recipient in good faith from a third party having prior right to make such subsequent disclosure; (d) independently developed by Recipient without use of the information disclosed pursuant to this Agreement; or (e) approved in writing for unrestricted release or unrestricted disclosure by the Party owning or disclosing the information (hereinafter "Discloser"). In the event either VENDOR is required or legally compelled to disclose any of the Confidential Information as a result f a legal process or pursuant to governmental action, the VENDOR shall give prompt written notice to GTECH so that GTECH may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. At the request of a Discloser, and in any event upon the expiration or other termination of this Agreement, each Recipient shall promptly deliver to Discloser all products, components and equipment provided by Discloser as well as all records or other things in any media containing or embodying Discloser's Confidential Information within its possession or control which were delivered or made available to each Recipient during or in connection with this Agreement, including any copies thereof.

18. PUBLIC ANNOUNCEMENTS

VENDOR agrees not to make any public announcements regarding this Agreement or to disclose any of the terms and conditions hereof to any third party without prior written consent of GTECH.

19. NOTICES

All notices required or contemplated by this Agreement shall be deemed effective if written and delivered in person or if sent by registered mail, return receipt requested, to GTECH at the address shown above to the attention of GTECH's Representative or to VENDOR at the address shown above to the attention of VENDOR's Representative; or such other persons or addresses as may hereafter be designated by the respective Parties. A copy of all Notices sent to GTECH shall be addressed to the Office of General Counsel at the address shown above.

20. ASSIGNMENT

This Agreement and the disclosure of Confidential Information hereunder are made in reliance upon VENDOR's reputation, skill and expertise. VENDOR agrees not to assign this Agreement or any right or obligation hereunder without the prior written consent of GTECH in each instance. Any attempted assignment shall be void. This covenant not to assign without consent shall include assignments to parents or subsidiaries of VENDOR or any transfer of a majority interest in VENDOR. The consent by GTECH to any assignment shall not constitute a waiver of the need for consents for any further assignments. GTECH may not unreasonably withhold consent to an assignment, and shall restrict its basis for withholding consent to the proposed assignee's status as a competitor to GTECH, an entity of inferior financial status to VENDOR or an entity whose business practices are such that the likelihood of breach is increased.

GTECH may assign its rights and/or obligations hereunder, in whole or in part, to any parent or subsidiary corporation, or any affiliate, without the consent of, but upon notice to, VENDOR.

21. TERM AND TERMINATION

21.1 Term. This Agreement will commence on the 28th day of June 2002 ("Effective Date"), and shall continue for five (5) years ("Term") unless terminated earlier as provided in this Agreement. Unless either Party notifies the other in writing at least ninety (90) calendar days before the end of the Term of its intent to terminate this Agreement at the end of the Term, this Agreement will be extended automatically and will continue in effect without any volume commitment until terminated by either Party on ninety (90) calendar days prior written notice. Unless otherwise agreed in writing, the prices for the Products during any such extension shall be the same prices in effect at the end of the Term.

21.2 Termination by GTECH. GTECH may terminate this Agreement at any time if (a)

*; (b) VENDOR, or VENDOR's parent or a wholly owned subsidiary of VENDOR, is the subject of trade sanctions by the United States government, or any other government, or quasi-governmental agency which materially affects GTECH's ability to sell, lease, or maintain the Product; (c) VENDOR attempts to assign this Agreement or any obligation hereunder without GTECH's consent; (d) any assignment is made of VENDOR's business for the benefit of creditors, or if a petition in bankruptcy is filed by or against VENDOR and is not dismissed within ninety (90) calendar days, or if a receiver or similar officer is appointed to take charge of all or part of VENDOR's property, or if VENDOR is adjudicated a bankrupt; or (e) the Products are infringing and the VENDOR is unable to procure a right for GTECH to continue to use the Products as set forth in Section 11 hereof.

21.3 Termination by VENDOR. VENDOR may terminate this Agreement if: (a) GTECH fails to perform any of its obligations hereunder and such condition has not been cured within thirty (30) calendar days of written notice thereof by VENDOR; provided that, VENDOR may not terminate this Agreement for reason of non-payment by GTECH of any disputed amounts, or (b) if any assignment is made of GTECH's business for the benefit of creditors; or, (c) if a petition in bankruptcy is filed by or against GTECH and is not dismissed within ninety (90) calendar days, or if a receiver or similar officer is appointed to take charge of all or part of GTECH's property, or if GTECH is adjudicated a bankrupt.

21.4 Obligations of Termination. Upon expiration or termination ofthis Agreement for any reason, VENDOR shall promptly deliver to GTECH all tools, equipment, software documentation and other materials furnished to VENDOR by GTECH hereunder. VENDOR's obligations under Sections 2, 8, 9, 10, 11, 12, 14, 17, 18, 20, 21 and 24 hereof shall survive expiration or earlier termination of this Agreement or its extensions regardless of the manner of termination.

22. CONFLICTING PROVISIONS

In the event of a conflict between the terms and conditions of this Agreement and the terms and conditions of any Purchase Order, typewritten terms added by GTECH on a Purchase Order shall control the terms and conditions of this Agreement, and the terms and conditions of this Agreement shall control the printed terms and conditions on any Purchase Order. Typewritten terms added by GTECH on any individual purchase order shall apply only to the Products and/or Service ordered under such individual Purchase Order. The terms and conditions of this Agreement and, if applicable, the typewritten terms and conditions added by GTECH on any Purchase Order shall prevail over any inconsistent terms and conditions contained in any VENDOR acknowledgment or invoice.

Notwithstanding any permitted assignment, VENDOR shall remain responsible for the full performance of all of the terms and conditions of this Agreement.

23. MANUFACTURING RIGHTS Attachment 7 will govern Manufacturing Rights.

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24. MISCELLANEOUS

This Agreement and Attachments and Purchase Orders issued and accepted hereunder set forth the entire understanding of the Parties with respect to the Products and merges all prior written and oral communications relating thereto. It can be modified or amended only in a writing signed by a duly authorized representative of each Party. Section headings are provided for the convenience of reference only and shall not be construed otherwise.

No failure to exercise, or delay in exercising, on the part of either Party, any right, power or privilege hereunder shall operate as a waiver thereof, or will any single or partial exercise of any right, power or privilege hereunder preclude the further exercise of the same right or the exercise of any other right hereunder.

This Agreement is made pursuant to and shall be governed by the laws of the State of Rhode Island, without regard to its rules regarding conflict of laws. The Parties agree that the courts of the State of Rhode Island, and the Federal Courts located therein, shall have exclusive jurisdiction over all matters arising from this Agreement.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE EXECUTED THIS AGREEMENT ON THE DATES MENTIONED BELOW.

VENDOR	GTECH CORPORATION
By /s/ Bart C. Shuldman	By /s/ William Middlebrook
Print Bart C. Shuldman	Print William Middlebrook
Title Chairman, President and CEO	Title Vice President Technology Operations
Date July 2, 2002	Date July 2, 2002
By	By
Print	Print
Title	Title
Date	Date

Attachment 1

Product Specification
Thermal Printer GLP305/SA

53-0133-00 rev B

Attachment 2

Pricing

Unit Price for any quantity is $*

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Attachment 3

Spare Parts Pricing

VENDOR will provide GTECH with a complete spare parts list with prices within six (6) months of first production shipment. *.

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Attachment 4

Warranty information

ASSY THRM PTR GLP305SA RS232/RS485

VENDOR will provide GTECH with a flat rate price quotation for out of warranty printer repairs upon request, no earlier than six (6) months after first production shipments. The price for flat rate repair will not exceed $* per printer regardless of repair action.

GTECH Part Number	GLP305SA
GTECH Part description Vendor Part Number	 GLP305SA
Manufacturer	TransAct Technologies
Vendor Address	20 Bomax Drive Ithaca, NY 14850
Vendor repair location(s)	TransAct Technologies 20 Bomax Drive Ithaca, NY 14850
RMA Contact Person	Name - David Heiden Tel -607-257-8901 Fax - 607-257- 3911 Email dheiden@transact-tech
Manufacturer's Part Number	GLP305SA
Warranty	27 months from date of shipment from Transact
How to read manufacturer date code	On serial number plate, a letter followed two numbers. Letters A-L correspond to the months of the year (A = January, B= February etc.) numerals are for the year (02 = 2002, 03 = 2003 etc.). Warranty status is determined by serial number.
Out of Warranty repair cost	To be quoted by VENDOR as noted above
Turn-around time for repair	Twenty (20) calendar days from receipt of Product
Procedure for requesting an RMA and returning the material for repair or replacement	Call, email or fax RMA request to Ithaca Tech Support. GTECH contact should be prepared with printer serial number and an explanation of the problem.

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Attachment 5

General Packaging Specifications

The shipping container shall be designed to meet GTECH packaging specification 96-0321-01

Attachment 6

Tooling

There is no GTECH owned tooling in this Product.

Attachment 7

Manufacturing Rights

1. Manufacturing Documentation Package. * of placement of GTECH's first Purchase Order for production volume of Products, VENDOR agrees to deliver to GTECH, or to a mutually agreed upon escrow agent, all of the documentation and other information used by VENDOR and required to manufacture, test, maintain and support the Products (herein, the "Manufacturing Package") including, without limitation, the full and complete schematic diagrams, assembly drawings, structured Bills of Materials, printed circuit board artwork, parts and vendor lists, test specifications, assembly aids and software in both machine readable source and object forms. As a part of the Manufacturing Package, VENDOR also agrees to provide unrestricted access to and joint control of vendor toolings, agency approval files (FCC, UL, CSA, VDE, etc.), a complete description of any special tools, fixtures and test equipment that are required but are not readily available in the marketplace. Neither GTECH nor escrow agent will have any right to use the "Manufacturing Package" except as set forth in Section 3 below or as otherwise authorized by VENDOR.

2. Updates; Verification; Expenses. VENDOR agrees to update the "Manufacturing Package" as necessary to keep the package current with the latest version of the Products delivered to GTECH under this Agreement. If the "Manufacturing Package" is delivered to any person or entity other than GTECH, GTECH shall have the right to inspect the package to verify the contents of the "Manufacturing Package" and VENDOR's compliance with this Section. VENDOR will pay all costs and expenses of any kind associated with the preparation and maintenance of the "Manufacturing Package", as well as any fees of any person other than GTECH holding the "Manufacturing Package".

3. Right to Manufacture. If any one or more of the following events occurs, GTECH shall have the right, including the rights under any of the VENDOR's applicable patents and copyrights, to use the "Manufacturing Package" to manufacture or have manufactured the Products. When triggered by events under sections e.) or f.) below, GTECH shall have the right, including the rights under any of the VENDOR's applicable patents and copyrights, to use the "Manufacturing Package" to manufacture or have manufactured the Products for a period not to exceed one year from the occurrence of the triggering event.

a.) VENDOR ceases doing business as an entity or is finally adjudicated a bankrupt under Chapter 7 of the Bankruptcy Act or any similar or successor provision for the liquidation or dissolution of VENDOR;

b.) A petition in bankruptcy is filed by or against VENDOR and is not dismissed within ninety (90) calendar days thereafter or if a receiver, trustee in bankruptcy or similar officer is appointed to take charge of all or a substantial part of VENDOR's property;

c.) If GTECH has a commercially reasonable and documented basis for believing that

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VENDOR has become unable to materially perform the material provisions of this Agreement and VENDOR fails to provide GTECH commercially reasonable assurances of future performance * of GTECH's request for such assurances (which request will specify the assurances required);

d.) VENDOR assigns this Agreement in violation of Section 20 of this Agreement; or

e.) VENDOR has materially breached any material provision of this Agreement and failed to cure such breach * after receiving written notice of such breach from GTECH.

f.) VENDOR has materially failed to fulfill its delivery obligations, including but not limited to, repeated late deliveries. GTECH will notify VENDOR in writing that GTECH intends to exercize this clause. GTECH shall not have the right to manufacture pursuant to this clause if VENDOR, during * after receipt of notification, takes commercially reasonable steps to correct the recurrence of delivery problems to the reasonable satisfaction of GTECH.

Except as provided in this Section or as otherwise authorized by VENDOR, neither GTECH nor the escrow agent shall have any right to use the "Manufacturing Package" for any purpose and this Attachment 7 shall not be construed as a transfer or assignment of VENDOR's intellectual property rights, except as specifically necessary for the manufacture and sale of the Products under this Agreement.

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EXHIBIT 11.1

TRANSACT TECHNOLOGIES INCORPORATED
Computation of Earnings Per Share
(unaudited)

(In thousands, except per share data)	THREE MONTHS ENDED JUNE 30, 2002	THREE MONTHS ENDED JUNE 30, 2001	SIX MONTHS ENDED JUNE 30, 2002	SIX MONTHS ENDED JUNE 30, 2001
Net income (loss)	$ 289	$ (1,220)	$ 160	$(2.977)
Dividends and accretion on preferred stock	(89)	(89)	(89)	(179)
Net income (loss) available to common shareholders	$ 200	(1,309)	$ (19)	$(3,156)
Shares:				
Basic - Weighted average common shares outstanding	5,626	5,556	5,615	5,547
Dilutive effect of outstanding options and warrants as determined by the treasury stock method	--	--	--	--
Dilutive - Weighted average common and common equivalent shares outstanding	5,626	5,556	5,615	5,547
Net income (loss) per common and common equivalent share:				
Basic	$ 0.04	$ (0.24)	$ 0.00	$ (0.57)
Diluted	$ 0.04	$ (0.24)	$ 0.00	$ (0.57)

EXHIBIT 99.1

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 June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Bart C. Shuldman, Chief Executive Officer of the Company, and Richard L. Cote, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-OxlEY Act of 2002, that to the best of our 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 result of operations of the Company.

/s/ Bart C. Shuldman
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Bart C. Shuldman
Chief Executive Officer
August 13, 2002

/s/ Richard L. Cote

Richard L. Cote
Chief Financial Officer
August 13, 2002