

SECURITIES AND EXCHANGE COMMISSION

Washington, DC. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2000

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)

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

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

NONE

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

COMMON STOCK, \$0.01 PAR VALUE-----
(Title of class)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 NoIndicate by check mark if disclosure of delinquent filers pursuant to Item 405
of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any other amendment
to this Form 10-K. []As of MARCH 16, 2001 the aggregate market value of the registrant's issued and
outstanding voting stock held by non-affiliates of the registrant was
\$22,100,000.As of MARCH 16, 2001 the registrant had outstanding 5,620,327 shares of common
stock, \$0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for the Annual Meeting of Shareholders to be held on May 23,
2001 - Part III.

GENERAL

TransAct Technologies Incorporated ("TransAct" or the "Company") designs, develops, manufactures and markets transaction-based printers and related products under the Ithaca(R), Magnetec(R) and TransAct.com brand names. The Company's printers are used worldwide to provide transaction records such as receipts, tickets, coupons, register journals and other documents. The Company focuses on five vertical markets: point-of-sale ("POS"), gaming and lottery, kiosk, financial services and Internet. The Company sells its products directly to end users, original equipment manufacturers ("OEMs"), value-added resellers ("VARs") and selected distributors, primarily in the United States, Canada, Europe and Latin America. TransAct has two operating facilities located in Wallingford, Connecticut and Ithaca, New York, five sales offices located in the United States, and one sales office and service depot in the United Kingdom.

ITEM 1. BUSINESS.

(A) GENERAL DEVELOPMENT OF BUSINESS

TransAct began operating as a stand-alone business in August 1996 to operate the printer business that was formerly conducted by certain subsidiaries of Tridex Corporation. TransAct completed an initial public offering on August 22, 1996. In April 1999, the Company formed and incorporated a new wholly-owned subsidiary, TransAct.Com. Through TransAct.com, the Company plans to explore leveraging its inkjet printing technology into the expanding online, e-commerce market.

On February 15, 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 will consolidate all manufacturing and engineering into its existing Ithaca, NY facility and close its Wallingford, CT facility by the end of 2001. Production is planned to continue at the Wallingford facility until the end of 2001, with individual product lines scheduled to move over the course of 2001. The closing of the Wallingford facility is expected to result in the termination of employment of approximately 70 employees.

(B) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

TransAct has assessed its operating and reportable segments and determined that it operates in one reportable segment, the design, development, manufacture and marketing of transaction-based printers and printer-related products.

(C) NARRATIVE DESCRIPTION OF BUSINESS

(i) PRINCIPAL PRODUCTS AND SERVICES

TransAct designs, develops, manufactures and markets a broad array of transaction-based printers utilizing dot matrix, thermal and inkjet printing technology for applications requiring up to 60 character columns in each of its five vertical markets: POS, gaming and lottery, kiosk, financial services and Internet. The Company's printers are configurable, which offer customers the ability to choose from a variety of features and functions. Options typically include PC board configuration, paper cutting devices, paper handling capacities and number of print stations. In addition to its configurable printers, TransAct manufactures custom printers for certain OEM customers. In collaboration with these customers, the Company provides engineering and manufacturing expertise for the design and development of specialized printers.

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

The Company provides customers with telephone sales and technical support, a personal account representative for orders, shipping and general information and expedited shipping for orders of its configurable and custom products. Technical and sales support personnel receive training in all of the Company's products and services manufactured at their facility. The Company's printers generally carry a one- or two-year limited warranty; extended warranties are available for purchase on selected printers to supplement the original warranty.

(ii) STATUS OF PRODUCT REQUIRING MATERIAL INVESTMENT
None.

(iii) SOURCES AND AVAILABILITY OF RAW MATERIALS

The principal materials used in manufacturing are copper wire, magnetic metals, injection molded plastic parts, formed metal parts and electronic components. Although the Company could experience temporary disruption if certain suppliers ceased doing business with the Company, the Company's requirements generally are available from a number of sources, except as described below.

Okidata, Division of Oki America, Inc. ("Okidata") is the sole supplier for a printer component kit consisting of a printhead, control board and carriage (the "Oki Kit"), which is used in all of the Company's Ithaca(R) brand impact printers. The loss of the supply of Oki Kits would have a material adverse effect on the Company. TransAct has a supply agreement with Okidata to provide Oki Kits until May 2001 at a fixed price through May 2001. The Company and Okidata are currently negotiating for future supplies and pricing. Hewlett-Packard Company ("HP") is the sole supplier of inkjet cartridges which are used in all of the Company's inkjet printers. The loss of the supply of HP inkjet cartridges would have a material adverse effect on the sale of the Company's inkjet printers. TransAct has a supply agreement with HP to purchase inkjet cartridges until June 1, 2001 at a fixed price. The Company and HP are currently negotiating for future supplies and pricing. TransAct believes its relations with Okidata and HP are good and has received no indication that either of the supply agreements will not be renewed beyond the respective expiration dates of the current contracts. TransAct cannot be certain, however, that either of the supply agreements will be renewed, or if renewed, that the terms will be as favorable as those under the current contracts.

(iv) PATENTS AND PROPRIETARY INFORMATION

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

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

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

(vii) CERTAIN CUSTOMERS

The Company has an OEM purchase agreement with GTECH Corporation ("GTECH") to provide on-line lottery printers and spare parts, at prices to be negotiated, through July 2004. Firm purchase orders for printers may be placed annually by GTECH. For 2001, the Company has received an order for approximately \$14,000,000 for delivery between May and December 2001. The Company also sells printers to GTECH for use in lottery terminals at grocery check-out lanes ("in-lane lottery printers"). Sales to GTECH accounted for approximately 22.1% and 31.8% of net sales in 2000 and 1998, respectively. The Company made no on-line lottery printer shipments to GTECH during 1999. The Company also provides printers to ICL Pathway for use in the British Post Office. During 2000, sales to ICL Pathway accounted for approximately 20.2% of net sales. The Company completed shipping printers to ICL Pathway for use in the British Post Office in February 2001 and no further shipments are expected. The Company had no sales to any one customer greater than 10% of net sales in 1999.

(viii) BACKLOG

The Company's backlog of firm orders was approximately \$18,100,000 as of March 16, 2001 and \$19,900,000 as of March 17, 2000. Based on customers' current delivery requirements, TransAct expects to fill its current backlog of approximately \$18,100,000 during 2001.

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

None.

(x) COMPETITION

The market for transaction-based printers is extremely competitive, and the Company expects such competition to intensify in the future. The Company competes with a number of companies, many of which have greater financial, technical and marketing resources than the Company. TransAct believes its ability to compete successfully depends on a number of factors both within and outside its control, including durability, reliability, quality, design capability, product customization, price, customer support, success in developing new products, manufacturing expertise and capacity, supply of component parts and materials, strategic relationships with suppliers, the timing of new product introductions by the Company and its competitors, general market and economic conditions and, in some cases, the uniqueness of its products.

Three of the Company's competitors, Epson America, Inc., Axiohm Transaction Solutions and Star Micronics America, Inc. together control approximately 70% of the United States market for POS printers, a market in which the Company's strategy calls for increased market share. Another principal competitor in the POS market is Citizen -- CBM America Corporation. Certain competitors of the Company have greater financial resources, lower costs attributable to higher volume production and off-shore manufacturing locations, and offer lower prices than the Company from time to time.

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

The Company's strategy for competing in its markets is to continue to develop new products and product line extensions, to increase its geographic market penetration, and to take advantage of strategic relationships. The Company expects to particularly focus on gaining market acceptance for its new family of printers utilizing Hewlett Packard's inkjet printing technology. Although the Company believes that its products, operations and relationships provide a competitive foundation, there can be no assurance that the Company will compete successfully in the future.

(xi) RESEARCH AND DEVELOPMENT ACTIVITIES

The Company spent approximately \$3,481,000, \$3,235,000 and \$3,642,000 in 2000, 1999 and 1998, respectively, on engineering, design and product development efforts in connection with specialized engineering and design to introduce new products and to customize existing products. During 2001, the Company expects to focus the majority of its research and development activities on the development of (1) a family of printers for the POS market utilizing Hewlett Packard's inkjet printing technology and (2) new voucher-issuing printers for use in the casino market.

(xii) ENVIRONMENT

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

(xiii) EMPLOYEES

As of March 16, 2001, TransAct Technologies and its subsidiaries employed 205 persons, of whom 190 were full-time and 15 were temporary employees. None of the Company's employees is unionized and the Company considers its relationships with its employees to be good.

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

The Company has foreign operations primarily from TransAct Technologies Ltd., a wholly-owned subsidiary located in the United Kingdom, which had sales to its customers of \$11,164,000, \$700,000 and \$4,990,000 in 2000, 1999 and 1998, respectively. The Company had export sales to its customers from its domestic operations of approximately \$5,156,000, \$7,807,000, and \$3,396,000 in 2000, 1999 and 1998, respectively.

(E) EXECUTIVE OFFICERS OF THE REGISTRANT AS OF DECEMBER 31, 2000

Name ----	Age ---	Position -----
Thomas R. Schwarz	64	Chairman of the Board
Bart C. Shuldman	43	President, Chief Executive Officer and Director
Richard L. Cote	59	Executive Vice President, Chief Financial Officer, Treasurer, Secretary and Director
Mark B. Goebel	46	Senior Vice President - General Manger (Wallingford, CT facility)
Michael S. Kumpf	51	Senior Vice President - Engineering
Lucy H. Staley	50	Senior Vice President - General Manager (Ithaca, NY facility)
James B. Stetson	43	Senior Vice President - Sales
Catherine J. Dawson	33	Vice President - Marketing
Steven A. DeMartino	31	Vice President and Corporate Controller

THOMAS R. SCHWARZ, Chairman of the Board, has been a Director of the Company since its formation in June 1996. Mr. Schwarz was Chairman and Chief Executive Officer of Grossman's Inc., a retailer of building materials, from 1990 until his retirement in 1994. Mr. Schwarz is a Director of Tridex, Foilmark, Inc., Tanaka Growth Fund, Lebhar-Friedman Publishing Company and Yorkshire Global Restaurants. In February 2001, Mr. Schwarz resigned from his position as Chairman of the Board, but remains a director of the Company.

BART C. SHULDMAN has been Chief Executive Officer, President and a Director of the Company since its formation in June 1996. Previously, Mr. Shuldman served as President of Magnetec and later the combined operations of Magnetec and Ithaca from August 1993 until June 1996. In February 2001, Mr. Shuldman was elected Chairman of the Board.

RICHARD L. COTE has been Executive Vice President, Chief Financial Officer, Treasurer, Secretary and a Director of the Company since its formation in June 1996. Prior thereto, he served as Senior Vice President and Chief Financial Officer of Tridex from September 1993 to June 1996.

MARK B. GOEBEL, Senior Vice President - General Manager (Wallingford, CT facility), joined TransAct in November 1993 as Engineering Manager. From April 1994, Mr. Goebel served as Vice President-Engineering until he was appointed Senior Vice President of Engineering of Wallingford, and an officer of the Company, in January 2000. In November 2000, Mr. Goebel was named Senior Vice President - General Manager of the Wallingford, CT facility.

MICHAEL S. KUMPF, Senior Vice President-Engineering since June 1996, served as Vice President of Engineering of Ithaca from 1991 until June 1996.

LUCY H. STALEY, Senior Vice President-General Manager (Ithaca, NY facility) since June 1996, served as a Vice President of Ithaca from 1984 until June 1996.

JAMES B. STETSON was appointed Senior Vice President of Worldwide Sales of the Company in February 2000, and served as Vice President of Sales, Latin America from October 1997 to February 2000. Prior to joining TransAct, Mr. Stetson served as Vice President and Sales Manager at Gekay Sales and Service Company from 1995 until October 1997.

CATHERINE J. DAWSON joined TransAct in June 1998 as Vice President of Marketing, and was appointed an officer of the Company on January 1, 2000. Prior to joining TransAct, Ms. Dawson served as Product Marketing Manager for the visual systems division of 3M Corporation from March 1996 to March 1998, and as a Senior Marketing Analyst from June 1994 to March 1996.

STEVEN A. DEMARTINO joined TransAct as Corporate Controller in August 1996 and was appointed an officer of the Company in January 1998 and Vice President in December 1999. Prior to joining TransAct, Mr. DeMartino was a self-employed financial consultant from May 1996 to August 1996. Prior thereto, Mr. DeMartino, served as Controller of NER/Copart, Inc. from September 1994 to May 1996.

ITEM 2. PROPERTIES.

The Company's operations are currently conducted at the facilities described below. 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 will consolidate all manufacturing and engineering into its existing Ithaca, NY facility and close its Wallingford, CT facility by the end of 2001. The Company expects to be able to sublease the Wallingford facility for the remaining term of the lease, however there can be no assurance that the Company will be successful in doing so.

Location	Operations Conducted	Size (Approx. Sq. Ft.)	Owned or Leased	Lease Expiration Date
Wallingford, Connecticut	Manufacturing facility and executive offices	49,000	Leased	March 31, 2008
Ithaca, New York	Manufacturing facility	59,000	Leased	June 30, 2007
Doncaster, United Kingdom	Sales office and service depot	2,800	Leased	August 1, 2009
Georgia, Florida, Illinois, New York and Texas	Five (5) regional sales offices	600	Leased	Various

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

ITEM 3. LEGAL PROCEEDINGS.

None.

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

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

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock is traded on the Nasdaq National Market under the symbol TACT. As of March 16, 2001, there were 896 holders of record of the common stock. The high and low sales prices of the common stock reported during each quarter of the years ended December 31, 2000 and 1999 were as follows:

	Year Ended December 31, 2000		Year Ended December 31, 1999	
	High ----	Low ---	High ----	Low ---
First Quarter	\$10.25	\$6.03	\$3.63	\$2.56
Second Quarter	11.38	8.00	6.81	2.75
Third Quarter	11.50	5.75	8.00	5.50
Fourth Quarter	8.25	3.88	9.06	5.25

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

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

Because the Company was wholly-owned by Tridex until August 22, 1996, the Selected Financial Data which appear below with respect to the year ended December 31, 1996 may not necessarily reflect the results of operations or financial position of the Company or what the results of operations would have been if the Company had been a stand alone entity during 1996.

	Year Ended December 31,				
	2000 ----	1999 ----	1998 ----	1997 ----	1996 ----
Statement of Operations Data:					
Net sales	\$53,720	\$44,889	\$52,239	\$58,400	\$42,134
Gross profit	14,142	11,754	13,826	18,173	13,933
Operating income (loss)	(154)	35	2,148	7,831	5,233
Net income (loss)	(344)	324	1,206	4,893	3,340
Net income (loss) available to common shareholders	(664)	324	1,206	4,893	3,340
Net income (loss) per share (pro forma for 1996):					
Basic	(0.12)	0.06	0.20	0.72	0.57
Diluted	(0.12)	0.06	0.20	0.71	0.57
	December 31,				
	2000 ----	1999 ----	1998 ----	1997 ----	1996 ----
Balance Sheet Data:					
Total assets	\$27,619	\$25,684	\$23,788	\$24,699	\$20,784
Long-term debt	5,944	7,100	5,075	-	-
Shareholders' equity:					
Preferred	3,668	-	-	-	-
Common	12,191	12,207	12,177	17,903	14,407

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

This discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto.

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 into the marketplace by competitors; successful product development; dependence on significant customers; dependence on third parties for sales in Europe and Latin America; economic conditions in the United States, Europe and Latin America; marketplace acceptance of new products; risks associated with foreign operations; the Company's ability to successfully consolidate its operations into its Ithaca, NY facility; availability of third-party components at reasonable prices; and the absence of price wars or other significant pricing pressures affecting the Company's products in the United States or abroad. Actual results may differ materially from those discussed in, or implied by, the forward-looking statements.

PLANT CONSOLIDATION DURING 2001

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 will consolidate all manufacturing and engineering into its existing Ithaca, NY facility and close its Wallingford, CT facility by the end of 2001 (the "Consolidation"). The Company's technology shift to inkjet and thermal printing from dot matrix impact printing has dramatically reduced the labor content in printers, and therefore, lowers the required production capacity. Production is planned to continue at the Wallingford facility until the end of 2001, with individual product lines scheduled to move over the course of 2001. The Company estimates that the non-recurring costs associated with the Consolidation, including severance pay, employee benefits, moving expenses, non-cancelable lease payments and other costs, will be in the \$3.0 to \$3.5 million range and will be recognized during 2001. The Company expects the Consolidation will provide approximately \$4.0 million in annual cost savings, compared to 2000, beginning in 2002. See the "Liquidity and Capital Resources" section for a discussion of the expected impact of the Consolidation on the Company's future cash flows.

(A) RESULTS OF OPERATIONS

(i) YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

NET SALES. Net sales by market for the years ended December 31, 2000 and 1999 were as follows:

(In thousands)	Year ended December 31, 2000		Year ended December 31, 1999	
	-----		-----	
Point of sale	\$29,396	54.7%	\$26,653	59.4%
Gaming and lottery	19,298	35.9	8,782	19.5
Other	5,026	9.4	9,454	21.1
	-----		-----	
	\$53,720	100.0%	\$44,889	100.0%
	=====	=====	=====	=====

Net sales for the year ended December 31, 2000 increased \$8,831,000, or 20%, to \$53,720,000 from \$44,889,000 in 1999 due to increased shipments into the POS and gaming and lottery markets, partially offset by a decrease in sales in the Company's other markets. International sales increased to \$16,320,000, or 30.4% of net sales in 2000, from \$8,507,000, or 19.0% of net sales in 1999.

Point of sale: Sales of the Company's POS printers increased \$2,743,000, or 10%. International POS printer shipments increased approximately \$9,387,000 due to the resumption of printer shipments to ICL Pathway for the British Post Office project. Shipments of printers for this project totaled approximately \$10,700,000 in 2000. The Company did not make any printer shipments related to this project in 1999. The Company completed shipping printers for the British Post Office project in February 2001 and no further shipments are expected. While the Company expects to replace sales for the British Post Office project with sales of other POS and gaming and lottery printers in 2001, if the Company is unable to do so, the absence of such sales would have a material adverse impact on the Company's operations and financial results during 2001. The increase in international shipments for the British Post Office project was offset by a net decrease of approximately \$1,300,000 of printer shipments to other customers primarily in Europe and Latin America.

Domestic POS printer shipments decreased by approximately \$6,644,000, due primarily to continued softness in demand from the Company's domestic distributors.

Gaming and lottery: Sales of the Company's gaming and lottery printers increased \$10,516,000, or 120%, from 1999. This net increase resulted from a number of factors. The primary effect on the revenue in this market during 2000 was the resumption of shipments to GTECH of the Company's on-line lottery printers, that totaled \$11,400,000 compared to no on-line lottery printer shipments during 1999. In addition, the Company's new slot machine printer added approximately \$2,800,000 to revenue in 2000. The new slot machine printer is primarily for use in Indian casinos in California and casinos in Nevada. The Company expects sales of its slot machine printers to grow significantly in 2001.

Offsetting the sales increases noted above was a decrease of approximately \$2,400,000 in shipments of printers for use in video lottery terminals (VLTs), primarily due to the absence in 2000 of sales into the South Carolina market, which banned VLTs in October 1999. The absence of VLT printer sales for the South Carolina market was partially offset by increased sales of these printers into other jurisdictions. Also, sales of in-lane lottery printers to GTECH did not recur in 2000, resulting in a decrease in sales of \$1,100,000. Sales of in-lane lottery printers are project-oriented and the Company cannot predict if and when future sales may occur.

The Company received an order from GTECH in January 2001 approximating \$14,000,000 for additional on-line lottery printers which will be delivered from May to December 2001.

Other: Sales of the Company's printers into other markets decreased \$4,428,000, or 47% from 1999 due to decreased shipments of printers used in automated teller machines, decreased shipments of printers for use in bank teller applications, and the absence of shipments of the Company's thermal kiosk printers for use in a Canadian government application.

GROSS PROFIT. Gross profit increased \$2,388,000, or 20%, to \$14,142,000 from \$11,754,000 in 1999 due primarily to higher sales volume in 2000. The gross margin remained essentially the same at 26.3% in 2000 compared to 26.2% in 1999. The Company expects its gross margin in 2001, before the impact of the Consolidation, to remain relatively consistent with 2000.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses increased \$246,000, or 8%, to \$3,481,000 from \$3,235,000 in 1999. The increase in spending was primarily due to increased development and design expenses related to inkjet printers, including additional engineering staff. These expenses decreased as a percentage of net sales to 6.5% from 7.2%, due to higher sales in 2000 compared to 1999. The Company expects its engineering, design and product development expenses to decrease slightly during 2001, as the Company reduces engineering activity at the Wallingford, CT facility in preparation for its closing on December 31, 2001.

SELLING AND MARKETING. Selling and marketing expenses increased \$1,199,000, or 31%, to \$5,086,000 from \$3,887,000 in 1999, and increased as a percentage of net sales to 9.5% from 8.7% in 1999. Such expenses increased by approximately \$1,400,000 due primarily to marketing and promotional activities related to the launch of the Company's new family of printers utilizing inkjet printing technology in April 2000, including additional marketing staff. This increase was somewhat offset by lower sales commissions resulting from a decrease in sales eligible for commissions in 2000 compared to 1999. The Company expects that selling and marketing expenses for 2001 will be relatively consistent with those of 2000, as the Company plans to continue a similar level of marketing and promotional activities to support the existing inkjet product, as well as a new inkjet printer expected to be introduced during 2001.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased by \$943,000, or 21% to \$5,540,000 in 2000 from \$4,597,000 in 1999, and increased slightly as a percentage of net sales to 10.3% from 10.2%. The increase primarily resulted from (1) higher expenses resulting from the Company's upgrade of its telecommunications system, (2) an increase in administrative compensation-related expenses and (3) higher professional expenses.

PROVISION FOR RESTRUCTURING. During the year ended December 31, 2000, the Company recorded a provision for restructuring of \$189,000 to cover severance costs related to the downsizing at the Company's manufacturing facility in Wallingford, Connecticut. At December 31, 2000, approximately \$105,000 of restructuring expenses remained accrued.

OPERATING INCOME (LOSS). The Company incurred an operating loss of \$154,000 in 2000 compared to operating income of \$35,000 in 1999. The operating loss was primarily the result of higher operating expenses, including planned marketing and product development expenses related to the launch of the Company's new inkjet printer, higher general and administrative expenses, and the restructuring provision recorded in 2000.

OTHER INCOME. In 1999, the Company recorded a one-time pre-tax gain of \$770,000 related to the favorable settlement of a lawsuit with GTECH.

INTEREST. Net interest expense increased to \$649,000 from \$399,000 in 1999 due to increased average outstanding borrowings on the Company's line of credit and a higher average borrowing rate in 2000 compared to 1999. See "Liquidity and Capital Resources" below.

INCOME TAXES. As a result of the Company's loss before income taxes in 2000, the Company recorded an income tax benefit of \$448,000, or an effective rate of 56.6%, compared to an income tax provision of \$102,000 in 1999, or an effective rate of 24%. The abnormally high effective tax benefit rate in 2000 and the low effective tax rate in 1999 are primarily due to the recognition of certain tax credits and the benefit from the Company's foreign sales corporation on relatively low pre-tax amounts.

NET INCOME (LOSS). The Company incurred a net loss of \$344,000 for 2000, or \$0.12 per share (basic and diluted), after giving effect to \$264,000 of dividends and accretion charges and a one-time beneficial conversion charge of approximately \$56,000 on preferred stock issued in April of 2000. This compares to net income of \$324,000, or \$0.06 per share (basic and diluted) in 1999. In 2001, dividends and accretion charges on preferred stock will be \$360,000, before the effect of any conversion or redemption of the preferred stock.

(ii) YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

NET SALES. Net sales by market for the years ended December 31, 1999 and 1998 were as follows:

(In thousands)	Year ended December 31, 1999 -----		Year ended December 31, 1998 -----	
Point of sale	\$26,653	59.4%	\$27,778	53.2%
Gaming and lottery	8,782	19.5	20,113	38.5
Other	9,454	21.1	4,348	8.3
	-----	-----	-----	-----
	\$44,889	100.0%	\$52,239	100.0%
	=====	=====	=====	=====

Net sales for the year ended December 31, 1999 decreased \$7,350,000, or 14%, to \$44,889,000 from \$52,239,000 in 1998 due to decreased shipments into the POS and gaming and lottery markets, partially offset by an increase in the Company's other markets.

Point of sale: Sales of the Company's POS printers decreased approximately \$1,125,000, or 4%. International POS printer shipments decreased approximately \$1,660,000 due largely to the absence of printer shipments for the British Post Office project. Shipments for this project totaled approximately \$4,600,000 in 1998. The absence of printer shipments for the British Post Office project was largely offset by increased printer shipments to Europe and Latin America through the Company's distribution partner, Okidata. Domestic POS printer shipments increased by approximately \$535,000 due largely to increased domestic demand for the Company's POS printers in the third quarter of 1999, particularly its thermal receipt printer.

Gaming and lottery: Sales of the Company's gaming and lottery printers decreased approximately \$11,331,000, or 56%, from 1998. The overall decrease primarily reflects a decrease of approximately \$15,800,000 in shipments of the Company's on-line lottery printers and spare parts to GTECH. The Company did not make any shipments of on-line lottery printers, other than spares, to GTECH in 1999. The decrease in sales of printers for use in on-line lottery terminals was largely offset by (1) an increase of approximately \$300,000 of sales of in-lane and other lottery printers to GTECH and (2) an increase of approximately \$3,900,000 in shipments of printers for use in VLTs, primarily for use in South Carolina's video poker industry. During 1998, shipments of VLT printers were significantly lower due to uncertainty in South Carolina's video poker industry concerning the industry's continued future in the state. In October 1999, the Supreme Court of South Carolina upheld legislation to prohibit the use of video poker machines beginning July 1, 2000.

Other: Sales of the Company's printers into other markets increased \$5,106,000, or 117% from 1998 due largely to increased shipments of printers (approximately \$2,400,000) used in automated teller machines. Additionally, sales into the Company's other markets increased due to shipments of printers to a new customer for use in a bank teller application and resumed shipments of approximately \$1,400,000 of the Company's thermal kiosk printers for use in a Canadian government application. No shipments of these kiosk printers were made in 1998.

GROSS PROFIT. Gross profit decreased \$2,072,000, or 15%, to \$11,754,000 from \$13,826,000 in 1998 due primarily to lower sales volume in 1999 compared to 1998. The gross margin slightly declined to 26.2% from 26.5%.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses decreased \$407,000, or 11%, to \$3,235,000 from \$3,642,000 in 1998. This decrease is primarily due to (1) a reduction in engineering staff resulting from the downsizing and reorganization of the Company's manufacturing facility in Wallingford, Connecticut in December 1998 and (2) unusually high expenses related to development of certain of the Company's thermal printers in 1998. These reductions were somewhat offset by increased product development and design expenses, primarily for new products in the POS market, including expenses related to the development of printers utilizing inkjet printing technology. Engineering and product development expenses increased as a percentage of net sales to 7.2% from 7.0%, due largely to lower sales in 1999 compared to 1998.

SELLING AND MARKETING. Selling and marketing expenses increased \$607,000, or 19%, to \$3,887,000 from \$3,280,000 in 1998, and increased as a percentage of net sales to 8.7% from 6.3%. Such expenses increased due primarily to (1) higher sales commissions resulting from an increase in sales eligible for commissions in 1999 compared to 1998 and (2) additional marketing staff related to the establishment of a corporate marketing department in the second half of 1998.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased \$141,000, or 3% to \$4,597,000 in 1999 from \$4,456,000 in 1998. The increase primarily resulted from higher depreciation expense largely from the purchase of new computer and telecommunications hardware and software, partially offset by a reduction in staff resulting from the downsizing and reorganization of the Company's manufacturing facility in Wallingford, CT in December 1998. General and administrative expenses increased as a percentage of net sales to 10.2% from 8.5%, primarily due to lower sales in 1999 compared to 1998.

PROVISION FOR RESTRUCTURING. During the year ended December 31, 1998, the Company recorded a provision for restructuring of \$300,000 to cover severance costs related to the downsizing and reorganization of the Company's manufacturing facility in Wallingford, Connecticut.

OPERATING INCOME. Operating income decreased \$2,113,000 to \$35,000 from \$2,148,000 in 1998. Operating income as a percentage of net sales declined to 0.1% from 4.1%, due primarily to (1) less gross profit on lower sales volume, (2) increased selling and marketing expenses and (3) \$350,000 of nonrecurring costs related to the GTECH product line.

OTHER INCOME. Other income for the year ended December 31, 1999 includes a one-time gain of \$770,000 related to the favorable settlement of a lawsuit with GTECH.

INTEREST. Net interest expense increased to \$399,000 from \$353,000 in 1998 due to increased average outstanding borrowings on the Company's line of credit and a higher average borrowing rate in 1999 compared to 1998.

INCOME TAXES. The provision for income taxes for the year ended December 31, 1999 reflects an effective tax rate of 24% compared to 34% in the prior year. The significant decline in the Company's effective tax rate largely resulted from the amplified impact of the recognition of certain tax credits compared to a relatively low income before taxes in 1999.

NET INCOME. Net income for 1999 was \$324,000, or \$0.06 per share (basic and diluted), as compared to \$1,206,000, or \$0.20 per share (basic and diluted) in 1998.

(B) LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash from operations of \$333,000, \$2,033,000 and \$4,047,000 in 2000, 1999 and 1998, respectively. The decrease in cash generated from operations in 2000 compared to 1999 resulted largely from (1) higher receivables at December 31, 2000 and (2) funding of the Company's net loss in 2000. The Company's working capital increased to \$13,631,000 at December 31, 2000 from \$11,094,000 at December 31, 1999. The current ratio also increased to 3.54 to 1 at December 31, 2000 from 2.90 to 1 at December 31, 1999. Both the increase in working capital and the current ratio were largely due to (1) higher receivables at December 31, 2000 resulting from higher sales volume in the fourth quarter of 2000 compared to the fourth quarter of 1999 and (2) a higher cash balance at December 31, 2000.

On September 21, 2000, the Company entered into a two-year revolving credit facility (the "Webster Credit Facility") with Webster Bank ("Webster") expiring on September 21, 2002. The Webster Credit Facility replaced a previous credit facility with Fleet National Bank. Under the Webster Credit Facility, the Company may borrow up to \$12 million, based on certain financial criteria of the Company at the time of any borrowing, to fund working capital. Borrowings under the Webster Credit Facility bear a floating rate of interest at the higher of the "Prime Rate" as published in The Wall Street Journal or one-half of one percent (1/2%) over the federal funds rate (as defined in the Webster Credit Facility). Under certain circumstances, the Company may select a fixed interest rate for a specified period of up to 90 days on borrowings based on the current LIBOR rate (as adjusted as specified in the Webster Credit Facility) plus 2.5%, which may be reduced to 2.25% on July 1, 2001 if there is no Event of Default (as defined in the Webster Credit Facility). The Company will also pay a fee of three-eighths of one percent (3/8%) on unused borrowing capacity under the Webster Credit Facility. Borrowings under the Webster Credit Facility are secured by a lien on substantially all the assets of the Company. The Webster Credit facility also imposes certain financial covenants on the Company and restricts the payment of dividends on its common stock and the creation of other liens. The Company had \$5,944,000 of outstanding borrowings under this facility at December 31, 2000.

On February 27, 2001, the Company amended the Webster Credit Facility to (1) provide the Company with the ability to borrow up to \$1,500,000 in excess of the amount permitted under the Webster Credit Facility's borrowing base formula ("Permitted Over-Formula Borrowing") and (2) revise certain financial covenants. The Permitted Over-Formula Borrowing is effective from March 1, 2001 through August 31, 2001.

On April 7, 2000 the Company sold 4,000 shares of 7% Series B Cumulative Convertible Redeemable Preferred Stock (the "Preferred Stock") to Advance Capital Advisors, L.P. and its affiliate in consideration of \$1,000 per share (the "Stated Value"), for a total of \$4,000,000, less issuance costs of approximately \$200,000. The Preferred Stock is convertible at any time by the holders at a conversion price of \$9.00 per common share. In addition, the Company issued warrants pro-rata to the Preferred Stock holders to purchase an aggregate of 44,444 shares of the Company's common stock at an exercise price of \$9.00 per common share. The warrants, valued at \$175,000, are exercisable at any time until April 7, 2005. The Preferred Stock is subject to mandatory conversion into shares of the Company's common stock when such stock has traded at \$35 per share or more for a 30-day period ending on or after April 7, 2003, or for a 60-day period beginning on or after April 7, 2002. The Preferred Stock is redeemable at the option of the holders on or after April 7, 2005 at \$1,000 per share plus any unpaid dividends. On April 7, 2007, the Company has the right to require (1) redemption of the Preferred Stock at \$1,000 per share plus any unpaid dividends or (2) conversion of the Preferred Stock at \$9.00 per common share. Upon a change of control (which the Company does not believe probable), holders have the right to redeem the Preferred Stock for 200% of the Stated Value plus any unpaid dividends. The holders of the Preferred Stock have certain voting rights and are entitled to receive a cumulative annual dividend of \$70 per share, payable quarterly, and have preference to any other dividends, if any, paid by the Company.

The Company's capital expenditures were approximately \$2,415,000, \$2,742,000 and \$2,232,000 in 2000, 1999 and 1998, respectively. These expenditures primarily included new product tooling, computer equipment, and factory machinery and equipment. The Company's capital expenditures for 2001 are expected to be approximately \$2,000,000, a majority for new product tooling.

The Company estimates that the non-recurring costs associated with the Consolidation will be approximately \$3.0 to \$3.5 million, and will be recognized during 2001. Of these costs, approximately \$2.5 to \$3.0 million will require future cash outlays. The Company expects to pay approximately \$500,000 to \$800,000 in 2001 and the remainder in 2002.

The Company believes that cash flows generated from operations and borrowings available under the Webster Credit Facility, as necessary, will provide sufficient resources to meet the Company's working capital needs, including costs associated with the Consolidation, finance its capital expenditures and meet its liquidity requirements through December 31, 2001

(C) IMPACT OF INFLATION

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

INTEREST RATE RISK

The Company's exposure to market risk for changes in interest rates relates primarily to borrowings under the Company's Credit Facility with Webster Bank. 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 the Company's results of operations or cash flow.

FOREIGN CURRENCY EXCHANGE RISK

A substantial portion of the Company's sales are denominated in U.S. dollars and, as a result, the Company has 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 the Company's financial results in the future. The Company does 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 the Company's future results of operations or cash flow.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of TransAct Technologies Incorporated

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of TransAct Technologies Incorporated and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP
Hartford, Connecticut
February 27, 2001

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, 2000 ----	December 31, 1999 ----
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 992	\$ 279
Receivables, net (Note 4)	6,137	4,863
Inventories (Note 5)	9,857	10,257
Deferred tax assets	1,205	1,144
Other current assets	811	396
	-----	-----
Total current assets	19,002	16,939
	-----	-----
Fixed assets, net (Note 6)	6,794	6,705
Goodwill, net (Note 2)	1,678	1,886
Other assets	145	154
	-----	-----
	8,617	8,745
	-----	-----
	\$ 27,619	\$ 25,684
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Account payable	\$ 2,690	\$ 3,056
Accrued liabilities (Note 7)	2,681	2,789
	-----	-----
Total current liabilities	5,371	5,845
	-----	-----
Long-term debt (Note 9)	5,944	7,100
Other liabilities	445	532
	-----	-----
	6,389	7,632
	-----	-----
Commitments and contingencies (Note 10)		
Mandatorily redeemable preferred stock, Series B, 7% cumulative convertible, \$1,000 stated value, 8,000 shares authorized, 4,000 shares issued and outstanding (Note 15)	3,668	--
	-----	-----
Shareholders' equity (Notes 11 and 12):		
Preferred stock, Series A, \$0.01 par value, 5,000,000 authorized, none issued and outstanding	--	--
Common stock, \$0.01 par value; 20,000,000 authorized; 5,607,827 and 5,576,800 shares issued	56	56
Additional paid-in capital	6,069	5,656
Retained earnings	6,929	7,592
Unamortized restricted stock compensation	(477)	(747)
Loan receivable from officer	(330)	(330)
Accumulated other comprehensive income	(56)	(20)
	-----	-----
Total shareholders' equity	12,191	12,207
	-----	-----
	\$ 27,619	\$ 25,684
	=====	=====

See accompanying notes to consolidated financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,		
	2000	1999	1998
	----	----	----
Net sales	\$ 53,720	\$ 44,889	\$ 52,239
Cost of sales	39,578	33,135	38,413
	-----	-----	-----
Gross profit	14,142	11,754	13,826
	-----	-----	-----
Operating expenses:			
Engineering, design and product development expenses	3,481	3,235	3,642
Selling and marketing expenses	5,086	3,887	3,280
General and administrative expenses	5,540	4,597	4,456
Provision for restructuring (Note 15)	189	--	300
	-----	-----	-----
	14,296	11,719	11,678
	-----	-----	-----
Operating income (loss)	(154)	35	2,148
	-----	-----	-----
Other income (expense):			
Interest, net	(649)	(399)	(353)
Other, net (Note 15)	11	790	32
	-----	-----	-----
	(638)	391	(321)
	-----	-----	-----
Income (loss) before income taxes	(792)	426	1,827
Income tax provision (benefit) (Note 13)	(448)	102	621
	-----	-----	-----
Net income (loss)	(344)	324	1,206
Dividends and accretion charges on preferred stock (Note 15)	(320)	--	--
	-----	-----	-----
Net income (loss) available to common shareholders	\$ (664)	\$ 324	\$ 1,206
	=====	=====	=====
Net income (loss) per share:			
Basic	\$ (0.12)	\$ 0.06	\$ 0.20
	=====	=====	=====
Diluted	\$ (0.12)	\$ 0.06	\$ 0.20
	=====	=====	=====
Weighted average common shares outstanding:			
Basic	5,504	5,565	6,163
	=====	=====	=====
Diluted	5,504	5,614	6,170
	=====	=====	=====

See accompanying notes to consolidated financial statements.

TransAct Technologies Incorporated
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2000	1999	1998
	----	----	----
Cash flows from operating activities:			
Net income (loss)	\$ (344)	\$ 324	\$ 1,206
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	2,750	2,238	2,030
Deferred income taxes	(78)	(19)	(415)
Loss on disposal of equipment	--	11	8
Changes in operating assets and liabilities:			
Receivables	(1,274)	371	2,082
Inventories	400	(1,475)	(174)
Other current assets	(415)	158	173
Other assets	(162)	(100)	(134)
Accounts payable	(366)	858	(855)
Accrued liabilities and other liabilities	(178)	(333)	126
	-----	-----	-----
Net cash provided by operating activities	333	2,033	4,047
	-----	-----	-----
Cash flows from investing activities:			
Purchases of fixed assets	(2,415)	(2,742)	(2,232)
Loans to officers	15	(345)	--
Acquisition of Tridex Ribbon Business	--	(295)	--
Proceeds from sale of assets	217	--	3
	-----	-----	-----
Net cash used in investing activities	(2,183)	(3,382)	(2,229)
	-----	-----	-----
Cash flows from financing activities:			
Bank line of credit borrowings (repayments), net	(1,156)	1,300	5,500
Proceeds from option exercises	175	24	2
Net proceeds from issuance of preferred stock	3,785	--	--
Payment of cash dividends on preferred stock	(205)	--	--
Purchases of treasury stock	--	(229)	(7,170)
Tax benefit related to employee stock sales	--	--	3
	-----	-----	-----
Net cash provided by (used in) financing activities	2,599	1,095	(1,665)
	-----	-----	-----
Effect of exchange rate changes on cash	(36)	(13)	2
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	713	(267)	155
Cash and cash equivalents at beginning of period	279	546	391
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 992	\$ 279	\$ 546
	=====	=====	=====
Supplemental cash flow information:			
Interest paid	\$ 696	\$ 433	\$ 351
Income taxes paid	74	171	561

See accompanying notes to consolidated financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

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

	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings
	-----	-----	-----	-----
Balance, December 31, 1997	6,610,300	68	14,975	6,062
Issuance of restricted stock	25,000	--	228	--
Cancellation of restricted stock	(3,000)	--	(36)	--
Issuance of shares from exercise of stock options	200	--	2	--
Amortization of restricted stock compensation	--	--	--	--
Tax benefit related to employee stock sales	--	--	3	--
	-----	-----	-----	-----
Purchase of treasury shares	(1,003,000)	--	--	--
Retirement of treasury shares	--	(12)	(9,409)	--
Comprehensive income:				
Foreign currency translation adjustment	--	--	--	--
Net income	--	--	--	1,206
	-----	-----	-----	-----
Balance, December 31, 1998	5,629,500	56	5,763	7,268
Issuance of restricted stock	13,000	--	98	--
Issuance of shares from exercise of stock options	5,100	--	24	--
Amortization of restricted stock compensation	--	--	--	--
Purchase of treasury shares	(70,800)	--	--	--
Retirement of treasury shares	--	--	(229)	--
Issuance of loan to officer	--	--	--	--
Comprehensive income:				
Foreign currency translation adjustment	--	--	--	--
Net income	--	--	--	324
	-----	-----	-----	-----
Balance, December 31, 1999	5,576,800	56	5,656	7,592
Issuance of restricted stock	5,000	--	44	--
Cancellation of restricted stock	(3,800)	--	(36)	--
Issuance of shares from exercise of stock options	25,000	--	150	--
Issuance of shares from employee stock purchase plan	4,827	--	24	--
Amortization of restricted stock compensation	--	--	--	--
Issuance of preferred stock warrants	--	--	175	--
Deemed dividend on beneficial conversion of preferred stock	--	--	56	(56)
Dividends paid on preferred stock	--	--	--	(205)
Accretion of preferred stock warrants and issuance costs	--	--	--	(58)
Comprehensive income:				
Foreign currency translation adjustment	--	--	--	--
Net loss	--	--	--	(344)
	-----	-----	-----	-----
Balance, December 31, 2000	5,607,827	\$ 56	\$ 6,069	\$ 6,929
	=====	=====	=====	=====

	Unamortized Restricted Stock Compensation	Loan Receivable from Officer	Accumulated Other Comprehensive Income	Treasury Stock
	-----	-----	-----	-----
Balance, December 31, 1997	(942)	--	(9)	(2,251)
Issuance of restricted stock	(228)	--	--	--
Cancellation of restricted stock	36	--	--	--
Issuance of shares from exercise of stock options	--	--	--	--
Amortization of restricted stock compensation	231	--	--	--
Tax benefit related to				

employee stock sales	--	--	--	--
Purchase of treasury shares	--	--	--	(7,170)
Retirement of treasury shares	--	--	--	9,421
Comprehensive income:				
Foreign currency translation adjustment	--	--	2	--
Net income	--	--	--	--
	-----	-----	-----	-----
Balance, December 31, 1998	(903)	--	(7)	--
Issuance of restricted stock	(98)	--	--	--
Issuance of shares from exercise of stock options	--	--	--	--
Amortization of restricted stock compensation	254	--	--	--
Purchase of treasury shares	--	--	--	(229)
Retirement of treasury shares	--	--	--	229
Issuance of loan to officer	--	(330)	--	--
Comprehensive income:				
Foreign currency translation adjustment	--	--	(13)	--
Net income	--	--	--	--
	-----	-----	-----	-----
Balance, December 31, 1999	(747)	(330)	(20)	--
Issuance of restricted stock	(44)	--	--	--
Cancellation of restricted stock	36	--	--	--
Issuance of shares from exercise of stock options	--	--	--	--
Issuance of shares from employee stock purchase plan	--	--	--	--
Amortization of restricted stock compensation	278	--	--	--
Issuance of preferred stock warrants	--	--	--	--
Deemed dividend on beneficial conversion of preferred stock	--	--	--	--
Dividends paid on preferred stock	--	--	--	--
Accretion of preferred stock warrants and issuance costs	--	--	--	--
Comprehensive income:				
Foreign currency translation adjustment	--	--	(36)	--
Net loss	--	--	--	--
	-----	-----	-----	-----
Balance, December 31, 2000	\$ (477)	\$ (330)	\$ (56)	\$ --
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

TransAct Technologies Incorporated ("TransAct" or the "Company") began operating as a stand-alone, publicly-held company in August 1996 to conduct the printer business that was formerly operated by certain subsidiaries of Tridex Corporation ("Tridex").

2. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS AND PRODUCTS: TransAct, through its two operations, one in Wallingford, CT and the other in Ithaca, NY, operates in one industry segment, transaction-based printers and related products. TransAct designs, develops, manufactures and markets transaction-based printers and related products under the Ithaca(R), Magnetec(R) and TransAct.com brand names. The Company's printers are used worldwide to provide transaction records such as receipts, tickets, coupons, register journals and other documents. The Company focuses on five vertical markets: point-of-sale ("POS"), gaming and lottery, financial services, kiosk and Internet. The Company sells its products directly to end users, original equipment manufacturers ("OEM"), value-added resellers and selected distributors, primarily in the United States, Canada, Europe and Latin America.

TransAct designs, develops, manufactures and markets a broad array of transaction-based printers utilizing inkjet, thermal and impact printing technology for applications requiring up to 60 character columns in each of its vertical markets. The Company's printers are configurable, which offer customers the ability to choose from a variety of features and functions. Options typically include PC board configuration, paper cutting devices, paper handling capacities and number of print stations. In addition to its configurable printers, TransAct manufactures custom printers for certain OEM customers. In collaboration with these customers, the Company provides engineering and manufacturing expertise for the design and development of specialized printers.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates have been made in areas including inventory valuation, estimated lives of fixed assets and goodwill, deferred tax assets, accrued liabilities, allowance for doubtful accounts and tax provisions (benefits). Actual results could differ from those estimates.

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

CASH AND CASH EQUIVALENTS: The Company considers all highly liquid investments with a maturity date of three months or less at date of purchase to be cash equivalents.

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

FIXED ASSETS: Fixed assets are stated at cost. Depreciation is provided for primarily by the straight-line method over the estimated useful lives. The estimated useful life of machinery, furniture and equipment is three to ten years. Leasehold improvements are amortized over the shorter of the term of the lease or the useful life of the asset. Depreciation amounted to \$2,176,000, \$1,699,000 and \$1,546,000 in 2000, 1999 and 1998, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

GOODWILL: Goodwill resulted from the acquisition of (i) Ithaca Peripherals, Inc. in 1991 and the (ii) ribbon business formerly conducted by Tridex ("Tridex Ribbon Business") in 1999. The original amount applicable to the Ithaca acquisition totaled \$3,536,000 and is being amortized on the straight-line method over 20 years. The original amount applicable to the Tridex Ribbon Business acquisition totaled \$180,000 and is being amortized on the straight-line method over five years. Accumulated amortization of goodwill was \$2,038,000 and \$1,830,000 at December 31, 2000 and 1999, respectively. The Company periodically reviews goodwill to assess recoverability based upon expectations of non-discounted cash flows from operations of the acquired businesses. The Company believes that no impairment of goodwill exists at December 31, 2000.

REVENUE RECOGNITION: Sales are recognized when evidence of an arrangement exists, delivery has occurred, the selling price is fixed and determinable, and collectibility is reasonably assured. Revenue from extended warranty and maintenance agreements is recognized over the term of such agreements as services are performed. Sales to GTECH Corporation ("GTECH") (for lottery printers) and ICL Pathway (for the British Post Office project) accounted for approximately 22% and 20% of net sales during 2000, respectively. No one customer accounted for more than 10% of net sales during 1999. Sales to one customer, GTECH, accounted for approximately 32% of net sales for the year ended December 31, 1998.

FOREIGN CURRENCY: The financial position and results of operations of the Company's foreign subsidiaries are measured using local currency as the functional currency. Assets and liabilities of such subsidiaries have been translated at end of period exchange rates, and related revenues and expenses have been translated at weighted average exchange rates. Transaction gains (losses) are included in other income and amounted to \$(26,000), \$11,000 and 17,000 in 2000, 1999 and 1998, respectively.

INCOME TAXES: The income tax amounts reflected in the accompanying financial statements are accounted for under the liability method in accordance with FAS 109 "Accounting for Income Taxes."

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

SEGMENT REPORTING: FASB Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("FAS 131") requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and allocating resources. The Company has assessed its operating and reportable segments and determined that it operates in one reportable segment as defined in FAS 131.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES: The Financial Accounting Standards Board issued Statement of Financial Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") in June 1998 which, as amended, is currently effective January 1, 2001 for the Company. The Company believes adoption of FAS 133 will not have a material impact on the Company's financial position, results of operations or cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. ACQUISITION

On May 28, 1999, the Company acquired the business and substantially all the assets of the Tridex Ribbon Business for total cash consideration of approximately \$295,000. The acquisition has been accounted for by the purchase method of accounting. The purchased assets and liabilities have been recorded in the Company's financial statements at their estimated fair values at the acquisition date. The results of operations of the acquired company have been included with those of the Company since the date of acquisition. The acquisition cost exceeded the fair value of the net assets acquired by \$180,000. Such goodwill is being amortized over a five-year period on a straight-line basis. Prior to the acquisition, the Company provided Tridex with space within its Wallingford, CT manufacturing facility and certain support services for the Tridex Ribbon Business.

4. RECEIVABLES

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

	Year Ended December 31,		
	2000	1999	1998
	----	----	----
(In thousands)			
Balance at beginning of period	\$ 132	\$ 139	\$ 102
Doubtful accounts provision (reversal)	(24)	-	41
Accounts written off, net of recoveries	(1)	(7)	(4)
	-----	-----	-----
Balance at end of period	\$ 107	\$ 132	\$ 139
	=====	=====	=====

5. INVENTORIES

The components of inventories are:

	December 31,	
	2000	1999
	----	----
(In thousands)		
Raw materials and component parts	\$ 9,603	\$ 9,198
Work-in-process	200	542
Finished goods	54	517
	-----	-----
	\$ 9,857	\$ 10,257
	=====	=====

6. FIXED ASSETS

The components of fixed assets are:

	December 31,	
	2000	1999
	----	----
(In thousands)		
Tooling, machinery and equipment	\$10,974	\$ 9,501
Furniture, office and computer equipment	3,811	3,746
Leasehold improvements	749	660
	-----	-----
	15,534	13,907
Less: accumulated depreciation	(8,740)	(7,202)
	-----	-----
	\$ 6,794	\$ 6,705
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. ACCRUED LIABILITIES

The components of accrued liabilities are:

(In thousands)	December 31,	
	2000	1999
	----	----
Payroll and fringe benefits	\$ 382	\$ 521
Income taxes accrued	765	653
Warranty	657	638
Deferred revenue	108	129
Restructuring	105	-
Other	664	848
	-----	-----
	\$ 2,681	\$ 2,789
	=====	=====

8. EMPLOYEE BENEFIT PLANS

RETIREMENT SAVINGS PLAN: On April 1, 1997, the Company established the TransAct Technologies Retirement Savings Plan (the "401(k) Plan"), a defined contribution plan under Section 401(k) of the Internal Revenue Code. All full-time employees are eligible to participate in the 401(k) Plan at the beginning of the calendar quarter immediately following their date of hire. The Company matches employees' contributions at a rate of 50% of employees' contributions up to the first 5% of the employees' compensation contributed to the 401(k) Plan. The Company's matching contributions were \$203,000, \$145,000 and \$159,000 in 2000, 1999 and 1998, respectively. During 1999 and 1998, the Company's rate of matching contributions was 50% of the employees' contributions up to the first 4% of the employees' compensation contributed to the 401(k) Plan.

EMPLOYEE STOCK PURCHASE PLAN: In May 2000, the Company's shareholders approved the Employee Stock Purchase Plan (the "ESPP"), under which 50,000 shares of the Company's common stock are available for issuance to employees beginning June 1, 2000. All full-time employees are eligible to participate in the ESPP at the beginning of each six-month period (the "Offering Period"), which begin on June 1 and December 1. Eligible employees may elect to withhold up to 5% of their salary to purchase shares of the Company's common stock at a price equal to 85% of the fair market value of the stock on the first or last day of each Offering Period, whichever is lower. The ESPP will terminate at the earlier of May 31, 2005 or the date on which all 50,000 shares available for issuance under the ESPP have been sold. During 2000, the Company sold 4,827 shares of common stock at \$4.88 per share under the ESPP. At December 31, 2000, 45,173 shares remained available for sale. Compensation costs related to the ESPP are immaterial.

9. BANK CREDIT AGREEMENT

On January 29, 1998, the Company entered into a \$15,000,000 credit facility with Fleet National Bank ("Fleet"). On May 7, 1999, the Company replaced this facility with a new two-year \$10,000,000 revolving credit facility with Fleet (the "Fleet Credit Facility"). The Fleet Credit Facility provided the Company with a \$10,000,000 credit facility used to fund working capital. Borrowings under the Fleet Credit facility bore interest on outstanding borrowings at Fleet's prime rate and bore a commitment fee ranging from 0.25% to 0.625% on any unused portion of the Fleet Credit Facility. The Fleet Credit Facility also permitted the Company to designate a LIBOR rate on outstanding borrowings with a margin ranging from 1.50 to 2.25 percentage points over the market rate ("Margin"), depending on the Company meeting certain ratios. Concurrent with the Fleet Credit Facility, the Company entered into a swap agreement with Fleet under which the Company fixed its interest rate at 5.63% plus the applicable Margin for two years on \$3,000,000 of outstanding borrowings under the Fleet Credit Facility. The Fleet Credit Facility was secured by a lien on substantially all the assets of the Company, imposed certain financial covenants and restricted the payment of cash dividends and the creation of liens.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. BANK CREDIT AGREEMENT (CONTINUED)

On March 14, 2000, the Company entered into a new two-year \$13,000,000 revolving credit facility (the "New Fleet Credit Facility") with Fleet. The New Fleet Credit Facility replaced the Fleet Credit Facility. The New Fleet Credit Facility provided the Company with a \$13,000,000 credit facility used to fund working capital. Borrowings under the New Fleet Credit Facility bore interest on outstanding borrowings at Fleet's prime rate plus a margin ranging from zero to 0.75 percentage points and bore a commitment fee ranging from 0.375% to 0.75% on any unused portion of the New Fleet Credit Facility. The New Fleet Credit Facility also permitted the Company to designate a LIBOR rate on outstanding borrowings with a margin ranging from 1.5 to 3.0 percentage points over the market rate, depending on the Company meeting certain ratios. The New Fleet Credit Facility was secured by a lien on substantially all the assets of the Company, imposed certain financial covenants and restricted the creation of liens.

On September 21, 2000, the Company entered into a two-year revolving credit facility (the "Webster Credit Facility") with Webster Bank ("Webster") expiring on September 21, 2002. The Webster Credit Facility replaced the New Fleet Credit Facility. Under the Webster Credit Facility, the Company may borrow up to \$12 million, based on certain financial criteria of the Company at the time of any borrowing, to fund working capital. Borrowings under the Webster Credit Facility bear a floating rate of interest at the higher of the "Prime Rate" as published in The Wall Street Journal or one-half of one percent (1/2%) over the federal funds rate (as defined in the Webster Credit Facility) (9.5% at December 31, 2000). Under certain circumstances, the Company may select a fixed interest rate for a specified period of up to 90 days on borrowings based on the current LIBOR rate (as adjusted as specified in the Webster Credit Facility) plus 2.5%, which may be reduced to 2.25% on July 1, 2001 if there is no Event of Default (as defined in the Webster Credit Facility). The Company will also pay a fee of three-eighths of one percent (3/8%) on unused borrowing capacity under the Webster Credit Facility. Borrowings under the Webster Credit Facility are secured by a lien on substantially all the assets of the Company. The Webster Credit Facility also imposes certain financial covenants on the Company and restricts the payment of dividends on its common stock and the creation of other liens. The Company had \$5,944,000 of outstanding borrowings under this facility at December 31, 2000.

10. COMMITMENTS AND CONTINGENCIES

At December 31, 2000, the Company was lessee on operating leases for equipment and real property. The terms of certain leases provide for escalating rent payments in later years of the lease as well as payment of minimum rent and real estate taxes. Rent expense amounted to approximately \$991,000, \$953,000 and \$957,000 in 2000, 1999 and 1998, respectively. Minimum aggregate rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2000 are as follows: \$891,000 in 2001; \$871,000 in 2002; \$873,000 in 2003; \$855,000 in 2004; \$868,000 in 2005 and \$1,663,000 thereafter.

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

11. STOCK OPTIONS AND WARRANTS

STOCK OPTIONS. On July 30, 1996, the Company adopted the 1996 Stock Plan which provides for the grant of awards to officers and other key employees of the Company, and the Directors' Stock Plan which provides for non-discretionary awards to non-employee directors. The plans provide for awards in the form of: (i) incentive stock options, (ii) non-qualified stock options, (iii) shares of restricted stock, (iv) restricted units, (v) stock appreciation rights or (vi) limited stock appreciation rights. Options granted are at prices equal to 100% of the fair market value of the common stock at the date of grant. Options granted have a ten-year term and generally vest over a five-year period, unless automatically accelerated for certain defined events. At December 31, 2000, the Company has reserved 1,150,000 and 110,000 shares of common stock for issuance under the 1996 Stock Plan and Directors' Stock Plan, respectively.

TRANSACT TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. STOCK OPTIONS AND WARRANTS (CONTINUED)

During the fourth quarter of 1998, the Company approved the cancellation and reissuance of certain outstanding options under the 1996 Stock Plan. Under the program, holders of outstanding options as of December 10, 1998, excluding the Company's executive officers, obtained in substitution for existing options new options for the same number of shares. The new options, totaling 190,600, are exercisable at a price of \$4.75 per share, the fair market value of the common stock on the reissue date. The new options maintain the vesting schedule established by the canceled option. These 190,600 options have been treated as canceled and granted in 1998 in the table below.

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

	2000		Year Ended December 31, 1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period:	818,100	\$7.89	752,300	\$8.04	542,600	\$10.97
Granted	190,500	9.86	104,500	5.86	428,100	5.75
Exercised	(25,000)	6.05	(5,100)	4.75	(200)	8.50
Canceled	(64,600)	7.53	(33,600)	5.07	(218,200)	10.83
Outstanding at end of period	919,000	\$8.34	818,100	\$7.89	752,300	\$ 8.04
Options exercisable at end of period	436,580	\$8.19	296,140	\$8.33	165,360	\$ 8.28

Range of Exercise Prices	Options Outstanding		Weighted-Average Remaining Contractual Life (In years)	Options Exercisable	
	Outstanding at December 31, 2000	Weighted-Average Exercise Price		Exercisable at December 31, 2000	Weighted-Average Exercise Price
\$ 2.50 - \$ 5.00	238,400	\$4.28	6.1	139,740	\$4.40
5.01 - 7.50	84,300	6.17	8.0	18,400	6.15
7.51 - 10.00	344,800	8.76	6.1	208,840	8.64
10.01 - 12.50	145,000	10.22	9.1	4,900	11.69
12.51 - 15.00	45,500	13.75	5.8	28,100	13.75
15.01 - 17.50	61,000	16.38	6.6	36,600	16.38

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

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

TRANSACTION TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. STOCK OPTIONS AND WARRANTS (CONTINUED)

	2000 ----	Year Ended December 31, 1999 ----	1998 ----
(In thousands, except per share data)			
Net income (loss) available to common shareholders:			
As reported	\$ (664)	\$ 324	\$ 1,206
Pro forma under FAS 123	(1,171)	(422)	747
Net income (loss) per share:			
Basic and diluted:			
As reported	(0.12)	0.06	0.20
Pro forma under FAS 123	(0.21)	(0.08)	0.12

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grants made during the years ended December 31, 2000, 1999 and 1998.

	2000 ----	Year Ended December 31, 1999 ----	1998 ----
Risk-free interest rate	6.3%	5.8%	4.9%
Dividend yield	0%	0%	0%
Expected volatility factor	83.1%	78.0%	78.1%
Expected option term	7.1 years	7.5 years	10 years
Weighted average fair value of options granted during period	\$7.78	\$4.55	\$ 4.69

RESTRICTED STOCK: Under the 1996 Stock Plan, the Company has granted shares of restricted common stock, for no consideration, to its officers, one outside director and certain key employees. The 1996 Stock Plan restricted stock activity is summarized below:

	2000 ----	Year Ended December 31, 1999 ----	1998 ----
Outstanding shares at beginning of period	95,080	91,440	78,800
Granted	5,000	13,000	25,000
Vested	(12,960)	(9,360)	(9,360)
Canceled	(3,800)	-	(3,000)
	-----	-----	-----
Outstanding shares at end of period	83,320	95,080	91,440
	=====	=====	=====

Of the 83,320 shares of restricted stock outstanding at December 31, 2000, 29,320 shares vest over a five-year period, while 54,000 shares vest at the end of a five-year period. Under certain conditions, vesting may be automatically accelerated. Upon issuance of the restricted stock, unearned compensation equivalent to the market value at the date of grant is charged to a separate component of shareholders' equity and subsequently amortized over the vesting period. Amortization expense of \$277,000, \$254,000 and \$231,000 was recorded during 2000, 1999 and 1998, respectively.

WARRANTS: On August 22, 1996, the Company sold to the underwriters of its initial public offering, for nominal consideration, a warrant to purchase from the Company up to 115,000 shares of common stock at an exercise price of \$10.20 per share. The warrant is exercisable until August 20, 2001.

On April 7, 2000, in connection with the sale of the Preferred Stock, the Company issued to its investment advisors, McFarland Dewey & Co., warrants to purchase from the Company up to 10,000 shares of common stock at an exercise price of \$9.00 per share. The warrants are exercisable through April 7, 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. STOCKHOLDER RIGHTS PLAN

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

On February 16, 1999, the Company amended its Stockholder Rights Plan to remove the provision in the plan that stipulated that the plan may be modified or redeemed only by those members of the Board of Directors who are defined as continuing directors.

13. INCOME TAXES

The components of the income tax provision are as follows:

	Year Ended December 31,		
	2000	1999	1998
	----	----	----
(In thousands)			
Current:			
Federal	\$ (561)	\$ 88	\$ 779
State	43	18	126
Foreign	194	12	131
	-----	-----	-----
	(324)	118	1,036
	-----	-----	-----
Deferred:			
Federal	(94)	(37)	(371)
State	(34)	18	(44)
Foreign	4	3	--
	-----	-----	-----
	(124)	(16)	(415)
	-----	-----	-----
Total income tax provision (benefit)	\$ (448)	\$ 102	\$ 621
	=====	=====	=====

The Company had foreign income before taxes of \$665,000, \$65,000 and \$435,000 in 2000, 1999 and 1998, respectively.

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

	December 31,	
(In thousands)	2000	1999
	----	----
Gross deferred tax assets:		
Liabilities and reserves	\$1,435	\$1,320
	=====	=====
Gross deferred tax liabilities:		
Depreciation	\$ 576	\$ 539
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAXES (CONTINUED)

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

	Year Ended December 31,		
	2000	1999	1998
	----	----	----
Federal statutory tax rate	(34.0)%	34.0%	34.0%
State income taxes, net of federal income taxes	(0.3)	13.2	6.0
Non-deductible purchase accounting adjustments	9.9	41.6	4.4
Tax benefit from foreign sales corporation	(3.1)	--	(2.2)
Tax benefit from tax credits	(22.9)	(60.0)	(5.8)
Foreign rate differential	(3.5)	(1.6)	(0.9)
Other	(2.7)	(3.2)	(1.5)
	-----	-----	-----
Effective tax rate	(56.6)%	24.0%	34.0%
	=====	=====	=====

14. DISCLOSURE REGARDING FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount for cash and cash equivalents approximates fair value because of the short maturity of these instruments. The carrying amount of receivables, other current assets, other assets, accounts payable and accrued liabilities is a reasonable estimate of fair value because of the short nature of the transactions. The carrying value of long-term debt approximates the fair value based upon the variable rate on that debt.

Off-balance sheet derivative financial instruments include interest-rate swaps. At December 31, 1999, interest-rate swaps, held for purposes other than trading, had a fair value settlement of \$35,000, based on the underlying principal amount of \$3,000,000. The Company sold its interest-rate swap during 2000.

15. SIGNIFICANT TRANSACTIONS

RESTRUCTURING: During the fourth quarter of 2000 and fourth quarter of 1998, the Company recorded a restructuring charge of \$189,000 and \$300,000, respectively, for severance costs related to the downsizing and reorganization of its manufacturing facility in Wallingford, CT. Severance costs resulted from the reduction of 11 and 14 employees in 2000 and 1999, respectively. At December 31, 2000, approximately \$105,000 of restructuring expenses remained accrued.

PREFERRED STOCK SALE: On April 7, 2000 the Company sold 4,000 shares of 7% Series B Cumulative Convertible Redeemable Preferred Stock (the "Preferred Stock") to Advance Capital Advisors, L.P. and its affiliate in consideration of \$1,000 per share (the "Stated Value"), for a total of \$4,000,000, less issuance costs. The Preferred Stock is convertible at any time by the holders at a conversion price of \$9.00 per common share. In addition, the Company issued warrants pro-rata to the Preferred Stock holders to purchase an aggregate of 44,444 shares of the Company's common stock at an exercise price of \$9.00 per common share. The warrants, valued at \$175,000, are exercisable at any time until April 7, 2005, and will be accreted to preferred stock ratably over 60 months. The Preferred Stock is subject to mandatory conversion into shares of the Company's common stock when such stock has traded at \$35 per share or more for a 30-day period ending on or after April 7, 2003, or for a 60-day period beginning on or after April 7, 2002. The Preferred Stock is redeemable at the option of the holders on April 7, 2005 at \$1,000 per share plus any unpaid dividends. On or after April 7, 2007, the Company has the right to require (1) redemption of the Preferred Stock at \$1,000 per share plus any unpaid dividends or (2) conversion of the Preferred Stock at \$9.00 per common share. Upon a change of control (which the Company does not believe probable), holders have the right to redeem the Preferred Stock for 200% of the Stated Value plus any unpaid dividends. The holders of the Preferred Stock have certain voting rights and are entitled to receive a cumulative annual dividend of \$70 per share, payable quarterly and have preference to any other dividends, if any, paid by the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. SIGNIFICANT TRANSACTIONS (CONTINUED)

PREFERRED STOCK SALE (CONTINUED): Concurrent with the issuance of the Preferred Stock, the Company recorded a beneficial conversion charge. The beneficial conversion charge was calculated as the difference between the assigned fair value of the Preferred Stock and the fair value of the related common stock, as of April 7, 2000, into which the Preferred Stock was immediately convertible. Accordingly, a deemed preferred dividend of approximately \$56,000 as of the issuance date has been recognized as a charge to retained earnings and net loss attributable to common shareholders, and as an increase to additional paid-in capital.

GTECH LAWSUIT SETTLEMENT: On June 25, 1999, the Company commenced a lawsuit in the United States District Court for the District of Rhode Island against GTECH for misappropriation of trade secrets, breach of contract and related claims, seeking injunctive relief and compensatory and punitive damages. On July 15, 1999, GTECH and the Company signed a new five-year agreement under which the Company will be the exclusive manufacturer and supplier to GTECH of an impact printer for use in GTECH's Isys(R) online lottery terminal. As part of the agreement, GTECH agreed to pay the Company \$1 million for past design efforts, development costs and manufacturing interruption costs and agreed to place a non-cancelable order for delivery of a minimum of approximately \$8 million of printers in the year 2000. In connection with the execution of this agreement, the parties agreed to have all claims under the lawsuits dismissed and filed dismissal stipulations to terminate the federal and state lawsuits. As a result of the settlement, the Company reported \$770,000 (\$1 million cash settlement, less \$230,000 of directly-related expenses) in other income during 1999.

LOAN TO OFFICER: On February 23, 1999, with the Board of Directors' approval, the Company provided a \$330,000 loan to an officer of the Company. The loan proceeds were used to purchase 104,000 shares of the Company's common stock on the open market during January and February 1999. The loan is payable on February 23, 2004, and is a full recourse obligation to the officer secured by 154,000 shares of the Company's common stock, which includes 50,000 shares of restricted stock. The loan bears interest at a rate equivalent to the Company's average borrowing rate under its current credit facility, and is payable annually. The principal amount of the loan is deducted from shareholders' equity.

STOCK REPURCHASE PROGRAM: During November 1997, the Board of Directors approved the repurchase of up to 500,000 shares of the Company's common stock at a price of no more than \$12 per share. During May, August and October 1998, the Board approved the repurchase of an additional 500,000, 250,000 and 250,000 shares, respectively, bringing the total authorized to 1.5 million shares. The Company acquired 70,800 shares of its common stock for \$229,000 in 1999, 1,003,000 shares for \$7,170,000 in 1998, and 200,000 shares for \$2,251,000 in 1997. Since the Company began the stock repurchase program in December 1997 through December 31, 1999, it has repurchased 1,273,800 shares for \$9,650,000 (an average cost of \$7.58 per share). The Company did not repurchase any shares during 2000, and management does not expect to repurchase any additional shares in the foreseeable future.

16. INTERNATIONAL OPERATIONS

The Company has foreign operations primarily from TransAct Technologies Ltd., a wholly-owned subsidiary, which had sales to its customers of \$11,164,000, \$700,000 and \$4,990,000 in the year ended December 31, 2000, 1999 and 1998, respectively. The Company had export sales to its foreign customers from the United States of approximately \$5,156,000, \$7,807,000 and \$3,396,000 in the year ended December 31, 2000, 1999 and 1998, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. SUBSEQUENT EVENTS (unaudited)

On February 15, 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 will consolidate all manufacturing and engineering into its existing Ithaca, NY facility and close its Wallingford, CT facility by the end of 2001. Production is planned to continue at the Wallingford facility until the end of 2001, with individual product lines scheduled to move over the course of 2001. The closing of the Wallingford facility is expected to result in the termination of employment of approximately 70 employees. The Company estimates that the non-recurring costs associated with the consolidation, including severance pay, employee benefits, moving expenses, non-cancelable lease payments, and other costs, will be approximately \$3.0 to \$3.5 million and will be recognized during 2001.

On February 27, 2001, the Company amended the Webster Credit Facility to (1) provide the Company with the ability to borrow up to \$1,500,000 in excess of the amount permitted under the Webster Credit Facility's borrowing base formula ("Permitted Over-Formula Borrowing") and (2) revise certain financial covenants. The Permitted Over-Formula Borrowing is effective from March 1, 2001 through August 31, 2001.

18. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The Company's quarterly results of operations for the years ended December 31, 2000, 1999 and 1998 (unaudited) are as follows:

(In thousands, except per share amounts)	Quarter Ended			
	March 27 -----	June 26 -----	September 23 -----	December 31 -----
2000:				
Net sales	\$ 11,238	\$ 13,740	\$ 14,604	\$ 14,138
Gross profit	3,013	3,665	3,867	3,597
Net income (loss)	(300)	(186)	290	(148)
Net income (loss) available to common Shareholders	(300)	(326)	200	(238)
Net income (loss) per share: Basic and diluted	(0.05)	(0.06)	0.04	(0.04)
	March 27 -----	June 26 -----	September 25 -----	December 31 -----
1999:				
Net sales	\$ 9,201	\$ 12,524	\$ 13,020	\$ 10,144
Gross profit	2,428	3,238	3,335	2,753
Net income (loss)	(279)	146	837	(380)
Net income (loss) per share: Basic and diluted	(0.05)	0.03	0.15	(0.07)
	March 28 -----	June 27 -----	September 26 -----	December 31 -----
1998:				
Net sales	\$ 13,280	\$ 12,500	\$ 13,600	\$ 12,859
Gross profit	3,746	3,435	3,778	2,867
Net income (loss)	634	231	533	(192)
Net income (loss) per share: Basic and diluted	0.10	0.04	0.09	(0.03)

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information contained in "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's Proxy Statement (the "Proxy Statement") for its Annual Meeting of Shareholders which is scheduled to be held on May 23, 2001 is hereby incorporated herein by reference. Also, see information under "Executive Officers of Registrant" in Item 1.

ITEM 11. EXECUTIVE COMPENSATION.

The information contained in "Executive Compensation" other than the "Compensation Committee Report on Executive Compensation" of the Proxy Statement is hereby incorporated herein by reference.

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

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

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

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

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

(i) Financial statements

See Item 8.

(ii) Financial statement schedules

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

(iii) List of exhibits

3.1(a)	Certificate of Incorporation of the Company, filed with the Secretary of State of Delaware on June 17, 1996.	(2)
3.1(b)	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Secretary of State of Delaware on May 30, 1997.	(4)
3.2	Amended and Restated By-laws of the Company.	(6)
4.1	Specimen Common Stock Certificate.	(2)
4.2	Amended and Restated Rights Agreement between TransAct and American Stock Transfer & Trust Company dated February 16, 1998.	(5)
10.1	Tax Sharing Agreement dated as of July 31, 1996 between Tridex and TransAct.	(3)
10.2	Purchase Agreement dated as of October 17, 1996 between ICL Pathway Limited, Ithaca Peripherals Limited and TransAct. (Pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)	(3)
10.3(x)	1996 Stock Plan, effective July 30, 1996.	(3)
10.4(x)	Non-Employee Directors' Stock Plan, effective August 22, 1996.	(3)
10.5	Sales and Marketing Agreement by and between the Company and Oki Europe Limited, dated May 9, 1996. (Pursuant to Rule 477 under the Securities Act of 1993, as amended (the "Securities Act"), the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)	(2)
10.6	OEM Purchase Agreement by and between OKIDATA and Tridex, dated January 21, 1991. (Pursuant to Rule 477 under the Securities Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)	(2)
10.7	Strategic Agreement by and between OKIDATA and Tridex, dated May 9, 1996. (Pursuant to Rule 477 under the Securities Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)	(2)
10.8	Lease Agreement by and between Bomax Properties and Ithaca, dated as of March 23, 1992.	(2)
10.9(x)	Employment Agreement, dated July 31, 1996, by and between the Company and Bart C. Shuldman.	(2)
10.10(x)	Employment Agreement, dated July 31, 1996, by and between the Company and Richard L. Cote.	(2)
10.11(x)	Severance Agreement by and between TransAct and Lucy H. Staley, dated September 4, 1996.	(3)
10.12(x)	Severance Agreement by and between TransAct and Michael S. Kumpf, dated September 4, 1996.	(3)
10.13	Second Amendment to Lease Agreement by and between Bomax Properties and Ithaca, dated December 2, 1996.	(4)
10.14	Lease Agreement by and between Pyramid Construction Company and Magnetec, dated July 30, 1997.	(4)
10.15	Amendment to OEM Purchase Agreement by and between Okidata and Tridex, dated May 31, 1996. (Pursuant to Rule 24b-2 under the Exchange Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)	(4)
10.16(x)	Severance Agreement by and between TransAct and Steven A. DeMartino, dated January 21, 1998.	(6)
10.17	Loan Agreement by and between the Company and Bart C. Shuldman, dated February 23, 1999.	(6)

10.18	Asset Transfer Agreement dated as of May 28, 1999 between Magnetec Corporation and Tridex Corporation.	(7)
10.19	OEM Purchase Agreement by and between GTECH Corporation, TransAct Technologies and Magnetec Corporation commencing July 14, 1999. (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.)	(8)
10.20	Amendment to OEM Purchase Agreement by and between Okidata and Tridex, dated August 28, 1999. (Pursuant to Rule 24b-2 under the Exchange Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)	(9)
10.21	Preferred Stock Purchase Agreement and Certificate of Designation dated as of March 20, 2000 between TransAct Technologies Incorporated and Advance Capital Partners, L.P. and affiliate	(10)
10.22	Revolving Credit Agreement dated as of September 21, 2000 by and between TransAct Technologies Incorporated and Webster Bank.	(11)
10.23(x)	Severance Agreement by and between TransAct and Catherine J. Dawson, dated April 21, 1999.	(1)
10.24(x)	Severance Agreement by and between TransAct and Mark Goebel, dated July 31, 1996.	(1)
10.25(x)	Severance Agreement by and between TransAct and James B. Stetson, dated January 24, 2001.	(1)
10.26	Amendment to Revolving Credit Agreement dated February 27, 2001 by and between TransAct Technologies Incorporated and Webster Bank.	(1)
11.1	Computation of earnings per share.	(1)
21.1	Subsidiaries of the Company.	(1)
23.1	Consent of PricewaterhouseCoopers LLP.	(1)

- (1) These exhibits are filed herewith.
- (2) These exhibits, which were previously filed with the Company's Registration Statement on Form S-1 (No. 333-06895), are incorporated by reference.
- (3) These exhibits, which were previously filed with the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1996, are incorporated by reference.
- (4) These exhibits, which were previously filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1997, are incorporated by reference.
- (5) This exhibit, which was previously filed with the Company's Current Report on Form 8-K filed February 18, 1999, is incorporated by reference.
- (6) These exhibits, which were previously filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1998, are incorporated by reference.
- (7) These exhibits, which were previously filed with the Company's Quarterly Report on Form 10-Q for the period ended June 26, 1999, are incorporated by reference.
- (8) This exhibit, which was previously filed with the Company's Quarterly Report on Form 10-Q for the period ended September 25, 1999, is incorporated by reference.
- (9) These exhibits, which were previously filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1999, are incorporated by reference.
- (10) These exhibits, which were previously filed with the Company's Quarterly Report on Form 10-Q for the period ended March 25, 2000, are incorporated by reference.
- (11) This exhibit, which was previously filed with the Company's Current Report on Form 8-K filed October 11, 2000, is incorporated by reference.

- (x) Management contract or compensatory plan or arrangement required to be filed pursuant to Item 14(c).

(B) REPORTS ON FORM 8-K.

A Form 8-K was filed on October 11, 2000 to report under Item 5 a new revolving credit agreement with Webster Bank.

SIGNATURES

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

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Bart C. Shuldman

 Bart C. Shuldman
 Chairman of the Board, President and
 Chief Executive Officer
 Date: March 28, 2001

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date -----
/s/ Bart C. Shuldman ----- Bart C. Shuldman	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 28, 2001
/s/ Richard L. Cote ----- Richard L. Cote	Executive Vice President, Chief Financial Officer, Treasurer, Secretary and Director (Principal Financial Officer)	March 28, 2001
/s/ Steven A. DeMartino ----- Steven A. DeMartino	Vice President and Corporate Controller (Principal Accounting Officer)	March 28, 2001
/s/ Charles A. Dill ----- Charles A. Dill	Director	March 28, 2001
/s/ Jeffrey T. Leeds ----- Jeffrey T. Leeds	Director	March 28, 2001
/s/ Thomas R. Schwarz ----- Thomas R. Schwarz	Director	March 28, 2001
/s/ Graham Y. Tanaka ----- Graham Y. Tanaka	Director	March 28, 2001

EXHIBIT LIST

The following exhibits are filed herewith.

Exhibit

- 10.23(x) Severance Agreement by and between TransAct and Catherine J. Dawson, dated April 21, 1999.
- 10.24(x) Severance Agreement by and between TransAct and Mark Goebel, dated July 23, 1996.
- 10.25(x) Severance Agreement by and between TransAct and James B. Stetson, dated January 24, 2001
- 10.26 Amendment to Revolving Credit Agreement dated February 27, 2001 by and between TransAct Technologies Incorporated and Webster Bank.
- 11.1 Computation of earnings per share.
- 21.1 Subsidiaries of the Company.
- 23.1 Consent of PricewaterhouseCoopers LLP.

SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is entered into as of the 21st day of April 1999, by and between Catherine J. Dawson, an individual with a residence address of 1 North Pease Road, Woodbridge, CT 06525 (the "Executive"), and TransAct Technologies Incorporated, a Delaware corporation with a mailing address of 7 Laser Lane, Wallingford, Connecticut 06492 (the "Company"). As used in this Agreement, the "Company" shall also include all subsidiaries of the Company, as the context requires.

INTRODUCTION

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

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

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

AGREEMENT

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

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

(a) "Cause" shall mean: (i) the death or disability of the Executive (For purposes of this Agreement, "disability" shall mean the Executive's incapacity due to physical or mental illness which has caused the Executive to be absent from the full-time performance of his duties with the Company for a period of six (6) consecutive months.) (ii) any action or inaction by the Executive that constitutes larceny, fraud, gross negligence, a willful or negligent misrepresentation to the directors or officers of the Company, their successors or assigns, a crime involving moral turpitude; or (iii) the refusal of the Executive to follow the reasonable and lawful written instructions of the President or the Board of Directors of the Company with respect to the services to be

rendered and the manner of rendering such services by Executive, provided such refusal is material and repetitive and is not justified or excused either by the terms of this Agreement or by actions taken by the Company in violation of this Agreement, and with respect to the first two refusals Executive has been given reasonable written notice and explanation thereof and reasonable opportunity to cure and no cure has been effected within a reasonable time after such notice.

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

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

(d) "Terminating Event" shall mean: (i) termination by the Company of the employment of the Executive for any reason other than retirement or for Cause occurring within twelve (12) months of a Change of Control; or (ii) resignation of the Executive from the employ of the Company, while the Executive is not receiving payments or benefits from the Company by reason of the Executive's disability, subsequent to any of the following events occurring within twelve (12) months of a Change of Control: (A) a significant reduction in the nature or scope of the Executive's responsibilities, authorities, powers, functions or duties from the responsibilities, authorities, powers, functions or duties exercised by the Executive immediately prior to

the Change in Control; (B) a decrease in the salary payable by the Company to the Executive from the salary payable to the Executive immediately prior to the Change in Control except for across-the-board salary reductions similarly affecting all management personnel of the Company; or (C) the relocation of the Company's facility at which the Executive is currently employed by more than 50 miles from its current location (unless such new location is closer than such facility to the Executive's then residence) provided, however, that a Terminating Event shall not be deemed to have occurred solely as a result of the Executive being an employee of any direct or indirect successor to the business or assets of the Company, rather than continuing as an employee of the Company, following a Change in Control; or (D) elimination or reduction of the Executive's participation in the Company's Executive Incentive Compensation Plan.

2. Severance.

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

(b) With A Terminating Event. If the Company terminates the employment of the Executive as a result of a Terminating Event, then commencing on the date of such termination and for a period equal to one (1) year thereafter, the Company shall provide Executive with a severance package which shall consist of the following: (i) payment on the first business day of each month an amount equal to one-twelfth of the Executive's then current annual base salary; (ii) payment on the first business day of each month of an amount equal to one-twelfth of the Executive's annual target bonus amount under the Company's Executive Incentive Compensation Plan; and (iii) continuation of all benefits under Section 4. In addition, if the Company terminates the employment of the Executive as a result of a Terminating Event, then the Company shall cause the immediate vesting of all options granted by the Company to the Executive under the Company's stock plans. At any time when the Company is obligated to make monthly payments under Section 2(b), the Company shall, ten (10) days after receipt of a written request from the Executive, pay the Executive an amount equal to the balance of the amounts payable under Section 2(b)(i)-(ii), provided that the obligation of the Company to continue to provide benefits pursuant to Section 2(b)(iii) or to make monthly payments under 2(b)(i)-(ii) shall cease upon the payment of such amount.

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

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

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

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

The Executive recognizes and agrees that because a violation by him of this Section 3 will cause irreparable harm to the Company that would be difficult to quantify and for which money damages would be inadequate, the Company shall have the right to injunctive relief to prevent or restrain any such violation, without the necessity of posting a bond.

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

by the court in such a manner as to impose only those restrictions on the conduct of Executive which are reasonable in light of the circumstances as they then exist and necessary to provide the Company the intended benefit of this covenant to compete.

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

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

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

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

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

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

(a) to the Company at:

7 Laser Lane
Wallingford, Connecticut 06492
Attn: President

(b) to the Executive at:

1 North Pease Road
Woodbridge, CT 06525

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

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

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

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

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

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

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Richard L. Cote

Title: Executive Vice President and CFO

EXECUTIVE:

/s/ Catherine J. Dawson

Catherine J. Dawson

SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is entered into as of the 31st day of July 1996, by and between Mark Goebel, an individual with a residence address of 53 Broad Street, Chicopee, Massachusetts 01020 (the "Executive"), and TransAct Technologies Incorporated, a Delaware corporation with a mailing address of 7 Laser Lane, Wallingford, Connecticut 06492 (the "Company"). As used in this Agreement, the "Company" shall also include all subsidiaries of the Company, as the context requires.

INTRODUCTION

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

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

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

AGREEMENT

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

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

(a) "Cause" shall mean: (i) the death or disability of the Executive (For purposes of this Agreement, "disability" shall mean the Executive's incapacity due to physical or mental illness which has caused the Executive to be absent from the full-time performance of his duties with the Company for a period of six (6) consecutive months.) (ii) any action or inaction by the Executive that constitutes larceny, fraud, gross negligence, a willful or negligent misrepresentation to the directors or officers of the Company, their successors or assigns, a crime involving moral turpitude; or (iii) the refusal of the Executive to follow the reasonable and lawful written instructions of the President or the Board of Directors of the Company with respect to the services to be rendered and the manner of rendering

such services by Executive, provided such refusal is material and repetitive and is not justified or excused either by the terms of this Agreement or by actions taken by the Company in violation of this Agreement, and with respect to the first two refusals Executive has been given reasonable written notice and explanation thereof and reasonable opportunity to cure and no cure has been effected within a reasonable time after such notice.

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

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

(d) "Terminating Event" shall mean: (i) termination by the Company of the employment of the Executive for any reason other than retirement or for Cause occurring within twelve (12) months of a Change of Control; or (ii) resignation of the Executive from the employ of the Company, while the Executive is not receiving payments or benefits from the Company by reason of the Executive's disability, subsequent to any of the following events occurring within twelve (12) months of a Change of Control: (A) a significant reduction in the nature or scope of the Executive's responsibilities, authorities, powers, functions

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

2. Severance.

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

(b) With A Terminating Event. If the Company terminates the employment of the Executive as a result of a Terminating Event, then commencing on the date of such termination and for a period equal to one (1) year thereafter, the Company shall provide Executive with a severance package which shall consist of the following: (i) payment on the first business day of each month an amount equal to one-twelfth of the Executive's then current annual base salary; (ii) payment on the first business day of each month of an amount equal to one-twelfth of the Executive's annual target bonus amount under the Company's Executive Incentive Compensation Plan; and (iii) continuation of all benefits under Section 4. In addition, if the Company terminates the employment of the Executive as a result of a Terminating Event, then the Company shall cause the immediate vesting of all options granted by the Company to the Executive under the Company's stock plans. At any time when the Company is obligated to make monthly payments under Section 2(b), the Company shall, ten (10) days after receipt of a written request from the Executive, pay the Executive an amount equal to the balance of the amounts payable under Section 2(b)(i)-(ii), provided that the obligation of the Company to continue to provide benefits pursuant to

Section 2(b)(iii) or to make monthly payments under 2(b)(i)-(ii) shall cease upon the payment of such amount.

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

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

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

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

The Executive recognizes and agrees that because a violation by him of this Section 3 will cause irreparable harm to the Company that would be difficult to quantify and for which money damages would be inadequate, the Company shall have the right to injunctive relief to prevent or restrain any such violation, without the necessity of posting a bond.

Executive expressly agrees that the character, duration and scope of this covenant not to compete are reasonable in light of the circumstances as they exist at the date upon which this Agreement has been executed. However, should a

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

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

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

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

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

6. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and thereof and supercedes any and all previous agreements, written and oral, regarding the subject matter hereof between the parties hereto. This Agreement shall not be

changed, altered, modified or amended, except by a written agreement signed by both parties hereto.

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

(a) to the Company at:

7 Laser Lane
Wallingford, Connecticut 06492
Attn: President

(b) to the Executive at:

53 Broad Street
Chicopee, MA 01020

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

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

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

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

under any provision of this Agreement by the other party shall not be construed as, or constitute, a continuing waiver of such provision, or waiver of any other violation of, breach of or default under any other provision of this Agreement.

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

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

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Bart C. Shuldman

Title: President and Chief Executive Officer

EXECUTIVE:

/s/ Mark Goebel

Mark Goebel

SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is entered into as of the 24th day of January 2001, by and between James B. Stetson, an individual with a residence address of 406 Cranberry Lane, West Chester, PA 19380 (the "Executive"), and TransAct Technologies Incorporated, a Delaware corporation with a mailing address of 7 Laser Lane, Wallingford, Connecticut 06492 (the "Company"). As used in this Agreement, the "Company" shall also include all subsidiaries of the Company, as the context requires.

INTRODUCTION

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

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

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

AGREEMENT

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

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

(a) "Cause" shall mean: (i) the death or disability of the Executive (For purposes of this Agreement, "disability" shall mean the Executive's incapacity due to physical or mental illness which has caused the Executive to be absent from the full-time performance of his duties with the Company for a period of six (6) consecutive months.) (ii) any action or inaction by the Executive that constitutes larceny, fraud, gross negligence, a willful or negligent misrepresentation to the directors or officers of the Company, their successors or assigns, a crime involving moral turpitude; or (iii) the refusal of the Executive to follow the reasonable and lawful written instructions of the President or the Board of Directors of the Company with respect to the services to be rendered and the manner of rendering

such services by Executive, provided such refusal is material and repetitive and is not justified or excused either by the terms of this Agreement or by actions taken by the Company in violation of this Agreement, and with respect to the first two refusals Executive has been given reasonable written notice and explanation thereof and reasonable opportunity to cure and no cure has been effected within a reasonable time after such notice.

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

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

(d) "Terminating Event" shall mean: (i) termination by the Company of the employment of the Executive for any reason other than retirement or for Cause occurring within twelve (12) months of a Change of Control; or (ii) resignation of the Executive from the employ of the Company, while the Executive is not receiving payments or benefits from the Company by reason of the Executive's disability, subsequent to any of the following events occurring within twelve (12) months of a Change of Control: (A) a significant reduction in the nature or scope of the Executive's responsibilities, authorities, powers, functions or duties from the responsibilities, authorities, powers, functions

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

2. Severance.

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

(b) With A Terminating Event. If the Company terminates the employment of the Executive as a result of a Terminating Event, then commencing on the date of such termination and for a period equal to one (1) year thereafter, the Company shall provide Executive with a severance package which shall consist of the following: (i) payment on the first business day of each month an amount equal to one-twelfth of the Executive's then current annual base salary; (ii) payment on the first business day of each month of an amount equal to one-twelfth of the Executive's annual target bonus amount under the Company's Executive Incentive Compensation Plan; and (iii) continuation of all benefits under Section 4. In addition, if the Company terminates the employment of the Executive as a result of a Terminating Event, then the Company shall cause the immediate vesting of all options granted by the Company to the Executive under the Company's stock plans. At any time when the Company is obligated to make monthly payments under Section 2(b), the Company shall, ten (10) days after receipt of a written request from the Executive, pay the Executive an amount equal to the balance of the amounts payable under Section 2(b)(i)-(ii), provided that the obligation of the Company to continue to provide benefits pursuant to

Section 2(b)(iii) or to make monthly payments under 2(b)(i)-(ii) shall cease upon the payment of such amount.

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

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

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

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

The Executive recognizes and agrees that because a violation by him of this Section 3 will cause irreparable harm to the Company that would be difficult to quantify and for which money damages would be inadequate, the Company shall have the right to injunctive relief to prevent or restrain any such violation, without the necessity of posting a bond.

Executive expressly agrees that the character, duration and scope of this covenant not to compete are reasonable in light of the circumstances as they exist at the date upon which this Agreement has been executed. However, should a

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

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

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

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

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

6. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and thereof and supercedes any and all previous agreements, written and oral, regarding the subject matter hereof between the parties hereto. This Agreement shall not be

changed, altered, modified or amended, except by a written agreement signed by both parties hereto.

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

(a) to the Company at:

7 Laser Lane
Wallingford, Connecticut 06492
Attn: President

(b) to the Executive at:

406 Cranberry Lane
West Chester, PA 19380

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

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

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

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

under any provision of this Agreement by the other party shall not be construed as, or constitute, a continuing waiver of such provision, or waiver of any other violation of, breach of or default under any other provision of this Agreement.

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

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

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Bart C. Shuldman

Title: President and Chief Executive Officer

EXECUTIVE:

/s/ James B. Stetson

James B. Stetson

February 27, 2001

TransAct Technologies Incorporated
Seven Laser Lane
Wallingford, Connecticut 06492

Ladies and Gentlemen:

Reference is made to the indebtedness owed to us ("BANK") by you ("BORROWER") pursuant to the terms and conditions of that certain Revolving Credit Agreement dated September 21, 2000 between the Borrower and the Bank (the "AGREEMENT"). Such indebtedness includes a revolving loan in the maximum aggregate principal amount of up to \$12,000,000 (the "LOAN") which is evidenced by a Revolving Credit Note in such amount dated September 21, 2000 (the "NOTE"). Capitalized terms used herein but not defined herein have the meanings ascribed to such terms in the Agreement.

You have requested the Bank (i) to make available to the Borrower Revolving Credit Loans in amounts in excess of the amounts that would be available under clause (a) of the definition of Borrowing Base, and (ii) to amend certain financial covenants, and the Bank has agreed thereto on the terms and conditions set forth herein. Accordingly, the Borrower and the Bank have agreed as follows:

1. As an inducement to and in consideration of the Bank's agreements contained herein, Borrower represents, warrants and acknowledges to the Bank that (a) all representations and warranties contained in the Loan Documents are true and correct on and as of the date hereof and are incorporated herein by reference and hereby remade; (b) after giving effect to the amendments set forth herein, no Default or Event of Default has occurred and is continuing; and (c) the Borrower is legally and validly indebted to the Bank under the Loan Documents as of February 27, 2001 in the principal amount of \$4,533,023.78, plus interest accrued and accruing thereon, and the Borrower does not have any defense, offset, counterclaim or independent claim or cause of action against the Bank with respect thereto or otherwise.

2. The Agreement is hereby amended as follows:

(a) The definition of Borrowing Base is hereby deleted in its entirety and replaced with the following:

Borrowing Base. At the relevant time of reference thereto, the lesser of:

(a) the sum of (x) an amount determined by the Bank by reference to the most recent Borrowing Base Certificate delivered to the Bank pursuant to Section 7.4(c) to be equal to the sum of (i) 85% of the Base Accounts, plus (ii) the lesser of (A) the Inventory Borrowing Base Percentage of the Base Inventory, or (B) the Maximum Inventory Component, plus (y) (i) during the period between March 1, 2001 and August 31, 2001, \$1,500,000, and (ii) after August 31, 2001, zero, and

(b) (i) prior to the first anniversary of the Closing Date, \$10,000,000, and (ii) on and after the first anniversary of the Closing Date, \$12,000,000. Notwithstanding the foregoing, the amount set forth in clause (b)(i) of this definition shall be deemed to be \$12,000,000 during such times prior to the first anniversary of the Closing Date as the Account/Inventory Ratio Condition is satisfied.

(b) Section 9.2 of the Agreement is hereby deleted in its entirety and replaced with the following:

9.2 DEBT SERVICE COVERAGE RATIO. The Borrower will not permit the Debt Service Coverage Ratio to be less than:

2.00 to 1.00 for the fiscal quarter ending September 30, 2001;

2.25 to 1.00 for the six-month period ending December 31, 2001;

2.25 to 1.00 for the nine-month period ending March 31, 2002; and

2.25 to 1.00 for the twelve-month period ending at the end of any fiscal quarter ending thereafter.

(c) Section 9.3 of the Agreement is hereby deleted in its entirety and replaced with the following:

9.3 MINIMUM TANGIBLE NET WORTH. The Borrower will not permit its Consolidated Tangible Net Worth to be less at the end of any fiscal quarter than the sum of (a) the Base Amount applicable to such quarter plus (b) the sum of the Net Income Additions to Net Worth for each fiscal year commencing after December 31, 2001.

For the purposes of this Section 9.3, "Base Amount" means:

PERIOD -----	BASE AMOUNT -----
Quarter ending March 31, 2001	\$11,750,000
Quarter ending June 30, 2001	\$10,750,000
Quarter ending September 30, 2001	\$11,750,000
Quarters ending December 31, 2001 and thereafter	\$12,250,000

For the purposes of this Section 9.3, "Net Income Additions to Net Worth" means, with respect to any fiscal year of the Borrower, 50% of the result of (i) Consolidated Net Income of the Borrower for such fiscal year, minus (ii) the amount of Distributions to shareholders distributed in cash as dividends upon the Series B Preferred Stock of the Borrower, provided, that not more than \$280,000 may be deducted under this clause (ii) with respect to Distributions made in any single fiscal year; further provided, that if

the Borrower does not have positive Consolidated Net Income with respect to a fiscal year, then the Net Income Additions to Net Worth with respect to such fiscal year shall be zero.

3. The Borrower acknowledges and affirms that all indebtedness, liabilities and obligations of the Borrower to the Bank, including without limitation, the Loan as modified herein, shall continue to be secured by a first lien on and security interest in the Collateral.

4. The Borrower will pay to the Bank (a) on the date hereof a non-refundable commitment fee of \$22,500, and (b) the Bank's legal fees and disbursements of \$855 incurred through the date hereof in connection with the negotiation and preparation of this agreement and related matters.

5. This agreement shall be governed by and construed in accordance with the laws of the State of Connecticut (without giving effect to the conflict of laws principles thereof), and this agreement may not be amended except by a writing signed by the Borrower and the Bank. This agreement may be executed in any number of counterparts, but all such counterparts shall together constitute but one instrument. In making proof of this agreement it shall not be necessary to produce or account for more than one counterpart signed by each party hereto by and against which enforcement hereof is sought. A facsimile of an executed counterpart shall have the same effect as the original executed counterpart.

Please confirm that the foregoing sets forth all of the amendments to the Agreement and the entire agreement between the Borrower and the Bank with respect to the matters set forth herein by signing and returning this letter to the attention of the undersigned together with the amounts set forth in Section 4 above. You should retain a copy of this letter for your records. Until such time as a fully executed original of this letter is received by the undersigned together with the amounts set forth in Section 4 above, the agreements herein shall be of no force or effect. Except as expressly amended herein, the Agreement and the other Loan Documents will continue in full force and effect in accordance with their respective terms.

Very truly yours,

WEBSTER BANK

By: /s/ Charles C. Thomas

Charles C. Thomas
Its Vice President

Reviewed and Agreed to:

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Richard L. Cote

Richard L. Cote
Its Executive Vice President
and Chief Financial Officer

TRANSACT TECHNOLOGIES INCORPORATED
 COMPUTATION OF EARNINGS PER SHARE

		Year Ended December 31,	
	2000	1999	1998
	----	----	----
Net Income (loss)	(344,000)	324,000	1,206,000
Dividends and accretion on preferred stock	(320,000)	--	--
	-----	-----	-----
Net income (loss) available to common shareholders	\$ (664,000)	\$ 324,000	\$ 1,206,000
	=====	=====	=====
SHARES:			
Basic - Weighted average common shares outstanding	5,504,000	5,565,000	6,163,000
Dilutive effect of outstanding options and warrants as determined by the treasury stock method	--	49,000	7,000
	-----	-----	-----
Diluted - Weighted average common and common equivalent shares outstanding	5,504,000	5,614,000	6,170,000
	=====	=====	=====
Net income (loss) per common and common equivalent share:			
Basic	\$ (0.12)	\$ 0.06	\$ 0.20
	=====	=====	=====
Diluted	\$ (0.12)	\$ 0.06	\$ 0.20
	=====	=====	=====

TRANSACT TECHNOLOGIES INCORPORATED
SUBSIDIARIES OF TRANSACT TECHNOLOGIES INCORPORATED

Name - - - - -	Jurisdiction of Incorporation -----	Owner -----	Percentage Owned -----
TransAct.com, Inc.	Delaware	TransAct Technologies Incorporated	100%
TransAct Technologies Limited (formerly Ithaca Peripherals Limited)	United Kingdom	TransAct Technologies Incorporated	100%
TransAct Technologies International Ltd	Barbados	TransAct Technologies Incorporated	100%