

TRANSACT TECHNOLOGIES INCORPORATED
CORPORATE GOVERNANCE PRINCIPLES

INTRODUCTION

These Corporate Governance Principles (these “Principles”) have been adopted by the Board of Directors (the “Board”) of TransAct Technologies Incorporated (the “Company”) to assist the Board and its committees in the exercise of their responsibilities to the Company and its stockholders. These Principles should be interpreted in the context of all applicable laws and the Company’s Certificate of Incorporation, By-Laws, the charters of the Board’s committees and other corporate governance documents.

BOARD COMPOSITION

Board Structure and Leadership

The By-Laws provide that the number of directors which shall constitute the whole Board shall be determined by resolution adopted by the Board. The charter of the Nominating and Corporate Governance Committee provides that it is responsible for periodically reviewing and making recommendations to the Board regarding the size and leadership structure of the Board.

In determining whether to recommend a change to the size of the Board, the Nominating and Corporate Governance Committee and the Board will be guided by the following factors:

- Resignations, retirements and the availability of appropriate, qualified candidates;
- Assuring that the Board has a small enough number to facilitate active discussions and decision-making; and
- Assuring that the Board has a sufficient number of directors to fulfill committee assignments and to provide an appropriate mix of continuity, experience, skills and diversity for the Board and its committees to perform their responsibilities in light of regulatory requirements and current business needs.

Mix of Management and Independent Directors

Under the listing standards of The Nasdaq Stock Market, a majority of the Company’s directors must be independent. It is the Board’s objective, however, that a substantial majority of the directors be independent.

The Nominating and Corporate Governance Committee will assess on a regular basis, and at least annually, the independence of each director and each candidate for election to the Board under the listing standards of The Nasdaq Stock Market, the rules and regulations issued by the Securities and Exchange Commission and Internal Revenue Service, other applicable laws and regulations, and these Principles. After conducting this independence assessment, the Nominating and Corporate Governance Committee will make a recommendation regarding the

independence of each director and director candidate to the full Board, which, in turn, shall make the final determination of each individual's independence.

Directors have an affirmative obligation to promptly inform the Board of any material changes in their circumstances or relationships that may impact their designation by the Board as "independent."

Selection and Election of Directors

The Nominating and Corporate Governance Committee shall identify, review and recommend candidates to be nominated for election to the Board. The Nominating and Corporate Governance Committee shall take the following criteria into consideration, along with such other criteria as the Board may establish from time to time:

- **Regulatory Requirements.** The Board shall have directors who meet the criteria for committee or Board membership established by The Nasdaq Stock Market, the Securities and Exchange Commission, the Internal Revenue Service and other applicable regulatory entities.
- **Independence.** At least a majority of the Board will be independent under the listing standards of The Nasdaq Stock Market.
- **Overall Board Composition.** The Nominating and Corporate Governance Committee will consider the Board's overall composition in light of current and future needs. Among the characteristics the Nominating and Corporate Governance Committee will consider are each individual's professional skills and business experience in relevant industries (including skills and experience in core areas such as operations, management, technology, accounting and finance, leadership, strategic planning and the restaurant and gaming industries), independence, judgment, integrity, age and diversity.
- **Performance.** In regard to incumbent directors, the Nominating and Corporate Governance Committee shall consider past performance. Directors are expected: (a) to have regular attendance at Board and committee meetings; (b) to stay informed about the Company and its business; (c) to devote sufficient time to prepare for and to participate in meetings of the Board and its committees; (d) to review any agenda or briefing materials circulated in advance of Board and committee meetings; (e) to take an interest in the Company's business and provide advice and counsel to the Chief Executive Officer ("CEO"); and (f) to comply with these Principles and such other policies applicable to directors, including the Standards of Business Conduct and Code of Ethics, as the Board may approve from time to time.
- **Other Criteria.** Particularly with regard to new directors, the Nominating and Corporate Governance Committee will assess whether the candidates have the qualities expected of all directors, including integrity, judgment, acumen, and the time and ability to make a constructive contribution to the Board. The Nominating and Corporate Governance Committee may adopt such further criteria as it deems appropriate. The Board does not believe it is appropriate to establish a single standard regarding the number of boards on

which a director may sit or whether a director should be required to submit a resignation upon a significant change in professional responsibilities. However, the Board recognizes that excessive time commitments can interfere with an individual's ability to perform his or her duties effectively. Therefore, in connection with its assessment of director candidates for nomination, the Nominating and Corporate Governance Committee will assess whether the performance of any director has been or is likely to be adversely impacted by excessive time commitments, including service on other boards of directors.

The Nominating and Corporate Governance Committee will report to the Board on the application of these criteria at the time of submitting its recommendation on each director candidate to the Board.

Term

As set forth in the Company's Certificate of Incorporation, directors shall generally hold office until the annual stockholders meeting held in the third year following the year of their election.

Individuals will not be eligible for nomination to the Board after they reach the age of 75, except that the Board may nominate a director who is 75 years of age or older for an additional term or terms due to special circumstances based on such director's particular contributions and experience.

BOARD AND DIRECTOR RESPONSIBILITIES

Board Responsibilities

The Board's primary responsibility is to maximize long-term value for the Company's stockholders. The Board selects the senior management of the Company, monitors senior management's and the Company's performance, and provides advice and counsel to senior management.

The duties and responsibilities of the Board include, but are not limited to, the following:

- **Strategy, Business Plan & Budget.** The Board shall review the Company's long-term strategy periodically. It shall also approve a business plan and operating budget annually.
- **CEO Performance.** The Compensation Committee will review the performance of the CEO at least annually.
- **CEO Succession.** The Compensation Committee is responsible for overseeing the CEO succession planning process. The CEO will recommend to the Compensation Committee one or more individuals to fulfill the CEO's responsibilities on an interim basis in the event that the CEO is disabled or otherwise incapacitated. The Compensation Committee will report on this subject to the Board. The full Board will be responsible for selecting the CEO, whether on a permanent or interim basis.

- **Board and Committee Performance Evaluations.** Under the auspices of the Nominating and Corporate Governance Committee, the Board and each committee shall periodically evaluate its composition, responsibilities, structure, processes and effectiveness.
- **Other Actions.** The Board (or a committee designated by the Board) may review and approve other transactions not included in the Company’s business plan or budget.

Director Responsibilities

Each director is expected to discharge his or her duties, including duties as a member of a committee on which the director serves, in good faith and in a manner the director reasonably believes to be in the best interests of the Company and its stockholders. Directors must fulfill their responsibilities consistent with their fiduciary duties to the Company’s stockholders, in compliance with all applicable laws and regulations. In discharging their duties, directors may rely on the Company’s senior executives and outside advisors and auditors.

Communication with Stockholders and Third Parties

The Board believes that it is, in general, the responsibility of management to speak for the Company in communications with outside parties, e.g., investors, the press, analysts and industry associations. Directors should only engage in such communications at the request of management.

The Nominating and Corporate Governance Committee shall maintain a policy regarding communications between stockholders and the Board and the independent directors.

BOARD MEETINGS

Scheduled Board Meetings

The Board shall hold at least five scheduled meetings each year, including four quarterly meetings, and one or more meetings devoted to addressing the Company’s strategy, business plan and annual budget, and matters relating to the Corporation’s annual stockholders’ meeting and filings with the Securities and Exchange Commission. Directors are encouraged to attend the Company’s annual stockholders’ meeting.

Agenda and Other Meeting Materials

The Chairman of the Board (the “Chairman”) shall set the agenda for each Board meeting. Any directors may suggest agenda items. The Chairman or the Corporate Secretary shall be responsible for the agenda being sent in advance of the meeting to the directors, along with appropriate written information and background materials, to the extent practical and appropriate.

At each regular Board meeting, the Board should receive reports on the overall financial and operating performance of the Company. In addition, management is encouraged to provide

the Board with other presentations on important aspects of the Company's operations and business/regulatory environment.

Access to Management

Directors shall have full access to any member of management for the purpose of understanding issues facing the Company. Directors who contact subordinate levels of management should, if appropriate, inform the Chairman of the Board or the CEO of such interactions. Directors, especially those on the Audit Committee, have complete access to the Company's independent auditors and internal auditor.

Executive Sessions

Independent directors will meet by themselves, without members of the Company's management present, at every regularly scheduled Board meeting. Independent directors may hold other such sessions at the request of any independent director. Independent directors shall notify the Chairman if they would like to hold such a session, and the Chairman shall facilitate the scheduling of such a session.

Executive sessions will be led by the Chair of the committee that has primary responsibility for the issue being discussed (e.g., the Audit Committee Chair would lead discussion on audit-related matters). In the event that it is not apparent which committee has responsibility, discussion shall be led by the Chair of the Compensation and Corporate Governance Committee.

BOARD COMMITTEES

Number of Committees; Committee Responsibilities

The Board shall have at least three standing committees: Audit, Nominating and Corporate Governance, and Compensation. The Board may create additional committees as it deems appropriate, and the Board or such committees may create subcommittees as they deem appropriate.

The purpose and responsibilities of each committee are set forth in its written charter. Each committee will review its charter and recommend any proposed changes to the Board for approval as part of its annual performance evaluation.

Committee Membership

The Nominating and Corporate Governance Committee is responsible for periodically reviewing the Board's committee structure and composition and for annually recommending to the Board directors to serve as members and the Chair of each Board committee.

Only independent directors may serve on the Audit Committee, the Nominating and Corporate Governance Committee, and the Compensation Committee. In addition, committee members shall meet applicable regulatory requirements imposed by The Nasdaq Stock Market, the Securities and Exchange Commission, the Internal Revenue Service and other applicable regulatory entities.

The Nominating and Corporate Governance Committee will assess on a regular basis, and at least annually, the independence of each committee member under the listing standards of The Nasdaq Stock Market, the rules and regulations issued by the Securities and Exchange Commission and Internal Revenue Service, other applicable laws and regulations, and these Principles. After conducting this independence assessment, the Nominating and Corporate Governance Committee will make a recommendation regarding the independence of each committee member to the full Board, which, in turn, shall make the final determination of each individual's independence to serve on a committee.

The committee Chairs may be rotated periodically if and at such time as determined by the Board or the committee members.

Committee Meetings, Schedules and Agendas

Each committee will determine the schedule for its meetings with the input of management. Committee Chairs will determine the agendas for the committee meetings, taking into account the recommendations of management and the other members of the Committee. Committee members are encouraged to suggest items for agendas.

DIRECTOR COMPENSATION AND EDUCATION

Director Compensation

The form and amount of director compensation will be recommended by the Compensation Committee in accordance with the policies and principles set forth in its charter and any other applicable rules, and the Compensation Committee will conduct an annual review of director compensation. As part of its review, the Compensation Committee will receive from management information on compensation provided to non-employee directors at a peer group of companies. Changes in director compensation, if any, shall be recommended by the Compensation Committee, and approved by the full Board.

To more closely align the interest of the directors with those of the Company's stockholders, the Board believes that non-employee directors' compensation should be largely equity-based. No additional compensation is paid to members of the Company's management for serving on the Board.

Director Orientation and Education

The Nominating and Corporate Governance Committee is responsible for developing and overseeing a Company orientation program for new directors and a continuing education program for current directors. As part of new director orientation, each new director shall have an opportunity to meet with members of senior management of the Company. The Nominating and

Corporate Governance Committee shall also periodically review these orientation and education programs and update them as necessary or appropriate. The Company will reimburse directors for reasonable expenses incurred with respect to director education programs.

CORPORATE GOVERNANCE REVIEW AND DISCLOSURE

The Nominating and Corporate Governance Committee shall review these Principles periodically and shall recommend any changes to the Board for its approval. As part of its review, the Nominating and Corporate Governance Committee will consider whether these Principles have been, and are likely to continue to be, effective in enabling the Board and its committees to fulfill their responsibilities. The Nominating and Corporate Governance Committee should also consider the expectations of stockholders, changes in applicable laws or regulations, and the practices of boards of directors of other public companies. These Principles shall be posted on the Company's website.