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

FORM 10-Q

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

For the quarterly period ended: June 30, 2015
or

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

For the transition period from to .

Commission file number: 0-21121

TRANSACT
Technologies Incorporated

(Exact name of registrant as specified in its charter)

Delaware	**06-1456680**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
One Hamden Center, 2319 Whitney Avenue, Suite 3B, Hamden, CT	**06518**
(Address of Principal Executive Offices)	(Zip Code)

(203) 859-6800
(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

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

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

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

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

As of July 31, 2015, the number of shares outstanding of the Company's common stock, $0.01 par value, was 7,747,692.

TRANSACT TECHNOLOGIES INCORPORATED

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

TRANSACT TECHNOLOGIES INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2015	December 31, 2014
Assets:	*(In thousands, except share data)*	
Current assets:		
Cash and cash equivalents	$ 2,293	$ 3,131
Accounts receivable, net	11,076	9,094
Inventories	10,967	11,806
Prepaid income taxes	637	409
Deferred tax assets	1,806	3,068
Other current assets	514	489
Total current assets	27,293	27,997
Fixed assets, net	2,368	2,438
Goodwill	2,621	2,621
Deferred tax assets	1,066	1,068
Intangible assets, net of accumulated amortization of $2,584 and $2,326, respectively	1,083	1,341
Other assets	23	26
	7,161	7,494
Total assets	$ 34,454	$ 35,491
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable	$ 6,235	$ 2,365
Accrued liabilities	2,400	3,320
Income taxes payable	31	13
Accrued lawsuit settlement expenses	-	3,625
Deferred revenue	279	313
Total current liabilities	8,945	9,636
Deferred revenue, net of current portion	70	64
Deferred rent, net of current portion	133	172
Other liabilities	249	225
	452	461
Total liabilities	9,397	10,097
Shareholders' equity:		
Common stock, $0.01 par value, 20,000,000 shares authorized; 11,136,281 and 11,122,293 shares issued, respectively; 7,747,692 and 7,900,257 shares outstanding, respectively	111	111
Additional paid-in capital	28,557	28,167
Retained earnings	22,638	22,349
Accumulated other comprehensive loss, net of tax	(68)	(72)
Treasury stock, at cost, 3,388,589 and 3,222,036 shares	(26,181)	(25,161)
Total shareholders' equity	25,057	25,394
Total liabilities and shareholders' equity	$ 34,454	$ 35,491

See notes to Condensed Consolidated Financial Statements.

TRANSACT TECHNOLOGIES INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
	(In thousands, except per share data)			
Net sales	**$ 17,224**	$ 13,804	**$ 33,388**	$ 27,423
Cost of sales	**10,063**	8,016	**19,735**	15,909
Gross profit	**7,161**	5,788	**13,653**	11,514
Operating expenses:				
Engineering, design and product development	**860**	1,151	**1,728**	2,381
Selling and marketing	**2,100**	2,257	**3,923**	4,222
General and administrative	**2,002**	2,000	**3,842**	3,888
Legal fees associated with lawsuit (Note 7)	**(6)**	35	**1,738**	47
	4,956	5,443	**11,231**	10,538
Operating income	**2,205**	345	**2,422**	976
Interest and other income (expense):				
Interest, net	**(10)**	(12)	**(16)**	(26)
Other, net	**(26)**	(12)	**(12)**	(20)
	(36)	(24)	**(28)**	(46)
Income before income taxes	**2,169**	321	**2,394**	930
Income tax provision	**781**	146	**862**	361
Net income	**$ 1,388**	$ 175	**$ 1,532**	$ 569
Net income per common share:				
Basic	**$ 0.18**	$ 0.02	**$ 0.20**	$ 0.07
Diluted	**$ 0.18**	$ 0.02	**$ 0.20**	$ 0.07
Shares used in per-share calculation:				
Basic	**7,798**	8,376	**7,827**	8,374
Diluted	**7,819**	8,520	**7,847**	8,538
Dividends declared and paid per common share:	**$ 0.08**	$ 0.08	**$ 0.16**	$ 0.15

See notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
	(In thousands)			
Net income	**$ 1,388**	$ 175	**$ 1,532**	$ 569
Foreign currency translation adjustment, net of tax	**13**	4	**4**	5
Comprehensive income	**$ 1,401**	$ 179	**$ 1,536**	$ 574

See notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 1,532	$ 569
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	269	309
Depreciation and amortization	734	727
Deferred income tax provision	1,261	22
Foreign currency transaction losses	11	17
Changes in operating assets and liabilities:		
Accounts receivable	(1,982)	1,432
Inventories	840	(499)
Prepaid income taxes	(228)	314
Other current and long term assets	(21)	(41)
Accounts payable	3,869	658
Accrued liabilities and other liabilities	(4,448)	340
Net cash provided by operating activities	1,837	3,848
Cash flows from investing activities:		
Capital expenditures	(407)	(440)
Net cash used in investing activities	(407)	(440)
Cash flows from financing activities:		
Revolving credit line borrowings	2,500	-
Revolving credit line payments	(2,500)	-
Payment of dividends on common stock	(1,243)	(1,248)
Purchases of common stock for treasury	(1,020)	-
Net cash used in financing activities	(2,263)	(1,248)
Effect of exchange rate changes on cash and cash equivalents	(5)	(8)
(Decrease) increase in cash and cash equivalents	(838)	2,152
Cash and cash equivalents, beginning of period	3,131	2,936
Cash and cash equivalents, end of period	$ 2,293	$ 5,088

See notes to Condensed Consolidated Financial Statements.

1. Basis of presentation

The accompanying unaudited financial statements of TransAct Technologies Incorporated have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America to be included in full year financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the periods presented have been included and are of a normal recurring nature. The December 31, 2014 Condensed Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2014 included in our Annual Report on Form 10-K.

The financial position and results of operations of our U.K. subsidiary are measured using local currency as the functional currency. Assets and liabilities of such subsidiary have been translated at the end of period exchange rates, and related revenues and expenses have been translated at the weighted average exchange rates with the resulting translation gain or loss recorded in accumulated other comprehensive income (loss) in the Condensed Consolidated Balance Sheets. Transaction gains and losses are included in other income (expenses) in the Condensed Consolidated Statements of Income.

The results of operations for the three and six months ended June 30, 2015 are not necessarily indicative of the results to be expected for the full year.

2. Inventories

The components of inventories are:

	June 30, 2015	December 31, 2014
	(In thousands)	
Raw materials and purchased component parts	**$ 6,445**	$ 6,183
Work-in-process	**1**	4
Finished goods	**4,521**	5,619
	$ 10,967	$ 11,806

3. Accrued product warranty liability

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

The following table summarizes the activity recorded in the accrued product warranty liability during the six months ended June 30, 2015:

	(In thousands)
Balance, beginning of period	$ 287
Warranties issued	125
Warranty settlements	(149)
Balance, end of period	$ 263

Approximately $165,000 of the accrued product warranty liability is classified as current in Accrued liabilities at June 30, 2015 in the Condensed Consolidated Balance Sheets. The remaining $98,000 of the accrued product warranty liability is classified as long-term in Other liabilities.

4. Earnings per share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
	(In thousands, except per share data)			
Net income	**$ 1,388**	$ 175	**$ 1,532**	$ 569
Shares:				
Basic: Weighted average common shares outstanding	**7,798**	8,376	**7,827**	8,374
Add: Dilutive effect of outstanding options as determined by the treasury stock method	**21**	144	**20**	164
Diluted: Weighted average common and common equivalent shares outstanding	**7,819**	8,520	**7,847**	8,538
Net income per common share:				
Basic	**$ 0.18**	$ 0.02	**$ 0.20**	$ 0.07
Diluted	**$ 0.18**	$ 0.02	**$ 0.20**	$ 0.07

The computation of diluted earnings per share excludes the effect of the potential exercise of stock options, when the average market price of the common stock is lower than the exercise price of the related stock option during the period. These outstanding stock options are not included in the computation of diluted earnings per share because the effect would be anti-dilutive. For the three months ended June 30, 2015 and 2014, there were 877,000 and 207,000, respectively, potentially dilutive shares consisting of stock options that were excluded from the calculation of earnings per diluted share. For the six months ended June 30, 2015 and 2014, there were 877,000 and 207,000, respectively, potentially dilutive shares consisting of stock options that were excluded from the calculation of earnings per diluted share.

5. Shareholders' equity

Changes in shareholders' equity for the six months ended June 30, 2015 were as follows (in thousands):

Balance at December 31, 2014	$ 25,394
Net income	1,532
Share-based compensation expense	269
Issuance of deferred stock units, net of relinquishments	121
Foreign currency translation adjustment	4
Dividends declared and paid on common stock	(1,243)
Purchase of common stock for treasury	(1,020)
Balance at June 30, 2015	$ 25,057

We paid a portion of the 2014 incentive bonus for the chief executive officer and chief financial officer in the form of deferred stock units. Such deferred stock units were granted in February 2015 and were fully vested at the time of grant.

For the three months ended June 30, 2015, our Board of Directors declared a quarterly cash dividend of $0.08 per share, totaling $620,000, which was paid in June 2015 to common shareholders of record at the close of business on May 20, 2015. For the three months ended June 30, 2014, dividends declared and paid totaled $666,000, or $0.08 per share. For the six months ended June 30, 2015 and 2014, dividends declared and paid totaled $1,243,000, or $0.16 per share and $1,248,000, or $0.15 per share, respectively.

6. Income taxes

We recorded an income tax provision for the second quarter of 2015 of $781,000 at an effective tax rate of 36.0%, compared to an income tax provision during the second quarter of 2014 of $146,000 at an effective tax rate of 45.5%. For the six months ended June 30, 2015, we recorded an income tax provision of $862,000 at an effective tax rate of 36.0%, compared to an income tax provision during the six months ended June 30, 2014 of $361,000 at an effective tax rate of 38.8%. Our effective tax rate for the second quarter of 2014 was higher due to the impact from certain permanent book to tax adjustments on an unusually low level of pre-tax income.

We are subject to U.S. federal income tax as well as income tax in certain state and foreign jurisdictions. We have substantially concluded all U.S. federal income tax, state and local, and foreign tax regulatory examination matters through 2010. During 2013, an examination of our 2010 federal tax return was completed. However, our federal tax returns for the years 2011 through 2013 remain open to examination. Various state and foreign tax jurisdiction tax years remain open to examination as well, though we believe that any additional assessment would be immaterial to the Condensed Consolidated Financial Statements. No state or foreign tax jurisdiction income tax returns are currently under examination. As of June 30, 2015, we had $124,000 of total gross unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods.

7. Commitments and contingencies

On June 8, 2012, Avery Dennison Corporation (“AD”) filed a civil complaint against us and a former employee of ours and of AD, in the Court of Common Pleas (the “Court”) in Lake County, Ohio. The complaint alleged that we and this former employee misappropriated unspecified trade secrets and confidential information from AD related to the design of our food safety terminals. The complaint requested a preliminary and permanent injunction against us from manufacturing and selling our Ithaca® 9700 and 9800 food safety terminals. On July 16, 2012, we filed our answer, affirmative defenses and counterclaims, seeking all available damages including legal fees. A hearing on the plaintiff's motion for preliminary injunction took place in August 2012, and in November 2012, the Court denied this request. AD filed an appeal of the Court’s ruling to the Eleventh Appellate District, which heard oral arguments on the appeal on July 16, 2013. On July 23, 2013, AD requested that the Eleventh Appellate District enjoin our further sale and marketing of the food safety terminals, pending the Court of Appeals’ decision. On July 29, 2013, we opposed this request. On October 15, 2013, the Eleventh District Court of Appeals affirmed the lower court’s decision in our favor and denied AD’s further request of an injunction pending the Court of Appeals’ decision. On October 24, 2013, AD filed a motion seeking that the Court of Appeals reconsider its decision. On April 16, 2014, the Court of Appeals denied AD’s motion to reconsider its decision. On July 28, 2014, AD filed a motion requesting leave from the Court to file an amended complaint and indicating that it has elected to pursue only its claim for damages, dropping its claim for injunctive relief. On September 4, 2014, the Court granted AD’s motion to file an amended complaint. On September 25, 2014, we filed our answer, affirmative defenses and counterclaims with respect to the amended complaint, seeking all available damages including legal fees. On January 30, 2015, we filed a motion for summary judgment seeking judgment in our favor on all counts as to the Company. On the same day, AD filed two motions for partial summary judgment. On February 17, 2015, we opposed both of AD’s motions, and AD opposed our motion. On February 23, 2015, the Company filed a reply brief in support of its motion for summary judgment. A trial was scheduled to begin on April 21, 2015, however, on March 25, 2015 the parties executed a confidential settlement agreement and release (the “Settlement Agreement”) in which the parties mutually agreed to resolve the dispute that was the subject of the lawsuit filed by AD against the Company to the parties’ mutual satisfaction. Under the terms of the Settlement Agreement, we agreed to pay AD $3,600,000 payable on or before April 8, 2015 and also to qualify certain AD labels for use on our food safety terminals at an estimated cost of $25,000. We made the $3,600,000 payment to AD on April 8, 2015 and borrowed $2,500,000 under our revolving credit facility with TD Bank to fund the payment. We recorded the total expense of $3,625,000 in the fourth quarter 2014 as an operating expense included in the line item “Legal fees and settlement expenses associated with lawsuit” on the Consolidated Statement of Operations and as a current liability included in the line item “Accrued lawsuit settlement expenses” on the Consolidated Balance Sheet. In the second quarter of 2015 we reversed $25,000 of this expense because AD did not provide the label testing information by the due date required per the settlement agreement.

8. Accounting pronouncements

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers." This ASU is intended to clarify the principles for recognizing revenue by removing inconsistencies in revenue requirements; providing a more robust framework for addressing revenue issues; improving comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; and providing more useful information to users of financial statements through improved revenue disclosure requirements. In April 2015, the FASB voted to defer the effective date of the new revenue recognition standard by one year. As a result, the provisions of this ASU are now effective for interim and annual periods beginning after December 15, 2017. We are currently evaluating the impact of this ASU.

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

Forward Looking Statements

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

Overview

TransAct Technologies Incorporated ("TransAct") designs, develops and sells market-specific solutions, including printers, terminals, software and other products for transaction-based and other industries. These world-class products are sold under the AccuDate™, Ithaca®, RESPONDER®, Epic, EPICENTRAL™, and, Printrex® brand names. Known and respected worldwide for innovative designs and real-world service reliability, our thermal, inkjet and impact printers and terminals generate top-quality labels and transaction records such as receipts, tickets, coupons, register journals and other documents as well as printed logging and plotting of data. We focus on the following core markets: food safety, banking and point-of-sale ("POS"), casino and gaming, lottery, and Printrex (which serves the oil and gas, medical and mobile printing markets). We sell our products to original equipment manufacturers, value-added resellers, selected distributors, as well as directly to end-users. Our product distribution spans across the Americas, Europe, the Middle East, Africa, Asia, Australia, the Caribbean Islands and the South Pacific. TransAct also provides world-class printer service, spare parts, accessories and printing supplies to its growing worldwide installed base of products. Through our TransAct Services Group ("TSG") we provide a complete range of supplies and consumables used in the printing and scanning activities of customers in the hospitality, banking, retail, casino and gaming, government and oil and gas exploration markets. Through our webstore, www.transactsupplies.com, and our direct selling team, we address the on-line demand for these products. We operate in one reportable segment: the design, development, assembly and marketing of transaction printers and terminals and providing printer-related services, supplies and spare parts.

Critical Accounting Judgments and Estimates

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

For a complete description of our accounting policies, see Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations, "Critical Accounting Policies and Estimates," included in our Annual Report on Form 10-K for the year ended December 31, 2014. We have reviewed those policies and determined that they remain our critical accounting policies for the six months ended June 30, 2015.

Results of Operations: Three months ended June 30, 2015 compared to three months ended June 30, 2014

Net Sales. Net sales, which include printer, terminal and software sales as well as sales of replacement parts, consumables and maintenance and repair services, by market for the three months ended June 30, 2015 and 2014 were as follows (in thousands, except percentages):

	Three months ended June 30, 2015		Three months ended June 30, 2014		Change $	Change %
Food safety, banking and POS	$ 3,427	19.9%	$ 2,747	19.9%	$ 680	24.8%
Casino and gaming	7,257	42.1%	6,124	44.3%	1,133	18.5%
Lottery	2,939	17.1%	849	6.2%	2,090	246.2%
Printrex	220	1.3%	996	7.2%	(776)	(77.9%)
TSG	3,381	19.6%	3,088	22.4%	293	9.5%
	$ 17,224	100.0%	$ 13,804	100.0%	$ 3,420	24.8%
International *	$ 4,523	26.3%	$ 4,097	29.7%	$ 426	10.4%

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

Net sales for the second quarter of 2015 increased $3,420,000, or 25%, from the same period in 2014. Printer sales volume increased 52% to approximately 52,000 units driven primarily by a 254% increase in unit volume from the lottery market, a 30% increase in the casino and gaming market and a 22% increase in the food safety, banking and POS market. These increases were partially offset by a decrease in unit volume of 78% from the Printrex market. The average selling price of our printers decreased approximately 13% in the second quarter of 2015 compared to the second quarter of 2014 primarily due to the large volume of lower priced lottery printers sold in 2015. International sales increased $426,000, or 10%, due to increases in the international casino and gaming market and food safety, banking and POS market that were partially offset by declines in the TSG market and Printrex market.

Food safety, banking and POS:
Revenue from the food safety, banking and POS market includes sales of food safety terminals which are hardware devices that consist of a touchscreen and one or two thermal print mechanisms that print easy-to-read expiration and "enjoy by" date labels to help restaurants effectively manage food spoilage. Revenue from this market also includes sales of inkjet, thermal and impact printers used primarily by retailers in the restaurant (including fine dining, casual dining and fast food), hospitality, and specialty retail industries to print receipts for consumers, validate checks, or print on linerless labels or other inserted media. In addition, revenue includes sales of printers used by banks, credit unions and other financial institutions to print receipts and/or validate checks at bank teller stations. A summary of sales of our worldwide food safety, banking and POS products for the three months ended June 30, 2015 and 2014 is as follows (in thousands, except percentages):

	Three months ended June 30, 2015		Three months ended June 30, 2014		Change	
					$	%
Domestic	$ 3,155	92.1%	$ 2,661	96.9%	$ 494	18.6%
International	272	7.9%	86	3.1%	186	216.3%
	$ 3,427	100.0%	$ 2,747	100.0%	$ 680	24.8%

The increase in both domestic and international food safety, banking and POS product revenue from the second quarter of 2014 was primarily driven by a 77% increase in sales of our food safety terminals largely to a distributor who made a large initial stocking order in 2013 and did not make any purchases in the second quarter of 2014. Additionally, sales of our Ithaca® 9000 printers increased 41% to support new initiatives at McDonald’s Corporation. These increases were partially offset by lower sales of our banking printers and other POS printers. We expect to see continued increases in sales of our Ithaca® 9000 printers during the second half of 2015.

Casino and gaming:
Revenue from the casino and gaming market includes sales of printers used in slot machines, video lottery terminals, and other gaming machines that print tickets or receipts instead of issuing coins (“ticket-in, ticket-out” or “TITO”) at casinos and racetracks (“racinos”) and other gaming venues worldwide. Revenue from this market also includes sales of printers used in the international off-premise gaming market in gaming machines such as Amusement with Prizes, Skills with Prizes and Fixed Odds Betting Terminals at non-casino gaming establishments. Revenue from this market also includes royalties related to our patented casino and gaming technology. In addition, casino and gaming market revenue includes sales of our software solution (including annual software maintenance for), the EPICENTRAL™ print system that enables casino operators to create promotional coupons and marketing messages and to print them real-time at the slot machine. A summary of sales of our worldwide casino and gaming products for the three months ended June 30, 2015 and 2014 is as follows (in thousands, except percentages):

	Three months ended June 30, 2015		Three months ended June 30, 2014		Change	
					$	%
Domestic	$ 3,390	46.7%	$ 2,914	47.6%	$ 476	16.3%
International	3,867	53.3%	3,210	52.4%	657	20.5%
	$ 7,257	100.0%	$ 6,124	100.0%	$ 1,133	18.5%

The increase in domestic sales of our casino and gaming products was primarily due to an EPICENTRAL™ software sale for an installation completed in the second quarter of 2015, compared to no completed domestic EPICENTRAL™ installations during the second quarter of 2014. Despite continued weakness in the replacement cycle for slot machines in the domestic casino market, sales of our thermal casino printers remained consistent in the second quarter of 2015 compared to the second quarter of 2014.

International casino and gaming printer sales increased in the second quarter of 2015 compared to the second quarter of 2014 due primarily to a 34% increase in sales of our thermal casino printers and a 100% increase in sales of our off-premises gaming printers, primarily to our European and Asian distributors. These increases were partially offset by a decline in EPICENTRAL™ software sales. In the second quarter of 2014 we completed an installation at multiple casino properties for a customer in South America compared to no completed international EPICENTRAL™ installations in the second quarter of 2015.

***Lottery*:**

Revenue from the lottery market includes sales of thermal on-line and other lottery printers to GTECH Corporation ("GTECH") and its subsidiaries for various lottery applications. A summary of sales of our worldwide lottery printers for the three months ended June 30, 2015 and 2014 is as follows (in thousands, except percentages):

	Three months ended June 30, 2015		Three months ended June 30, 2014		Change	
					$	%
Domestic	$ 2,894	98.5%	$ 830	97.8%	$ 2,064	248.7%
International	45	1.5%	19	2.2%	26	136.8%
	$ 2,939	100.0%	$ 849	100.0%	$ 2,090	246.2%

Our sales to GTECH are directly dependent on the timing and number of new and upgraded lottery terminal installations GTECH performs, and as a result, may fluctuate significantly quarter-to-quarter and year-to-year and are not indicative of GTECH's overall business or revenue. Based on our backlog of orders and GTECH's forecast, we expect total lottery printer sales to GTECH for 2015 to be higher than those reported in 2014.

Printrex:

Printrex branded printers are sold into markets that include wide format, rack mounted and vehicle mounted black/white and color thermal printers used by customers to log and plot oil field and down hole well drilling data in the oil and gas exploration industry. It also includes high-speed color inkjet desktop printers used to print logs at data centers of the oil and gas field service companies. Revenue in this market also includes sales of wide format printers used to print test results in ophthalmology devices in the medical industry, as well as vehicle mounted printers used to print schematics and certain other critical information in emergency services vehicles and other mobile printing applications. A summary of sales of our worldwide Printrex printers for the three months ended June 30, 2015 and 2014 is as follows (in thousands, except percentages):

	Three months ended June 30, 2015		Three months ended June 30, 2014		Change	
					$	%
Domestic	$ 152	69.1%	$ 753	75.6%	$ (601)	(79.8%)
International	68	30.9%	243	24.4%	(175)	(72.0%)
	$ 220	100.0%	$ 996	100.0%	$ (776)	(77.9%)

The decrease in sales of Printrex printers in the second quarter of 2015 compared to the second quarter of 2014 was primarily due to 79% lower domestic and international sales in the oil and gas market due to the continued negative impact from the decline in worldwide oil prices which we expect will continue to negatively impact our sales during the remainder of 2015. In addition, we experienced a 74% decline in medical and mobile printer sales due to the loss of a customer in the medical industry that will impact our sales further for the remainder of 2015

TSG:

Revenue from TSG includes sales of consumable products (inkjet cartridges, ribbons, receipt paper, color thermal paper and other printing supplies), replacement parts, maintenance and repair services, testing services, refurbished printers, and shipping and handling charges. A summary of sales in our worldwide TSG market for the three months ended June 30, 2015 and 2014 is as follows (in thousands, except percentages):

	Three months ended June 30, 2015		Three months ended June 30, 2014		Change	
					$	%
Domestic	$ 3,110	92.0%	$ 2,549	82.5%	$ 561	22.0%
International	271	8.0%	539	17.5%	(268)	(49.7%)
	3,381	100.0%	3,088	100.0%	$ 293	9.5%

The increase in domestic revenue from TSG was primarily due to a 133% increase in sales of replacement parts due mainly to purchases by GTECH. These increases were partially offset by a 19% decrease in sales of non-Printrex consumable products, largely HP inkjet cartridges, as we continue to deemphasize this commoditized consumable product, as well as 37% lower revenue from consumables for our Printrex color printers due to lower printing usage resulting from reduced drilling activities caused by the decline in worldwide oil prices.

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

Three months ended June 30, 2015	Three months ended June 30, 2014	Percent Change	Percent of Total Sales - 2015	Percent of Total Sales - 2014
$ 7,161	$ 5,788	23.7%	41.6%	41.9%

Gross profit is measured as revenue less cost of sales, which includes primarily the cost of all raw materials and component parts, direct labor, manufacturing overhead expenses, cost of finished products purchased directly from our contract manufacturers and expenses associated with installations and maintenance of our EPICENTRAL® print system. Gross profit increased $1,373,000, or 24%, and our gross margin declined by 30 basis points as we experienced a slightly less favorable sales mix in the second quarter of 2015 compared to the second quarter of 2014. During the second quarter of 2015, a larger portion of our sales were generated from our lottery printers, which carry lower gross margin than our other printers. We expect our gross margin for the full year 2015 to be higher than in 2014 as we expect to benefit from increased sales of our new value-added products, and expect to recognize the benefits from cost reduction initiatives we implemented during the fourth quarter of 2014.

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

Three months ended June 30, 2015	Three months ended June 30, 2014	Percent Change	Percent of Total Sales - 2015	Percent of Total Sales - 2014
$ 860	1,151	(25.3%)	5.0%	8.3%

Engineering, design and product development expenses primarily include salary and payroll related expenses for our engineering staff, depreciation and design expenses (including prototype printer expenses, outside design and testing services, and supplies). Such expenses decreased $291,000, or 25%, due primarily to the reduction of engineering staff resulting from our 2014 cost reduction initiatives and lower outside testing and pre-production expenses during the second quarter of 2015 compared to the second quarter of 2014 when we were in the process of launching three new products. We expect engineering, design and product development expenses in 2015 to be lower than in 2014 due to staff reductions and lower product development expenses resulting from cost reduction initiatives we implemented during the fourth quarter of 2014.

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

Three months ended June 30, 2015	Three months ended June 30, 2014	Percent Change	Percent of Total Sales - 2015	Percent of Total Sales - 2014
$ 2,100	$ 2,257	(7.0%)	12.2%	16.4%

Selling and marketing expenses primarily include salaries and payroll related expenses for our sales and marketing staff, sales commissions, travel expenses, expenses associated with the lease of sales offices, advertising, trade show expenses, e-commerce and other promotional marketing expenses. Such expenses decreased by $157,000, or 7%, in the second quarter of 2015 compared to the second quarter of 2014 primarily due lower marketing expenses and lower travel expenses in our Printrex markets as we consciously decided to reduce these expenses in response to the worldwide decline in the oil and gas markets. These decreases were partially offset by the planned investments we made during 2014 in new sales staff to focus on sales execution of our new products.

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

Three months ended June 30, 2015	Three months ended June 30, 2014	Percent Change	Percent of Total Sales - 2015	Percent of Total Sales - 2014
$ 2,002	$ 2,000	0.1%	11.6%	14.5%

General and administrative expenses primarily include salaries and payroll related expenses for our executive, accounting, human resource, business development and information technology staff, expenses for our corporate headquarters, professional and legal expenses, telecommunication expenses, and other expenses related to being a publicly-traded company. General and administrative expenses remained relatively consistent increasing $2,000 in the second quarter of 2015 compared to the second quarter of 2014.

Legal Fees and Settlement Expenses Associated with Lawsuit. Legal fee information is summarized below (in thousands, except percentages):

Three months ended June 30, 2015	Three months ended June 30, 2014	Percent Change	Percent of Total Sales – 2015	Percent of Total Sales - 2014
$ (6)	$ 35	(117.1%)	-%	0.3%

As disclosed in Note 7 to the Condensed Consolidated Financial Statements, in June 2012, AD filed a civil complaint against the Company, which we settled in March 2015. As part of the settlement, we were required to qualify certain AD labels for use on our food safety terminals which we estimated would cost $25,000 to perform. In the second quarter of 2015 we reversed the estimated cost of $25,000 as AD did not provide the label testing information by the due date required per the settlement agreement, therefore, the Company is no longer required to perform these services free of charge. This reversal more than offset the remaining legal expenses we incurred in the second quarter of 2015 related to the AD lawsuit. Due to the settlement of the AD lawsuit in March 2015, we do not expect to incur any additional expenses related to the lawsuit for the remainder of 2015.

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

Three months ended June 30, 2015	Three months ended June 30, 2014	Percent Change	Percent of Total Sales - 2015	Percent of Total Sales – 2014
$ 2,205	$ 345	539.1%	12.8%	2.5%

Our operating income increased by $1,860,000 and our operating margin improved to 12.8% of net sales primarily due to 25% higher sales in the second quarter of 2015 as compared to the second quarter of 2014. In addition our operating income was positively impacted by the costs savings initiatives we initiated in the fourth quarter of 2014 as total operating expenses decreased $487,000, or 9% in the second quarter of 2015 compared to the second quarter of 2014.

Interest. We recorded net interest expense of $10,000 in the second quarter of 2015 compared to $12,000 in the second quarter of 2014 due to the lower unused revolving credit line fee we are charged upon renewing our credit facility (the “TD Bank Credit Facility”) with TD Bank N.A. (“TD Bank) on November 26, 2014. As of the renewal, we are charged a fee of 0.15% on unused borrowings compared to 0.25% during the second quarter of 2014. See “Liquidity and Capital Resources” below for more information. The decrease in the second quarter of 2015 resulting from the lower unused credit line fee was slightly offset by $4,000 of interest expense incurred from borrowing $2,500,000 to pay the AD lawsuit settlement.

Other, net. We recorded other expenses of $26,000 in the second quarter of 2015 compared to of $12,000 in the second quarter of 2014. The change was due to higher foreign currency transaction exchange losses recorded by our U.K. subsidiary in the second quarter of 2015 compared to the second quarter of 2014.

Income Taxes. We recorded an income tax provision for the second quarter of 2015 of $781,000 at an effective tax rate of 36.0%, compared to an income tax provision during the second quarter of 2014 of $146,000 at an effective tax rate of 45.5%. Our effective tax rate for the second quarter of 2014 was higher due to the impact from certain permanent book to tax adjustments on an unusually low level of pre-tax income.

Net Income. We reported net income during the second quarter of 2015 of $1,388,000, or $0.18 per diluted share, compared to $175,000, or $0.02 per diluted share, for the second quarter of 2014.

Results of Operations: Six months ended June 30, 2015 compared to six months ended June 30, 2014

Net Sales. Net sales, which include printer, terminal and software sales as well as sales of replacement parts, consumables and maintenance and repair services, by market for the six months ended June 30, 2015 and 2014 were as follows (in thousands, except percentages):

	Six months ended June 30, 2015		Six months ended June 30, 2014		Change $	Change %
Food safety, banking and POS	$ 5,649	16.9%	$ 4,516	16.4%	$ 1,133	25.1%
Casino and gaming	12,838	38.4%	12,666	46.2%	172	1.4%
Lottery	6,970	20.9%	1,670	6.1%	5,300	317.4%
Printrex	927	2.8%	1,970	7.2%	(1,043)	(52.9%)
TSG	7,004	21.0%	6,601	24.1%	403	6.1%
	$ 33,388	100.0%	$ 27,423	100.0%	$ 5,965	21.8%
International *	$ 8,677	26.0%	$ 7,510	27.4%	$ 1,167	15.5%

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

Net sales for the first half of 2015 increased $5,965,000, or 22%, from the same period in 2014. Printer sales volume increased 44% to approximately 100,000 units driven primarily by a 318% increase in unit volume from the lottery market. Additionally, unit sales increased to a lesser extent in the first half of 2015 from an 8% and 14% increase from the casino and gaming markets and food safety, banking and POS market, respectively. The average selling price of our printers decreased approximately 11% during the first half of 2015 compared to the first half of 2014 primarily due to the large volume of lower priced lottery printers sold during the first half of 2015. Overall, international sales increased $1,167,000, or 16%, primarily driven by higher international sales in the international casino and gaming market and food safety, banking and POS market that were partially offset by declines in the TSG market and Printrex market.

Food safety, banking and POS:
A summary of sales of our worldwide food safety, banking and POS products for the six months ended June 30, 2015 and 2014 is as follows (in thousands, except percentages):

	Six months ended June 30, 2015		Six months ended June 30, 2014		Change	
					$	%
Domestic	$ 5,134	90.9%	$ 4,383	97.1%	$ 751	17.1%
International	515	9.1%	133	2.9%	382	287.2%
	$ 5,649	100.0%	$ 4,516	100.0%	$ 1,133	25.1%

The increase in both domestic and international food safety, banking and POS printer revenue as compared to the first half of 2014 was primarily driven by a 142% increase in sales of our food safety terminals during the first half of 2015 due largely to the resumption of shipments to our distributor who made a large initial stocking order in 2013 and did not make any purchases in the first half of 2014. Sales of our Ithaca® 9000 printers increased 12% in the first half of 2015 compared to the first half of 2014 due to new initiatives by McDonald's Corporation that started in 2015. We expect to see an increase in sales of our Ithaca® 9000 printers throughout the remainder of 2015. The increases were partially offset by lower sales of our banking printers and other POS printers.

Casino and gaming:
A summary of sales of our worldwide casino and gaming products for the six months ended June 30, 2015 and 2014 is as follows (in thousands, except percentages):

	Six months ended June 30, 2015		Six months ended June 30, 2014		Change	
					$	%
Domestic	$ 5,469	42.6%	$ 6,463	51.0%	$ (994)	(15.4%)
International	7,369	57.4%	6,203	49.0%	1,166	18.8%
	$ 12,838	100.0%	$ 12,666	100.0%	$ 172	1.4%

The decrease in domestic sales of our casino and gaming products resulted primarily from a reduction in the replacement cycle of slot machines in the domestic casino market in the first half of 2015 compared to the first half of 2014. Domestic sales of our thermal casino printers decreased 23% in the first half of 2015 compared to the first half of 2014. The decrease was offset by higher EPICENTRAL™ software sales due to one new installation that occurred in the first half of 2015 compared to no new installations in the first half of 2014.

International casino and gaming printer sales increased in the first half of 2015 due primarily to a 154% and 11% increase in sales of our off-premise thermal gaming printers and thermal casino printers, respectively. Sales of our off-premise gaming printers are largely project-oriented and we therefore cannot predict the level of future sales. These increases were partially offset by lower EPICENTRAL™ software sales in the first half of 2015 compared to 2014 as we had no new international installations in the first half of 2015 compared to one international installation at multiple casino properties for a customer in South America completed during the first half of 2014.

***Lottery*:**
A summary of sales of our worldwide lottery printers for the six months ended June 30, 2015 and 2014 is as follows (in thousands, except percentages):

	Six months ended June 30, 2015		Six months ended June 30, 2014		Change	
					$	%
Domestic	$ 6,833	98.0%	$ 1,646	98.6%	$ 5,187	315.1%
International	137	2.0%	24	1.4%	113	470.8%
	$ 6,970	100.0%	$ 1,670	100.0%	$ 5,300	317.4%

Our sales to GTECH are directly dependent on the timing and number of new and upgraded lottery terminal installations GTECH performs, and as a result, may fluctuate significantly quarter-to-quarter and year-to-year and are not indicative of GTECH's overall business or revenue.

Printrex:

A summary of sales of our worldwide Printrex printers for the six months ended June 30, 2015 and 2014 is as follows (in thousands, except percentages):

	Six months ended June 30, 2015		Six months ended June 30, 2014		Change $	Change %
Domestic	$ 789	85.1%	$ 1,611	81.8%	$ (822)	(51.0%)
International	138	14.9%	359	18.2%	(221)	(61.6%)
	$ 927	100.0%	$ 1,970	100.0%	$ (1,043)	(52.9%)

The decrease in Printrex printers was due primarily to 59% lower domestic and international sales in the oil and gas market due to the continued negative impact from the decline in worldwide oil prices. In addition, we experienced a 37% decline in medical and mobile printer sales due largely to the loss of a customer in the medical industry. This decrease was partially offset by the first sales contribution from our RESPONDER mobile printer in the first half of 2015.

TSG:

A summary of sales in our worldwide TSG market for the six months ended June 30, 2015 and 2014 is as follows (in thousands, except percentages):

	Six months ended June 30, 2015		Six months ended June 30, 2014		Change $	Change %
Domestic	$ 6,486	92.6%	$ 5,810	88.0%	$ 676	11.6%
International	518	7.4%	791	12.0%	(273)	(34.5%)
	$ 7,004	100.0%	$ 6,601	100.0%	$ 403	6.1%

The increase in domestic revenue from TSG was primarily due to a 37% increase in sales of replacement parts mainly to GTECH and a 20% increase in services revenue largely from project oriented paper testing services. These increases were partially offset by an 11% decline of our non-Printrex consumables, largely form the decline of HP inkjet cartridges, as we continue to deemphasize this commoditized consumable product.

Internationally, TSG revenue decreased primarily due to a 40% decrease in sales of replacement parts and accessories due to a large number of shipments to GTECH in 2014 to support international legacy lottery printers that did not recur during the first half of 2015.

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

Six months ended June 30, 2015	Six months ended June 30, 2014	Percent Change	Percent of Total Sales - 2015	Percent of Total Sales - 2014
$ 13,653	$ 11,514	18.6%	40.9%	42.0%

Gross profit increased $2,139,000, or 19%, due primarily to an increase in sales of 22%. However, our gross margin declined by 110 basis points as we experienced a less favorable sales mix in the first half of 2015 compared to the first half of 2014. During the first half of 2015, a larger portion of our sales were generated from our lottery printers, which carry lower gross margin than our other printers.

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

Six months ended June 30, 2015	Six months ended June 30, 2014	Percent Change	Percent of Total Sales - 2015	Percent of Total Sales - 2014
$ 1,728	$ 2,381	(27.4%)	5.2%	8.7%

Such expenses decreased $653,000, or 27%, due primarily to the reduction of engineering staff resulting from our 2014 cost reduction initiatives and lower outside testing and pre-production expenses during the first half of 2015 compared to the first half of 2014 when we were in the process of launching three new products. We expect engineering, design and product development expenses in 2015 to be lower than in 2014 due to staff reductions and lower product development expenses resulting from cost reduction initiatives we implemented during the fourth quarter of 2014.

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

Six months ended June 30, 2015	2014	Percent Change	Percent of Total Sales - 2015	Percent of Total Sales - 2014
$ 3,923	$ 4,222	(7.1%)	11.7%	15.4%

Such expenses decreased by $299,000, or 7%, in the first half of 2015 compared to the first half of 2015 primarily due to lower marketing expenses due to cost savings initiatives and lower travel expenses in our Printrex markets as we consciously decided to reduce these expenses in response to the worldwide decline in the oil and gas markets. These decreases were partially offset by the planned investments we made during 2014 in new sales and marketing staff to focus on sales execution of our new products.

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

Six months ended June 30, 2015	2014	Percent Change	Percent of Total Sales - 2015	Percent of Total Sales - 2014
$ 3,842	$ 3,888	(1.2%)	11.5%	14.2%

General and administrative expenses decreased $46,000, or 1%, due primarily to lower salary expenses related to the departure of our VP, Business Development during the fourth quarter of 2014 who has not been replaced. This decrease was somewhat offset by higher incentive compensation expense being accrued in the first half of 2015 compared to the first half of 2014.

Legal Fees and Settlement Expenses Associated with Lawsuit. Legal fee information is summarized below (in thousands, except percentages):

Six months ended June 30, 2015	2014	Percent Change	Percent of Total Sales - 2015	Percent of Total Sales - 2014
$ 1,738	$ 47	3,597.9%	5.2%	0.2%

As disclosed in Note 7 to the Condensed Consolidated Financial Statements, in June 2012, AD filed a civil complaint against the Company. In connection with this lawsuit, we incurred legal fees of $1,738,000 and $47,000 in the first half of 2015 and 2014, respectively. Due to the settlement of the AD lawsuit in March 2015, we do not expect to incur any additional expenses related to the lawsuit for the remainder of 2015

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

Six months ended June 30, 2015	2014	Percent Change	Percent of Total Sales - 2015	Percent of Total Sales - 2014
$ 2,422	$ 976	148.2%	7.3%	3.6%

Both our operating income and operating margin increased primarily due to the 22% increase in sales in the first half of 2015 as compared to the first half of 2014. Cost savings achieved in the first half of 2015 resulting from the cost savings initiatives instituted in the fourth quarter of 2014 were largely offset by higher legal expenses resulting from the AD lawsuit. Excluding the AD legal fees, our operating income would have increased $3,137,000, or 307% in the first half of 2015 compared to the first half of 2014.

Interest. We recorded net interest expense of $16,000 in the first half of 2015 compared to $26,000 in the first half of 2014 due to the lower unused revolving credit line fee we are charged upon renewing the TD Bank Credit Facility with TD Bank on November 26, 2014. As of the renewal, we are charged a fee of 0.15% on unused borrowings compared to 0.25% during the first quarter of 2014. See “Liquidity and Capital Resources” below for more information.

Other, net. We recorded other expense of $12,000 in the first half of 2015 compared to other expense of $20,000 in the first half of 2014. The change was due to lower net foreign currency transaction exchange losses recorded by our U.K. subsidiary in the first half of 2015 compared to the first half of 2014.

Income Taxes. We recorded an income tax provision for the first six months of 2015 of $862,000 at an effective tax rate of 36.0%, compared to an income tax provision during the first six months of 2014 of $361,000 at an effective tax rate of 38.8%. Our effective tax rate for the first half of 2014 was higher due to the impact from certain permanent book to tax adjustments on a relatively low level of pre-tax income.

Net Income. We reported net income during the first six months of 2015 of $1,532,000, or $0.20 per diluted share, compared to $569,000, or $0.07 per diluted share, for the first six months of 2014.

Liquidity and Capital Resources

Cash Flow
In the first six months of 2015, our cash and cash equivalents balance decreased $838,000 or 27%, from December 31, 2014 and we ended the second quarter of 2015 with $2,293,000 in cash and cash equivalents, of which $103,000 was held by our U.K. subsidiary, and no debt outstanding. However, in April 2015 we borrowed $2,500,000 under our TD Bank Credit Facility to fund the $3,600,000 payment related to the settlement of the AD lawsuit which we fully repaid during the second quarter.

Operating activities: The following significant factors affected our cash provided by operating activities of $1,837,000 in the first six months of 2015 as compared to our cash provided by operating activities of $3,848,000 in the first six months of 2014:

During the first six months of 2015:

- We reported net income of $1,532,000.
- We recorded depreciation, amortization, and share-based compensation expense of $1,003,000.
- Accounts receivable increased $1,982,000, or 22%, due to the increase and timing of sales during the second quarter of 2015.
- Inventories decreased $840,000, or 7%, due to the sell through of inventory on hand during 2015 compared to the increased stocking levels of our new food safety and Printrex product in the first half of 2014.
- Accounts payable increased $3,869,000 due primarily to increased inventory purchases during the first half of the year to support a higher level of sales.
- Accrued liabilities and other liabilities decreased $4,448,000 due primarily to the payment of the AD lawsuit settlement in April 2015 and the payment of 2014 annual bonuses in March 2015.

During the first six months of 2014:

- We reported net income of $569,000.
- We recorded depreciation, amortization, and share-based compensation expense of $1,036,000.
- Accounts receivable decreased $1,432,000 due primarily to collections made from the high concentration of sales made during the latter portion of the fourth quarter of 2013.
- Inventories increased $499,000 due to increased stocking levels of our food safety and Printrex products.
- Accounts payable increased $658,000 due primarily to increased inventory purchases and the timing of payments during the latter portion of the second quarter.
- Accrued liabilities and other liabilities increased $340,000 due primarily to higher levels of advanced payments received for EPICENTRAL™ software maintenance.

Investing activities: Our capital expenditures were $407,000 and $440,000 in the first six months of 2015 and 2014, respectively. Expenditures in 2015 included approximately $294,000 of cost incurred for the purchase of a new phone system and other computer equipment and the remaining amount was primarily for the purchase of new product tooling equipment. Expenditures in 2014 included $264,000 of cost incurred for the purchase of new product tooling, $30,000 for costs incurred in connection with an enhancement to the Company’s ERP software and the remaining amount primarily for the purchase of manufacturing equipment and computer equipment.

Capital expenditures for 2015 are expected to be approximately $800,000 primarily for the purchase of a new phone system and new product tooling and tooling enhancements for our existing products.

Financing activities: We used $2,263,000 of cash from financing activities during the first six months of 2015 to pay dividends of $1,243,000 to common shareholders and to purchase $1,020,000 of common stock for treasury. During the first six months of 2014, we used $1,248,000 of cash from financing activities to pay cash dividends to common shareholders. Additionally, during the second quarter of 2015 we borrowed $2,500,000 under the TD Bank Credit Facility to partially fund the $3,600,000 payment related to the AD lawsuit which we fully repaid before June 30, 2015.

Working Capital
Our working capital remained consistent, decreasing by less than 1% to $18,348,000 at June 30, 2015 from $18,361,000 at December 31, 2014. Our current ratio of current assets to current liabilities increased to 3.1 as of June 30, 2015 compared to 2.9 at December 31, 2014.

Credit Facility and Borrowings
The TD Bank Credit Facility provides for a $20,000,000 revolving credit line. On November 26, 2014, we signed an amendment to renew the TD Bank Credit Facility through November 28, 2017. Borrowings under the revolving credit line bear a floating rate of interest at the prime rate minus one percent and are secured by a lien on all of our assets. We also pay a fee of 0.15% on unused borrowings under the revolving credit line. The amendment increases the amount of revolving credit loans we may use to fund future cash dividend payments or treasury share buybacks to $10,000,000 from $5,000,000. The amendment also modified the definition of EBITDA to exclude certain non-recurring expenses, including without limitation, non-recurring litigation and acquisition expenses (including the $3,625,000 expense we incurred in the fourth quarter of 2014 related to the settlement of the AD lawsuit); and modified the definition of Operating Cash Flow to exclude unfinanced capital expenditures for the quarters ending December 31, 2014, March 31, 2015 and June 30, 2015.

The TD Bank Credit Facility imposes certain quarterly financial covenants on us and restricts, among other things, our ability to incur additional indebtedness and the creation of other liens. We were in compliance with all financial covenants of the TD Bank Credit Facility at June 30, 2015. The following table lists the financial covenants and the performance measurements at June 30, 2015:

Financial Covenant	Requirement/Restriction	Calculation at June 30, 2015
Operating cash flow / Total debt service	Minimum of 1.25 times	75.5 times
Funded Debt / EBITDA	Maximum of 3.0 times	0 times

During the second quarter of 2015 we borrowed $2,500,000 under the TD Bank Credit Facility to partially fund the $3,600,000 payment related to the AD lawsuit which we fully repaid before June 30, 2015.

As of June 30, 2015, borrowings available under the TD Bank Credit facility were $20,000,000.

Shareholder Dividend Payments

In 2012, our Board of Directors initiated a quarterly cash dividend program which is subject to the Board's approval each quarter. For the three months ended June 30, 2015, our Board of Directors declared a quarterly cash dividend of $0.08 per share, totaling approximately $620,000, which was paid in June 2015 to common shareholders of record at the close of business on May 20, 2015. For the six months ended June 30, 2015, dividends declared and paid totaled $1,243,000, or $0.16 per share. We expect to pay approximately $2,500,000 in cash dividends to our common shareholders during 2015.

Stock Repurchase Program

On August 11, 2014, our Board of Directors approved a stock repurchase program (the "Stock Repurchase Program"). Under the Stock Repurchase Program, we are authorized to repurchase up to $7,500,000 of our outstanding shares of common stock from time to time in the open market through July 31, 2015, depending on market conditions, share price and other factors. On November 3, 2014, our Board of Directors modified the Stock Repurchase Program to include the repurchase of up to $4,000,000 of the Company's outstanding shares through April 30, 2015 pursuant to a Rule 10b5-1 trading plan (the "10b5-1 Plan) though our Board ended this trading plan effective March 31, 2015. During the six months ended June 30, 2015 we purchased 166,553 shares of our common stock for $1,020,000 at an average price per share of $6.12 under the Stock Repurchase Program. As of June 30, 2015, approximately $3,846,000 remains authorized for future repurchases under the Stock Repurchase Program.

Resource Sufficiency

We believe that our cash and cash equivalents on hand, cash flows generated from operating activities and borrowings available under our TD Bank Credit Facility will provide sufficient resources to meet our working capital needs, finance our capital expenditures and dividend payments and meet our liquidity requirements through at least the next twelve months.

Contractual Obligations / Off-Balance Sheet Arrangements

The disclosure of payments we have committed to make under our contractual obligations is set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

On March 25, 2015 we executed a confidential settlement agreement on the AD lawsuit as disclosed herein under the heading "Other Information—Item 1. Legal Proceedings".

On May 29, 2015, we signed a non-exclusive agreement with GTECH to provide thermal lottery printers to GTECH for various lottery applications through December 31, 2019.

On June 30, 2015, we signed a second amendment of our lease agreement with The Realty Associates Fund IX L.P. as disclosed herein under the heading "Other Information—Item 5. Other Information".

Other than the items mentioned above, there have been no other material changes in our contractual obligations outside the ordinary course of business since December 31, 2014. We have no material off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The disclosure of our exposure to market risk is set forth under the heading "Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. There has been no material change in our exposure to market risk during the six months ended June 30, 2015.

Item 4. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2015. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2015, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On June 8, 2012, AD filed a civil complaint against us and a former employee of ours and of AD, in the Court of Common Pleas (the "Court") in Lake County, Ohio. The complaint alleged that we and this former employee misappropriated unspecified trade secrets and confidential information from AD related to the design of our food safety terminals. The complaint requested a preliminary and permanent injunction against us from manufacturing and selling our Ithaca® 9700 and 9800 food safety terminals. On July 16, 2012, we filed our answer, affirmative defenses and counterclaims, seeking all available damages including legal fees. A hearing on the plaintiff's motion for preliminary injunction took place in August 2012, and in November 2012, the Court denied this request. AD filed an appeal of the Court's ruling to the Eleventh Appellate District, which heard oral arguments on the appeal on July 16, 2013. On July 23, 2013, AD requested that the Eleventh Appellate District enjoin our further sale and marketing of the food safety terminals, pending the Court of Appeals' decision. On July 29, 2013, we opposed this request. On October 15, 2013, the Eleventh District Court of Appeals affirmed the lower court's decision in our favor and denied AD's further request of an injunction pending the Court of Appeals' decision. On October 24, 2013, AD filed a motion seeking that the Court of Appeals reconsider its decision. On April 16, 2014, the Court of Appeals denied AD's motion to reconsider its decision. On July 28, 2014, AD filed a motion requesting leave from the Court to file an amended complaint and indicating that it has elected to pursue only its claim for damages, dropping its claim for injunctive relief. On September 4, 2014, the Court granted AD's motion to file an amended complaint. On September 25, 2014, we filed our answer, affirmative defenses and counterclaims with respect to the amended complaint, seeking all available damages including legal fees. On January 30, 2015, we filed a motion for summary judgment seeking judgment in our favor on all counts as to the Company. On the same day, AD filed two motions for partial summary judgment. On February 17, 2015, we opposed both of AD's motions, and AD opposed our motion. On February 23, 2015, the Company filed a reply brief in support of its motion for summary judgment. A trial was scheduled to begin on April 21, 2015, however, on March 25, 2015 the parties executed a confidential settlement agreement and release (the "Settlement Agreement") in which the parties mutually agreed to resolve the dispute that was the subject of the lawsuit filed by AD against the Company to the parties' mutual satisfaction. Under the terms of the Settlement Agreement, we agreed to pay AD $3,600,000 payable on or before April 8, 2015 and also to qualify certain AD labels for use on our food safety terminals at an estimated cost of $25,000. We made the $3,600,000 payment to AD on April 8, 2015 and borrowed $2,500,000 under our revolving credit facility with TD Bank to fund the payment. We recorded the total expense of $3,625,000 in the fourth quarter 2014 as an operating expense included in the line item "Legal fees and settlement expenses associated with lawsuit" on the Consolidated Statement of Operations and as a current liability included in the line item "Accrued lawsuit settlement expenses" on the Consolidated Balance Sheet. In the second quarter of 2015 we reversed $25,000 of this expense because AD did not provide the label testing information by the due date required per the settlement agreement.

Item 1A. RISK FACTORS

Information regarding risk factors appears in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014. There have been no material changes from the risk factors previously disclosed in that Annual Report on Form 10-K. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Item 5. OTHER INFORMATION

On June 30, 2015, we signed a second amendment of our lease agreement with The Realty Associates Fund IX L.P. As part of the amendment we have expanded our facility space from approximately 14,000 square feet to 20,000 square feet. The expansion space will be renovated by the landlord and the amended lease agreement will commence on the later of September 1, 2015 or the completion of the renovation of the expansion space and will expire in 84 months.

Item 6. EXHIBITS

Exhibit 10.1	OEM Purchase Agreement by and between GTECH Corporation and TransAct, dated May 29, 2015 (Pursuant to Rule 24-b-2 under the Exchange Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)
Exhibit 10.2	Second Amendment to Lease Agreement by and between Las Vegas Airport Properties LLC and TransAct dated June 30, 2015
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

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

TRANSACT TECHNOLOGIES INCORPORATED
(Registrant)

August 7, 2015

/s/ Steven A. DeMartino
Steven A. DeMartino
President, Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)

EXHIBIT LIST

The following exhibits are filed herewith.

Exhibit	
10.1	OEM Purchase Agreement by and between GTECH Corporation and TransAct, dated May 29, 2015 (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.)
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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

Exhibit 10.1

TRANSACT
Technologies Incorporated

Agreement

by and between

TransAct Technologies Incorporated
One Hamden Center
2319 Whitney Avenue, Suite 3B
Hamden, CT 06518

and

GTECH Corporation
10 Memorial Boulevard
Providence, RI 02903

[**] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.

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OEM PURCHASE AGREEMENT

THIS AGREEMENT between TransAct Technologies Incorporated a Delaware corporation, with offices at One Hamden Center, 2319 Whitney Avenue Suite 3B, Hamden, CT 06518 ("TRANSACT") and GTECH Corporation with offices at 10 Memorial Boulevard, Providence, RI 02903 ("BUYER") sets out the terms and conditions under which TRANSACT will sell the Products and provide the Services described in this Agreement and Attachments to BUYER.

1. Terms and Conditions

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

1.2 Services. As used in this Agreement, "Services" means the ancillary services, if any, to be provided by TRANSACT in accordance with the terms of this Agreement including without limitation, those services described in Section 11 of this Agreement.

1.3 Purchase Commitment. There is no minimum quantity of purchases under this Agreement unless a Blanket Order is placed under the terms of Attachment 2. TRANSACT will furnish Products and Services on an as-ordered basis or as specified in Attachment 2. It is expressly understood and agreed that BUYER is not obligated to purchase any or all of the Products and Services from TRANSACT, unless otherwise specified in Attachment 2.

1.4 Spare Parts. TRANSACT shall provide a Recommended Spare Parts List ("RSL") for all Products covered by this Agreement. The RSL shall include all parts and assemblies necessary to repair and maintain the Products purchased under this Agreement. A separate RSL shall be supplied for each product model or configuration, identifying all common parts.

a. Non-Standard Spare Parts. If the Product contains a part not readily available in the marketplace ("Non-Standard Spare Parts"), TRANSACT shall make such part available to BUYER in accordance with Section 1.4(b).

b. Spare Part Support. TRANSACT shall make all spare parts including Non-Standard Spare Parts as described in Section 1.4(a) above, available during the Term of this Agreement and for a period of five (5) years thereafter. In consideration for requiring such spare parts inventory and for requiring TRANSACT to provide the repair support, test equipment, diagnostics and documentation described in Section 11 below, BUYER shall purchase all spare parts including Non-Standard Spare Parts as described in Section 1.4(a) above from TRANSACT.

2. Ordering

2.1 Purchase Orders. All purchases under this Agreement will be made under purchase orders ("Purchase Orders") referencing this Agreement issued by BUYER or by any subsidiary or affiliate of BUYER. Purchase Orders will be deemed accepted by TRANSACT unless rejected in writing by TRANSACT specifying the reasons for rejection within seven (7) calendar days after receipt of the Purchase Order. TRANSACT may reject purchase orders only if a Purchase Order does not comply with the terms and conditions of this Agreement.

2.2 Lead Time. Unless otherwise agreed, Purchase Orders shall specify a delivery date with the normal lead-time of [**] ("Lead Time"). Lead time for the first release against a blanket Purchase Order under Attachment 2 is [**] as described above. Lead time for subsequent releases against blanket Purchase Orders is [**]. TRANSACT will make reasonable efforts to respond to additional demand over the blanket Purchase Order quantity in less than [**]. In the event that Products ordered within the Lead Time are overdue for delivery to BUYER, TRANSACT shall ship Products to BUYER at no additional cost to BUYER, and any premium air freight charges shall be prepaid by, and borne by TRANSACT.

2.3 Rescheduling. At 31-60 calendar days before scheduled shipment date, an order may be rescheduled up to 30 calendar days later than the scheduled shipment date or to the end of the calendar quarter, whichever is greater. Within 30 calendar days of scheduled shipment date, BUYER may reschedule within the scheduled month. Rescheduling of Blanket Orders will comply with this Paragraph 2.3 and also with Attachment 2.

2.4 Cancellation for Convenience. Within 150 calendar days of scheduled shipment date no cancellation of Purchase Orders is permitted. At 150 + calendar days before scheduled shipment date, BUYER may cancel any or all Purchase Orders. This does not include Blanket Orders as defined in Attachment 2, which are non-cancellable.

[**] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.

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

2.6 Expedited Orders. If BUYER requests delivery to meet a special requirement, TRANSACT will use all commercially reasonable efforts to expedite delivery; provided however, that BUYER will pay any additional charges or costs for expediting after such charges or costs have been accepted in writing by BUYER.

3. Shipping, Packaging, and Delivery

3.1 Title and Risk of Loss. Unless otherwise agreed, delivery of Products will be made FCA Ithaca, NY from TransAct's continental U.S. facility or FCA Hong Kong from TransAct's International facility. Subject to proper packaging, title and risk of loss shall pass to BUYER upon proper tender of the Products to the carrier. TRANSACT will provide proof of delivery upon request and will provide reasonable assistance to BUYER at no charge in any claim BUYER may make against a carrier or insurer for misdelivery, loss or damage to Products after title has passed to BUYER.

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

3.3 Packaging. TRANSACT shall affix to the outside of each shipment a list of contents, including serial numbers, to allow for review of contents upon receipt. Products shall be packaged in accordance with BUYER's General Packaging Specifications as specified in Attachment 3.

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

4. Pricing

All pricing will be specified in Attachment 2. All pricing shall remain in effect [**] which are agreed to by both parties.

5. Payment

TRANSACT shall invoice BUYER for Products purchased by BUYER following delivery to the carrier by TransAct. Payment shall be made by BUYER in U.S. Dollars within thirty (30) days after the date of invoice. Interest shall accrue on all past-due balances at one and one-half percent (1 ½%) per month or such lesser rate as is the maximum rate permitted under applicable law.

6. Taxes and Duties

BUYER will pay as a separate invoiced item only such sales, use, value-added or similar tax listed therein (all other taxes are excluded, including, without limitation, taxes based upon TRANSACT's net income), lawfully imposed on the sale of the Products or provision of Services to BUYER. Taxes, duties or like charges imposed on the Products after title has passed to BUYER will be paid by BUYER unless such charges are the result of a trade sanction imposed on TRANSACT's Products, as specified in Section 19.2, below. In lieu of taxes, BUYER may furnish to TRANSACT a tax exemption certificate. TRANSACT agrees to provide reasonable assistance to BUYER, without charge, in any proceeding for the refund or abatement of any taxes BUYER is required to pay under this Section 6.

7. Changes

7.1 Product Changes. TRANSACT shall submit evaluation samples of all Product changes that affect form, fit or function at least ninety (90) calendar days before such changes are targeted to be implemented. TRANSACT shall forward (2) copies of all requests to make the changes generally described above to:

GTECH Corporation
55 Technology Way
West Greenwich, Rhode Island 02817

[**] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.

BUYER may, at its option, decline to have such changes incorporated into the Products. Proposed changes will not be incorporated into the Products until accepted in writing by BUYER. BUYER shall make best effort to respond in writing to TRANSACT within fifteen (15) calendar days of BUYER's receipt of change notification. In no event will BUYER ever be deemed to have accepted any change in the price or delivery schedule without its prior written consent.

7.2 BUYER Changes. BUYER may request changes in the Products at any time during the Term of this Agreement by submitting a written change request to TRANSACT. For each written change request received from BUYER, TRANSACT will provide BUYER with a written proposal including any applicable non-recurring engineering charge, change in Product prices and/or delivery schedule, and any other change in terms. Such proposal, only if agreed to and signed by an authorized representative of BUYER and TRANSACT, will become part of this Agreement. Any changes that require Tooling, which is paid for by BUYER, are and shall remain the property of BUYER, and TRANSACT may not use such changes or disclose them to others without the prior written consent of BUYER.

7.3 Enhancements, Successor Products. If during the Term of this Agreement, TRANSACT offers improvements, options, additional functionality or other enhancements ("Enhancements") to the Products not available at the time this Agreement is signed or other products which substantially replace the Products ("Successor Products"), TRANSACT will offer such Enhancements and/or Successor Products to BUYER by providing a description and a price. If BUYER elects, in writing, to purchase such Enhancements or Successor Products, the Enhanced Products or Successor Products will be ordered separately from any orders which may be open at that time. No substitutions or changes will be made on open purchase orders with delivery within [**] lead-time. If BUYER requires changes implemented within [**], BUYER will cover the cost of rework, excess and obsolete material when agreed to in advance in writing by BUYER and TRANSACT. In any event, BUYER may, at its option, elect to continue to purchase Products as originally specified for the Term of this Agreement and any extensions thereafter.

7.4 Restricted Sales. TRANSACT will not sell, lease or otherwise provide online lottery printers to BUYER'S existing customers, or provide printers with the packet protocol set forth in BUYER's Specification 96-0258-01 to any third party but BUYER. Nothing in this section shall preclude TRANSACT from selling, leasing or otherwise providing other printers to any third party in its discretion. If BUYER wins a new customer and notifies TRANSACT, then TRANSACT will not sell, lease or otherwise provide lottery printers to BUYERS new customer. If BUYERS new customer is TRANSACT'S existing customer, then TRANSACT will so notify BUYER and TRANSACT may continue to sell lottery printers to this customer.

8. Quality and Reliability Requirements

8.1 Quality and Reliability Requirements. TRANSACT agrees to maintain adequate quality and reliability safeguards to ensure that all Products shipped to BUYER meet or exceed all parameters specified in the Product Specification and that the Product is not subject to any infant mortality.

8.2 Reliability Test. TRANSACT shall conduct a reliability test on the Products to ensure that the Products meet or exceed all parameters specified in the Product Specification. BUYER may review the results of TRANSACT's reliability test on the Products.

8.3 Survey. TRANSACT will allow BUYER to perform a survey at TRANSACT'S facility or at any subcontractor of TRANSACT with reasonable written notice. This survey will include, but is not limited to, an audit of the manufacturing process, reviewing the yields at each inspection and test point in the manufacturing process, review of the on-going reliability test data, Product design changes, corrective action, and field reliability performance and repair data. The cost of BUYER travel to the survey will be borne by BUYER.

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

9. Insurance

9.1 TransAct Insurance Coverage. TRANSACT shall purchase and maintain during the Term of this Agreement, such insurance as will protect it and BUYER from claims set forth below which may arise out of or result from TRANSACT's operations under this Agreement whether such operations be by it or by any subcontractor or by anyone for whose acts any of them may be liable. TRANSACT shall cause BUYER to be additional insured under all coverages except Workers' Compensation.

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

[**] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.

9.3 Proof of Insurance. Evidence of said insurance will be in the form of a certificate of insurance and will be provided within ten (10) calendar days from the date of this Agreement. Notification to BUYER will occur within thirty (30) calendar days of any cancellation or material change in coverage. Coverage will be in effect with insurance carriers licensed to do business in any state that the TRANSACT will perform its services and will be rated no less than A by the AM Best Company. All Certificates of Insurance are to be forwarded to: GTECH Corporation, 10 Memorial Boulevard, Providence RI 02903 ATTN: Risk Management Department.

10. Indemnity

In addition to, and not in limitation of, any other indemnifications, warranties and covenants set forth herein, but subject to Section 22 hereof, TRANSACT hereby agrees to indemnify and hold BUYER harmless with respect to any and all costs, expenses and liability, including without limitation reasonable attorney's fees, arising out of any claim or action based on a failure of the Products or Services to meet the specifications set forth herein or the failure of the TRANSACT to meet any of its obligations hereunder.

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

Notwithstanding the foregoing, TRANSACT shall have no liability to BUYER for actual or claimed infringement arising out of: (a) compliance with detail designs, plans or specifications furnished by BUYER unless such infringement would arise independent of such designs, plans or specifications; (b) use of the Products in combination with other equipment or software not reasonably contemplated by TRANSACT; (c) use of the Products in any process not reasonably contemplated by TRANSACT or (d) BUYER's negligence in making repairs of the Products. TRANSACT acknowledges that the Specifications in Attachment 1 is not a "specification" which excuses or releases TRANSACT from performing its indemnity and other obligations hereunder.

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

11. Repair Support

11.1 Repair Orders. In addition to TRANSACT's obligations under Section 12, TRANSACT agrees to repair all "in warranty" and "out of warranty" failures within twenty (20) calendar days from the receipt of the Products, or else replace such Products with new Products that shall conform to the Specifications.

11.2 Failure Analysis. TRANSACT shall provide a failure analysis on Products that are returned for repair under warranty. On request by BUYER, TRANSACT will provide failure analysis for serialized units returned for a specific failure mode or region.

11.3 Repair Capabilities. BUYER reserves the right to repair any of the assemblies, subassemblies, or other items comprising the Products purchased under this Agreement to the recommended spare parts (RSL) level. The RSL level is defined as the lowest part level repairable without special tools and fixtures. TRANSACT will supply BUYER with the necessary support to repair the Products.

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

11.5 Diagnostics. TRANSACT shall provide to BUYER its diagnostics, test programs and test routines, necessary to repair to the recommended spare parts level, the unit, any of the assemblies, subassemblies, piece parts, components, or other items comprising the Products purchased under this Agreement.

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

11.7 Confidential and Proprietary Information. BUYER acknowledges and agrees that the test equipment and diagnostics described in Sections 11.4 and 11.5 constitute proprietary and Confidential Information of TRANSACT, subject to Section 15 of this Agreement and any other confidentiality agreement between the parties. BUYER agrees not to use any of such test equipment or diagnostics for any purpose other than the maintenance and repair of the Products in accordance with this Agreement and not to deliver, disclose or permit the disclosure of any such test equipment or diagnostics to any third party.

11.8 Future Training. BUYER may schedule a maximum of six (6) students per year in TRANSACT's regularly scheduled training class, at TRANSACT's location, during the Term of this Agreement. If no regularly scheduled classes are conducted, then BUYER may request TRANSACT to conduct one (1) class per year in which BUYER may schedule a maximum of six (6) students. The cost of travel for training will be paid for by BUYER.

12. Warranties

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

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

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

12.4 Conformance; Defects. Unless otherwise specified in Attachment 1, TRANSACT warrants that the Products will: (a) be new; (b) conform to the Specification; (c) be free from defects in materials and workmanship for a period of [**] from shipment to BUYER or a customer in accordance with the terms of TRANSACT's standard product warranty policy. Upon written notice from BUYER of a Product or part that fails to meet the foregoing warranty, TRANSACT will promptly repair or replace such Products within twenty (20) calendar days of receipt by TRANSACT of the failed or non-conforming Products or spare parts.

12.5 Freight Costs on Repairs. All Products returned to TRANSACT for repair under warranty shall be shipped to TRANSACT by standard ground service, freight collect, FOB from wherever failed Product is located. TRANSACT shall return all Products repaired under warranty, freight prepaid by TRANSACT to same location. Shipping of warranty repair units to/from TRANSACT and from/to BUYER's field operations by any means other than standard ground service or equivalent for international locations will be paid by BUYER.

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

12.7 Warranty Terms TRANSACT warranty term is [**] from date of shipment to BUYER or a customer per Section 12.4 above. TRANSACT warranty is valid only when TRANSACT approved papers are used. Use of unapproved papers will void the warranty.

[**] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.

13. Tooling

All Tooling for the Products is owned by TRANSACT. Any subsequent tooling purchased by BUYER for the manufacture of the Products (“Tooling”), whether kept at BUYER's or TRANSACT’s premises, shall remain the property of BUYER for BUYER's exclusive use. The Tooling purchased by BUYER and used by TRANSACT in the manufacture of the Products shall be stored and maintained by TRANSACT but may be removed from TRANSACT's location at any time by BUYER, without notice, solely at BUYER’s expense. TRANSACT shall take such steps to protect BUYER's title to the Tooling as BUYER may reasonably request. At a minimum, TRANSACT shall cause a sign to be affixed to such tooling stating "Property of GTECH Corporation". TRANSACT will immediately notify BUYER of any change in the location of the tooling.

14. Force Majeure

For the purposes of this Agreement, a “Force Majeure” shall mean an event or effect that cannot be reasonably anticipated or controlled, including but not limited to an action of the elements, or any other cause which, by the exercise of reasonable diligence, said Party is unable to prevent. Neither BUYER nor TRANSACT shall be liable to the other for any delay in or failure of performance under this Agreement due to a “Force Majeure” occurrence provided that the Party claiming Force Majeure notifies the other in writing within five (5) calendar days of the commencement of the condition preventing its performance and its intent to rely thereon to extend the time for its performance of this Agreement. The foregoing shall not apply to BUYER’s obligation to pay any amounts due and payable to TRANSACT.

15. Confidentiality

15.1 Each party agrees not to disclose or use (except as permitted or required for performance by the party receiving such Confidential Information (as defined below) of its rights or duties hereunder) any Confidential Information of the other party obtained during the Term of this Agreement. Each party further agrees not to disclose or provide any of such Confidential Information of the other party to any third party and to take appropriate measures to prevent any such disclosure by its present and future employees, officers, agents, subsidiaries, or consultants during the Term. Each party acknowledges and agrees that all documents, data, software or information in any form which is provided by either party (hereinafter “Confidential information”) is the property of the disclosing Party. Each Party will receive and maintain all Confidential Information in the strictest confidence and except as provided herein, shall not use Confidential Information for its own benefit or disclose it or otherwise make it available to third parties without prior written consent of the disclosing Party. Each party agrees to limit the use of Confidential Information of the other party to only those of its employees who need the Confidential Information for the purpose of this Agreement and to advise all of its employees of the other party’s rights in the Confidential Information. Nothing in this Agreement shall be construed as granting or conferring any rights by license or otherwise in any Confidential Information, trademarks, patents or copyrights of either party to the other party, except for the limited purposes of either parties performance hereunder.

15.2 For purposes of this Agreement, “Confidential Information” means all information relating to a party, its business and prospects (including but not limited to, intellectual property, business practices, know-how, trade secrets, business plans, designs, blueprints, drawings, models and prototypes), disclosed by such party from time to time to the other party in any manner, whether orally, visually or in tangible form (including, without limitation, documents, devices and computer readable media) and all copies thereof, created by either party. The term “Confidential Information” shall be deemed to include all notes, analyses, compilations, studies, interpretations or other documents prepared by a party which contain, reflect or are based upon the information furnished to the receiving party by the disclosing party under this Agreement, but shall not include information which is: (a) in the public domain; (b) already known to the Party to whom it is disclosed (hereinafter “Recipient”) at the time of such disclosure; (c) subsequently received by Recipient in good faith from a third party having prior right to make such disclosure; (d) independently developed by Recipient without use of the information disclosed pursuant to this Agreement; or (e) approved in writing for unrestricted release or unrestricted disclosure by the Party owning or disclosing the information (hereinafter “Discloser”). In the event Recipient is required or legally compelled to disclose any of the Confidential Information as a result of a legal process or pursuant to governmental action, the Discloser may seek a protective order or other appropriate remedy and/ or waive compliance with the provisions of this Agreement, At the request of a Discloser, and in any event upon the expiration or termination of this Agreement, each Recipient shall promptly deliver to Discloser all products, components and equipment provided by Discloser as well as all records or other things in any media containing or embodying Discloser’s Confidential Information within its possession or control which were delivered or made available to each Recipient during or in connection with this Agreement, including any copies thereof.

16. Public Announcements

Both parties agree not to make any public announcements regarding this Agreement or to disclose any of the terms and conditions hereof to any third party without prior written consent of the other party, except as required by law.

17. Notices

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

18. Assignment

This Agreement and the rights, duties and obligations of the parties hereto shall not be assignable, transferable or delegable by either party hereto without the prior written consent of the other, not to be unreasonably withheld; provided that either party may assign this Agreement in connection with the transfer of its business to a third party, whether by sale of assets, sale of stock, merger, consolidation or other transfer of control without the prior written consent of the other party; and provided further that Buyer may assign its rights and/or obligations hereunder, in whole or in part, to any parent or subsidiary corporation, or any affiliate, without the consent of, but upon notice to, TRANSACT.

19. Term and Termination

19.1 Term. This Agreement will commence on the 29th day of May, 2015 (“Effective Date”) and shall continue through and including December 31, 2019 (“Term”) unless terminated earlier as provided in this Agreement. Unless either Party notifies the other in writing at least ninety (90) calendar days before the end of the Term of its intent to terminate this Agreement at the end of the Term, this Agreement will be extended automatically and will continue in effect without any volume commitment until terminated by either Party on ninety (90) calendar days prior written notice. Unless otherwise agreed in writing, the prices, terms and conditions for Purchase Orders for the Products during any such extension shall be the same as those prices, terms and conditions in effect at the end of the Term.

19.2 Termination by BUYER. BUYER may terminate this Agreement at any time if (a) TRANSACT fails or neglects to perform any of its obligations hereunder and such condition has not been cured within forty five (45) calendar days of written notice thereof by BUYER; (b) TRANSACT, or TRANSACT's parent or a wholly owned subsidiary of TRANSACT, is the subject of trade sanctions by the United States government, or any other government, or quasi-governmental agency which materially affects BUYER's ability to sell, lease, or maintain the Product; (c) TRANSACT attempts to assign, except to a successor-in-interest this Agreement or any obligation hereunder without BUYER's consent; (d) any assignment is made of TRANSACT's business for the benefit of creditors, or if a petition in bankruptcy is filed by or against TRANSACT and is not dismissed within ninety (90) calendar days, or if a receiver or similar officer is appointed to take charge of all or part of TRANSACT's property, or if TRANSACT is adjudicated a bankrupt; or (e) the Products are infringing and TRANSACT is unable to procure a right for BUYER to continue to use the Products as set forth in Section 10 hereof.

19.3 Termination by TRANSACT. TRANSACT may terminate this Agreement if: (a) BUYER fails to perform any of its obligations hereunder and such condition has not been cured within forty five (45) calendar days of written notice thereof by TRANSACT; provided that, TRANSACT may not terminate this Agreement for reason of non-payment by BUYER of any disputed amounts, or (b) if any assignment is made of BUYER's business for the benefit of creditors; or, (c) if a petition in bankruptcy is filed by or against BUYER and is not dismissed within ninety (90) calendar days, or if a receiver or similar officer is appointed to take charge of all or part of BUYER's property, or if BUYER is adjudicated a bankrupt.

20. Survival

The provisions of Sections 10, 11, 12, 15, 16 and 22, shall survive the termination and expiration of this Agreement. All other provisions which, by their nature and subject matter, involve obligations or transactions which occur or continue after the termination or expiration of this Agreement shall also survive until fully performed.

21. Conflicting Provisions

In the event of a conflict between the terms and conditions of this Agreement and the terms and conditions of any Purchase Order, the terms and conditions of this Agreement will supersede any contrary terms set forth in such purchase order or TRANSACT’s acceptance, confirmation, invoice or other document, unless as mutually agreed upon by both parties.

22. Liability Limits.

IN NO EVENT, EXCEPT AS PROVIDED FOR HEREIN, WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY INCIDENTAL, CONSEQUENTIAL, SPECIAL, OR PUNITIVE DAMAGES ARISING OUT OF THIS AGREEMENT OR ITS TERMINATION, OR THE BREACH OF ANY OF ITS PROVISIONS, WHETHER OR NOT THE PARTIES HAVE ADVISED OR BEEN ADVISED OF THE POSSIBILITY OF ANY SUCH LOSS OR DAMAGE. NOTWITHSTANDING ANY PROVISION OF THIS AGREEMENT TO THE CONTRARY, THE LIMITATIONS OF THIS PARAGRAPH WILL NOT APPLY WITH RESPECT TO THE BREACH OR NONPERFORMANCE OF ANY PROVISION OF THIS AGREEMENT RELATING TO INTELLECTUAL PROPERTY RIGHTS OR CONFIDENTIAL INFORMATION, ANY INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS OR MISAPPROPRIATION OF CONFIDENTIAL INFORMATION BY A PARTY, OR DAMAGES RESULTING FROM A PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

23. Miscellaneous

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

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

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

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

TRANSACT TECHNOLOGIES INCORORATED		**GTECH CORPORATION**	
By	/s/ Bart C. Shuldman	By	/s/ Bryce Smith
Print	Bart C. Shuldman	Print	Bryce Smith
Title	Chairman and CEO	Title	VP and CPO
Date	6/02/2015	Date	6/02/2015

[**] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.

Attachment 1

Products Specifications

1. Products Specifications and Services Description.

GTECH Specification 53-1824-00

[**] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.

Attachment 2

[**]

Safety Stock

TRANSACT agrees to maintain a minimum of 1,000 units of finished goods of the Ultra thermal printer Product in Ithaca, NY to support immediate delivery requirements of BUYER. As this inventory is consumed, TRANSACT agrees to replace the consumed quantity within [**] of said consumption.

[**]

[**] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.

Attachment 3

General Packaging Specifications

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

[**] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.

SECOND AMENDMENT TO LEASE

This Second Amendment to Lease ("**Second Amendment**") is dated for reference purposes the 30th day of June, 2015, and is entered into by and between THE REALTY ASSOCIATES FUND IX, L.P., a Delaware limited partnership ("**Landlord**"), and TRANSACT TECHNOLOGIES INCORPORATED, a Delaware corporation ("**Tenant**"), with reference to the following recitals.

R E C I T A L S:

A. On or about December 12, 2004, Las Vegas Airport Properties LLC, a Delaware limited liability company, predecessor-in-interest to CIP Hughes Center LLC, a Delaware limited liability company, that was predecessor-in-interest to Landlord, and Tenant entered into an Industrial Real Estate Lease (the "**Original Lease**") for that certain premises commonly known as Suite D containing approximately thirteen thousand six hundred sixty-two (13,662) rentable square feet (the "**Existing Premises**"), in the building located at 6700 S. Paradise Road, Las Vegas, Nevada 89119 (the "**Building**").

B. Landlord's predecessor-in-interest, CIP Hughes Center LLC, a Delaware limited liability company, and Tenant previously entered into that certain First Amendment to Lease dated August 31, 2009 ("**First Amendment**"). The Original Lease and the First Amendment shall be referred to herein collectively as the "**Lease**".

C. Landlord and Tenant wish to further amend the Lease to (i) provide for the leasing of the Expansion Premises (as hereinafter defined), (ii) extend the Lease Term, and (iii) amend certain other terms and conditions of the Lease as more particularly set forth below.

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

1. Incorporation of Recitals. All of the recitals set forth above are hereby made an integral part of this Second Amendment.

2. Definitions. All capitalized terms not otherwise defined in this Second Amendment herein shall have the meaning ascribed to them in the Lease.

3. Premises. Effective as of the Expansion Premises Commencement Date (defined in Paragraph 4 below), the Existing Premises which currently consist of approximately thirteen thousand six hundred sixty-two (13,662) rentable square feet in Suite D of the Building shall be expanded by approximately five thousand nine hundred thirteen (5,913) rentable square feet within Suite C of the Building ("**Expansion Premises**"). From and after the Expansion Premises Commencement Date, the Premises shall comprise approximately nineteen thousand five hundred seventy-five (19,575) rentable square feet in the Building. A site plan showing the location of the Existing Premises and the Expansion Premises is attached hereto as Exhibit "A" and is incorporated herein by reference. Except as otherwise set forth in this Second Amendment, from and after the Expansion Premises Commencement Date the term "**Premises**" as used in the Lease shall refer collectively to the Existing Premises and the Expansion Premises.

4. Expansion Premises Commencement Date. The commencement date for the expansion of the Premises ("**Expansion Premises Commencement Date**") shall be the later of (i) September 1, 2015, or (ii) the date of Landlord’s Substantial Completion (as defined in Exhibit “B” attached hereto) of the Tenant Improvements (as defined in Exhibit “B” attached hereto). If Landlord is unable to deliver the Expansion Premises to Tenant in the condition required under this Second Amendment on or before December 1, 2015 (the “**First Outside Date**”), then the Base Rent Credit (as hereinafter defined) due Tenant pursuant to Section 6 below, shall be increased by $145.85 per day for each day following the First Outside Date until the Expansion Premises Commencement Date. If Landlord is unable to deliver the Expansion Premises to Tenant in the condition required under this Second Amendment on or before January 1, 2016 (the “**Second Outside Date**”), then Tenant may, in addition to the increase to the Base Rent Credit, elect to terminate this Second Amendment solely as it relates to the Expansion Premises by providing Landlord with a written termination notice. If Tenant fails to deliver the Space Plan (as defined in Exhibit “B” attached hereto) to Landlord by the Space Plan Delivery Date (as defined in Exhibit “B” attached hereto), or promptly complete the Working Drawings (as defined in Exhibit “B” attached hereto), then the First Outside Date and Second Outside Date shall each be extended for each day following the Space Plan Delivery Date until the date the Space Plan is delivered to Landlord for review or the Working Drawings have been completed, as applicable.

5. Lease Term. Notwithstanding any provision to the contrary contained in the Lease, the Lease Term for the Existing Premises and the Expansion Premises shall be co-terminus and shall expire on the date that is eighty-four (84) months after the Expansion Premises Commencement Date ("**2015 Extended Term**"), unless sooner terminated or extended by any provision hereof.

6. Base Rent. Notwithstanding any provision to the contrary contained in the Lease, Base Rent payable for the Premises during the 2015 Extended Term shall be as follows:

Period	Rate/Sq. Ft./Month	Rental Amount/Month
Months 1 – 12	$ 0.7400	$ 14,485.50
Months 13 – 24	$ 0.7400	$ 14,485.50
Months 25-36	$ 0.7622	$ 14,920.07
Months 37 – 48	$ 0.7851	$ 15,368.33
Months 49 – 60	$ 0.8086	$ 15,828.35
Months 61 – 72	$ 0.8329	$ 16,304.02
Months 73 - 84	$ 0.8579	$ 16,793.39

Base Rent payable for the Existing Premises during the period from the date hereof through the Expansion Premises Commencement Date shall be in the amount set forth in the First Amendment. Notwithstanding the foregoing, Landlord hereby grants Tenant a credit against Base Rent due during the 2015 Extended Term in the amount of Fifteen Thousand Eight Hundred and 78/00 Dollars ($15,800.78) (the **"Base Rent Credit"**), which amount may be increased pursuant to Section 4 above.

7. Tenant Improvements. Landlord shall undertake those certain Tenant Improvements to the Premises described in the Work Letter attached hereto as Exhibit "B" ("**Work Letter**"). Landlord shall provide Tenant with an improvement allowance to be applied against all hard and soft costs of construction of the Tenant Improvements and related fees and expenses in the amount of Seventy-Five Thousand Dollars ($75,000.00) ("**Improvement Allowance**"). Landlord shall have no obligation to expend any monies to design, plan or construct any improvements within the Premises, except for the payment of the Improvement Allowance as provided in this Paragraph 7 and the Work Letter, and Tenant acknowledges that, subject to Tenant's receipt of the Improvement Allowance and Landlord's completion of the Tenant Improvements, Tenant expressly accepts the Premises in their "as-is", "where-is" condition, with all faults. Notwithstanding anything contained in the Original Lease, Tenant shall have no obligation to remove or restore any of the Tenant Improvements.

8. Options to Renew Lease. Paragraph R-1 of Rider No. 2 to the Original Lease, as amended by Paragraph 7 of the First Amendment, is hereby deleted in its entirety and replaced with the following:

"R-1. Options. Provided that Tenant is not in default of this Lease, beyond any applicable notice and cure period, at the time of the exercise of either Option to Renew Lease (as defined below), and further provided that Tenant has not assigned the Lease or sublet greater than twenty-five percent (25%) of the Premises, Tenant shall have two (2) options (each an "Option to Renew Lease") to renew and extend this Lease for a period of five (5) years each (each a "Renewal Term"). Each such Renewal Term shall be exercised upon written notice to the Landlord delivered not less than four (4) months before the expiration of the 2015 Extended Term or first Renewal Term, as applicable. Upon the delivery of such notice by Tenant and subject to the conditions set forth in the preceding sentence, this Lease shall be extended without the necessity of the execution of any further instrument or document; provided, however, that each party agrees to execute and deliver such further instruments or documents as the other party may reasonably request to memorialize or acknowledge the exercise of the applicable Option to Renew Lease. Each Renewal Term shall commence upon the expiration of the 2015 Extended Term or the first Renewal Term, as applicable, and shall expire upon the anniversary of such date five (5) years thereafter, and be upon the same terms, covenants and conditions as provided in this Lease for the initial Lease Term, except that as of the first day of each Renewal Term, the Base Rent shall be equal to ninety percent (90%) of the then prevailing fair market rental rate as of the commencement of such Renewal Term (as determined in accordance with this Rider No. 2), with three percent (3%) annual increases during such Renewal Term as provided in Section 3.02 of the Lease. Tenant shall only be able to exercise an Option to Renew Lease as to all of the Premises."

9. No Right of First Offer. Rider No. 4 to the Original Lease and Paragraph 8 of the First Amendment are hereby deleted in their entirety and shall be null and void and of no further force or effect.

10. Parking. The first sentence of Section 1.04 of the Original Lease is hereby deleted in its entirety and replaced with the following:

"Tenant shall be entitled to use up to forty-eight (48) unreserved uncovered parking spaces on the parking area of the Building."

11. Conflict. If there is a conflict between the terms and conditions of this Second Amendment and the terms and conditions of the Lease, the terms and conditions of this Second Amendment shall control. Except as modified by this Second Amendment, the terms and conditions of the Lease shall remain in full force and effect. Capitalized terms included in this Second Amendment shall have the same meaning as capitalized terms in the Lease unless otherwise defined herein. As of the date hereof, Tenant hereby acknowledges and agrees that the Lease is in full force and effect, Landlord is not currently in default under the Lease, and, to the best of Tenant's knowledge, no event has occurred which, with the giving of notice or the passage of time, or both, would ripen into Landlord's default under the Lease. As of the date hereof, Landlord hereby acknowledges and agrees that the Lease is in full force and effect, Tenant is not currently in default under the Lease, and, to the best of Landlord's knowledge, no event has occurred which, with the giving of notice or the passage of time, or both, would ripen into Tenant's default under the Lease. The Lease, as hereby amended, contains all agreements of the parties with respect to the lease of the Premises. No prior or contemporaneous agreement or understanding pertaining to the Lease, as hereby amended, shall be effective.

12. Authority. The persons executing this Second Amendment on behalf of the parties hereto represent and warrant that they have the authority to execute this Second Amendment on behalf of said parties and that said parties have authority to enter into this Second Amendment.

13. Brokers. Tenant and Landlord each represent and warrant to the other that neither has had any dealings or entered into any agreements with any person, entity, broker or finder other than CIP Real Estate in connection with the negotiation of this Second Amendment, and no other broker, person, or entity is entitled to any commission or finder's fee in connection with the negotiation of this Second Amendment, and Tenant and Landlord each agree to indemnify, defend and hold the other harmless from and against any claims, damages, costs, expenses, attorneys' fees or liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings, actions or agreements of the indemnifying party. Landlord shall pay CIP Real Estate any commission due pursuant to a separate written agreement.

14. Confidentiality. Tenant acknowledges and agrees that the terms of this Second Amendment are confidential and constitute proprietary information of Landlord. Disclosure of the terms hereof could adversely affect the ability of Landlord to negotiate other leases with respect to the property and may impair Landlord's relationship with other tenants of the property. Tenant agrees that it and its partners, officers, directors, employees, brokers, and attorneys, if any, shall not disclose the terms and conditions of this Second Amendment to any other person or entity without the prior written consent of Landlord which may be given or withheld by Landlord, in Landlord's sole discretion. It is understood and agreed that damages alone would be an inadequate remedy for the breach of this provision by Tenant, and Landlord shall also have the right to seek specific performance of this provision and to seek injunctive relief to prevent its breach or continued breach.

15. Delivery of Amendment. Preparation of this Second Amendment by Landlord or Landlord's agent and submission of same to Tenant shall not be deemed an offer by Landlord to enter into this Second Amendment. This Second Amendment shall become binding when fully executed and delivered by all parties.

16. Execution. This Second Amendment and any documents or addenda attached hereto (collectively, the "**Documents**") may be executed in two or more counterpart copies, each of which shall be deemed to be an original and all of which together shall have the same force and effect as if the parties had executed a single copy of the Document. Landlord shall have the right, in Landlord's sole discretion, to insert the name of the person executing a Document on behalf of Landlord in Landlord's signature block using an electronic signature (an "**Electronic Signature**"), and in this event the Document delivered to Tenant will not include an original ink signature and Landlord shall have no obligation to provide a copy of such Document to Tenant with Landlord's original ink signature. A Document delivered to Tenant by Landlord with an Electronic Signature shall be binding on Landlord as if the Document had been originally executed by Landlord with an ink signature. Without the prior written consent of Landlord, which may be withheld in Landlord's sole discretion, Tenant shall not have the right to insert the name of the person executing the Document on behalf of Tenant using an Electronic Signature and all Documents shall be originally executed by Tenant using an ink signature. A Document executed by Landlord or Tenant and delivered to the other party in PDF, facsimile or similar electronic format (collectively, "**Electronic Format**") shall be binding on the party delivering the executed Document with the same force and effect as the delivery of a printed copy of the Document with an original ink signature. At any time upon Landlord's written request, Tenant shall provide Landlord with a printed copy of the Document with an original ink signature. This Section describes the only ways in which Documents may be executed and delivered by the parties. An email from Landlord, its agents, brokers, attorneys, employees or other representatives shall never constitute Landlord's Electronic Signature or be otherwise binding on Landlord. An email from Tenant, its agents, brokers, attorneys, employees or other representatives shall never constitute Tenant's Electronic Signature or be otherwise binding on Tenant. Subject to the limitations set forth above, the parties agree that a Document executed using an Electronic Signature and/or delivered in Electronic Format may be introduced into evidence in a proceeding arising out of or related to the Document as if it was a printed copy of the Document executed by the parties with original ink signatures. Landlord shall have no obligation to retain copies of Documents with original ink signatures, and Landlord shall have the right, in its sole discretion, to elect to discard originals and to retain only copies of Documents in Electronic Format.

17. Notices. All notices provided by Landlord or Tenant pursuant to the Lease shall be sent to the following addresses:

If to Landlord:

The Realty Associates Fund IX, L.P.
c/o TA Associates Realty
1301 Dove Street, Suite 860
Newport Beach, California 92660
Attention: Asset Manager

and

The Realty Associates Fund IX, L.P.
c/o TA Associates Realty
28 State Street, Tenth Floor
Boston, Massachusetts 02109
Attention: Asset Manager

If to Tenant:

TransAct Technologies Incorporated
One Hamden Center
2319 Whitney Avenue, Suite 3B
Hamden, CT 06518
Attention: Steven A. DeMartino

(signature page follows)

IN WITNESS WHEREOF, the parties hereby execute this Second Amendment as of the date first written above.

LANDLORD:

THE REALTY ASSOCIATES FUND IX, L.P.,
a Delaware limited partnership

By: Realty Associates Fund IX LLC,
a Delaware limited liability company,
its General Partner

By: TA Realty LLC,
a Massachusetts limited liability company,
its Manager

By: /s/ Kendrick Leckband
Name: Kendrick Leckband
Title: Vice President

By: Realty Associates Fund IX Texas Corporation,
REIT General Partner

By: /s/ Kendrick Leckband
Officer

TENANT:

TRANSACT TECHNOLOGIES INCORPORATED,
a Delaware corporation

By: /s/ Steven A. DeMartino

Steven A. DeMartino
(print name)

Its: President and CFO
(print title)

By: ______________________________

____
(print name)

Its: ______________________________
(print title)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bart C. Shuldman, certify that:

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

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

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

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

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

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

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

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

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

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

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

August 7, 2015

/s/ Bart C. Shuldman

Bart C. Shuldman
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven A. DeMartino, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 7, 2015

/s/ Steven A. DeMartino

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

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

In connection with the Quarterly Report of TransAct Technologies Incorporated (the “Company”) on Form 10-Q for the period ending March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company, certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

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

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

Date: August 7, 2015

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

Date: August 7, 2015

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