

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended: March 25, 2000

OR

 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934For the transition period from:
Commission file number:to:
0-21121TRANSACT TECHNOLOGIES INCORPORATED
(Exact name of registrant as specified in its charter)DELAWARE (State or other jurisdiction of
incorporation or organization) 06-1456680
(I.R.S. Employer Identification No.)7 LASER LANE, WALLINGFORD, CT 06492
(Address of principal executive offices)
(Zip Code)(203) 269-1198
(Registrant's telephone number, including area code)Not applicable
(Former name, former address and former fiscal year, if changed since last
report.)Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days.YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

CLASS	OUTSTANDING APRIL 28, 2000
COMMON STOCK, \$.01 PAR VALUE	5,578,725

TRANSACT TECHNOLOGIES INCORPORATED

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TRANSACT TECHNOLOGIES INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	MARCH 25, 2000 ----- (UNAUDITED)	December 31, 1999 -----
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 233	\$ 279
Receivables, net	6,572	4,863
Inventories	11,209	10,257
Other current assets	1,550	1,540
	-----	-----
Total current assets	19,564	16,939
	-----	-----
Plant and equipment, net	6,907	6,705
Excess of cost over fair value of net assets acquired	1,834	1,886
Other assets	191	154
	-----	-----
	8,932	8,745
	-----	-----
	\$ 28,496	\$ 25,684
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 3,727	\$ 3,056
Accrued liabilities	2,788	2,789
	-----	-----
Total current liabilities	6,515	5,845
	-----	-----
Long term debt	9,500	7,100
Other liabilities	500	532
	-----	-----
	10,000	7,632
	-----	-----
Shareholders' equity:		
Common stock	56	56
Additional paid-in capital	5,682	5,656
Retained earnings	7,292	7,592
Unamortized restricted stock compensation	(694)	(747)
Loan receivable from officer	(330)	(330)
Accumulated other comprehensive loss	(25)	(20)
	-----	-----
Total shareholders' equity	11,981	12,207
	-----	-----
	\$ 28,496	\$ 25,684
	=====	=====

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share data)	THREE MONTHS ENDED	
	MARCH 25, 2000	March 27, 1999
Net sales	\$ 11,238	\$ 9,201
Cost of sales	8,225	6,773
Gross profit	3,013	2,428
Operating expenses:		
Engineering, design and product development expenses	860	801
Selling and marketing expenses	1,255	859
General and administrative expenses	1,222	1,088
	3,337	2,748
Operating loss	(324)	(320)
Other income (expense):		
Interest, net	(154)	(90)
Other, net	17	15
	(137)	(75)
Loss before income taxes	(461)	(395)
Income tax benefit	(161)	(116)
Net loss	\$ (300)	\$ (279)
Net loss per share:		
Basic	\$ (0.05)	\$ (0.05)
Diluted	(0.05)	(0.05)
Weighted average common shares outstanding:		
Basic	5,483	5,578
Diluted	5,483	5,578

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW
(UNAUDITED)

(In thousands)	THREE MONTHS ENDED	
	MARCH 25, 2000	March 27, 1999
Cash flows from operating activities:		
Net income (loss)	\$ (300)	\$ (279)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	599	560
Gain on disposal of equipment	(4)	--
Changes in operating assets and liabilities:		
Receivables	(1,709)	(176)
Inventories	(952)	629
Other current assets	(10)	28
Other assets	(58)	(7)
Accounts payable	671	386
Accrued liabilities and other liabilities	(33)	(392)
Net cash provided by (used in) operating activities	(1,796)	749
Cash flows from investing activities:		
Purchases of plant and equipment	(664)	(405)
Net cash used in investing activities	(664)	(405)
Cash flows from financing activities:		
Bank line of credit borrowings	6,900	2,000
Bank line of credit repayments	(4,500)	(2,000)
Purchases of treasury stock	--	(229)
Loan to officer	--	(330)
Proceeds from option exercises	19	--
Net cash provided by (used in) financing activities	2,419	(559)
Effect of exchange rate changes on cash	(5)	(10)
Decrease in cash and cash equivalents	(46)	(225)
Cash and cash equivalents at beginning of period	279	546
Cash and cash equivalents at end of period	\$ 233	\$ 321

See notes to consolidated condensed financial statements.

TRANSACTION TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

1. In the opinion of TransAct Technologies Incorporated (the "Company"), the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly its financial position as of March 25, 2000, and the results of its operations and cash flows for the three months ended March 25, 2000 and March 27, 1999. The December 31, 1999 consolidated condensed balance sheet has been derived from the Company's audited financial statements at that date. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 1999 included in the Company's Annual Report on Form 10-K.

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

The results of operations for the three months ended March 25, 2000 and March 27, 1999 are not necessarily indicative of the results to be expected for the full year.

2. Earnings per share

Basic earnings per common share for the three months ended March 25, 2000 and March 27, 1999 were based on the weighted average number of shares outstanding during the period. Diluted earnings per share for the same periods were based on the weighted average number of shares after consideration of any dilutive effect of stock options and warrants.

3. Inventories:

The components of inventory are:

(In thousands)	March 25, 2000 -----	December 31, 1999 -----
Raw materials and component parts	\$ 10,632	\$ 9,198
Work-in-process	400	542
Finished goods	177	517
	-----	-----
	\$ 11,209	\$ 10,257
	=====	=====

4. Commitments and contingencies

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

TRANSACTION TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

5. Significant transactions

On March 14, 2000, the Company entered into a new two-year \$13,000,000 revolving credit facility (the "New Credit Facility") with Fleet, expiring on May 31, 2002. The New Credit Facility replaced the existing \$10,000,000 facility also with Fleet. The New Credit Facility provides the Company with a \$13,000,000 credit facility that may be used to fund working capital. Borrowings under the New Credit facility bear interest on outstanding borrowings at Fleet's prime rate plus a margin ranging from zero to 0.75 percentage points and bear a commitment fee ranging from 0.375% to 0.75% on any unused portion of the New Credit Facility. The New Credit Facility also permits the Company to designate a LIBOR rate on outstanding borrowings with a margin ranging from 1.5 to 3.0 percentage points over the market rate, depending on the Company meeting certain ratios. The New Credit Facility is secured by a lien on substantially all the assets of the Company, imposes certain financial covenants and restricts the creation of liens.

6. Subsequent events

On April 7, 2000 the Company sold 4,000 shares of 7% Series B Cumulative Convertible Redeemable Preferred Stock (the "Preferred Stock") to Advance Capital Advisors, L.P. and its affiliate in consideration of \$1,000 per share (the "Stated Value"), for a total of \$4,000,000, less issuance costs. The Preferred Stock is convertible at any time by the holders at a conversion price of \$9.00 per common share. In addition, the Company issued warrants pro-rata to the Preferred Stock holders to purchase an aggregate of 44,444 shares of the Company's common stock at an exercise price of \$9.00 per common share. The warrants are exercisable at any time until the April 7, 2005. The Preferred Stock is subject to mandatory conversion into shares of the Company's common stock when such stock has traded at \$35 per share or more for a 30 day period ending on or after April 7, 2003, or for a 60 day period beginning on or after April 7, 2002. The Preferred Stock is redeemable at the option of the holders on April 7, 2005 at \$1,000 per share plus any unpaid dividends. On or after April 7, 2007, the Company has the right to require (1) redemption of the Preferred Stock at \$1,000 per share plus any unpaid dividends or (2) conversion of the Preferred Stock at \$9.00 per common share. Upon a change of control, holders have the right to redeem the Preferred Stock for 200% of the Stated Value plus any unpaid dividends. The holders of the Preferred Stock are entitled to receive a cumulative annual dividend of \$70 per share, payable quarterly and have preference to any other dividends, if any, paid by the Company.

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

Certain statements included in this report, including without limitation statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations, which are not historical facts are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All forward-looking statements involve risks and uncertainties, including, but not limited to, customer acceptance and market share gains, both domestically and internationally, in the face of substantial competition from competitors that have broader lines of products and greater financial resources; successful product development; dependence on significant customers; dependence on third parties for sales in Europe and Latin America; economic conditions in the United States, Europe and Latin America; marketplace acceptance of new products; risks associated with foreign operations; availability of third-party components at reasonable prices; and the absence of price wars or other significant pricing pressures affecting the Company's products in the United States or abroad. Actual results may differ materially from those discussed in, or implied by, the forward-looking statements.

YEAR 2000

The Company's program to address the Year 2000 issue consisted of the following phases: assessment, remediation, testing and contingency planning. The Company's program was initiated and executed to prevent major interruptions in the business due to Year 2000 problems. As of December 31, 1999, all phases were completed. The Company also completed its assessment of its Year 2000 risks related to significant relationships with its critical third party suppliers and customers. The total cost of the Year 2000 program was approximately \$15,000, primarily for the cost of replacing/upgrading noncompliant software.

Currently, the Company has not encountered any significant business interruptions from the Year 2000 issue on its internal IT and non-IT systems. The Company will continue to monitor its systems and vendors to ensure that issues do not manifest themselves over the next few months. Although the Company does not anticipate any future significant business interruptions, no assurance can be given that such interruptions will not occur.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 25, 2000 COMPARED TO THREE MONTHS ENDED MARCH 27, 1999

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

(In thousands, except %)	Three months ended March 25, 2000		Three months ended March 27, 1999	
	-----		-----	
Point of sale	\$ 5,833	51.9 %	\$4,832	52.5 %
Gaming and lottery	3,947	35.1	2,194	23.8
Other	1,458	13.0	2,175	23.7
	-----		-----	
	\$ 11,238	100.0 %	\$9,201	100.0 %
	=====		=====	

Net sales for the first quarter of 2000 increased \$2,037,000, or 22%, to \$11,238,000 from \$9,201,000 in the prior year's first quarter, due to increased shipments into the point of sale ("POS") and gaming and lottery markets, somewhat offset by decreased sales into the Company's other markets.

Point of sale: Sales of the Company's POS printers increased approximately \$1,001,000, or 21%. International POS printer shipments increased approximately \$1,468,000 due largely to resumed printer shipments for the British Post Office project. Shipments for this project totaled approximately \$1,200,000 in the first quarter of 2000. Domestic POS printer sales decreased \$467,000 due primarily to softness in demand from the Company's domestic distributors in the first quarter of 2000.

Gaming and lottery: Sales of the Company's gaming and lottery printers increased approximately \$1,753,000, or 80%, from the first quarter a year ago. The overall increase primarily reflects resumed printer shipments of the Company's on-line lottery printers to GTECH. Shipments of these printers and spares totaled approximately \$3,100,000. The increase due to resumed shipments to GTECH was largely offset by a decrease of approximately \$1,300,000 in shipments of printers for use in video lottery terminals, primarily for use in South Carolina's video poker industry. In October 1999, the Supreme Court of South Carolina upheld legislation to prohibit the use of video poker machines beginning July 1, 2000. As a result, the Company does not expect any future sales of its VLT printers in South Carolina. However, the Company is currently pursuing opportunities to provide printers for use in video lottery and other gaming machines outside of South Carolina, including newly legalized casinos in California.

Other: Sales of the Company's printers into other markets decreased by \$717,000, or 33% to \$1,458,000 from \$2,175,000 in the prior year's quarter, due primarily to lower sales of the Company's kiosk printers. The first quarter of 1999 included shipments of approximately \$600,000 of the Company's thermal kiosk printers for use in a Canadian government application. No shipments of these printers were made in the first quarter of 2000.

GROSS PROFIT. Gross profit increased \$585,000, or 24%, to \$3,013,000 from \$2,428,000 in the prior year's quarter due primarily to higher volume of sales. The gross margin also increased to 26.8% from 26.4%. Due to higher expected sales volume, the Company expects its gross margin to improve slightly for the remainder of 2000.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses increased \$59,000, or 7%, to \$860,000 from \$801,000 in the first quarter of 1999. This decrease is primarily due to increased product development and design expenses, primarily for development of printers utilizing inkjet printing technology. Engineering and product development expense decreased as a percentage of net sales to 7.6% from 8.7%, due largely to higher sales volume in the first quarter of 2000 compared to 1999.

SELLING AND MARKETING. Selling and marketing expenses increased \$396,000, or 46%, to \$1,255,000 from \$859,000 in the quarter ended March 27, 1999, and increased as a percentage of net sales to 11.2% from 9.3%. Such expenses increased primarily due to marketing and promotional activities incurred in the first quarter of 2000 in preparation for the launch of the Company's new family of printers utilizing inkjet printing technology and, to a lesser extent, additional marketing staff.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased by \$134,000, or 12%, to \$1,222,000 from \$1,088,000 in the comparable prior year's quarter. The increase primarily resulted from higher expenses related to the Company's upgrade of its telecommunications system in late 1999 and an increase in payroll related expenses. General and administrative expenses decreased as a percentage of net sales to 10.9% from 11.8%, due to primarily to higher volume of sales in the first quarter of 2000 compared to 1999.

OPERATING LOSS. The Company incurred an operating loss of \$324,000 in the first quarter of 2000 compared to \$320,000 in the first quarter of the prior year. Despite an increase in sales of approximately \$2 million in the first quarter of 2000 compared to 1999, the Company experienced a net loss, as gross profit on incremental sales was entirely offset by higher operating expenses (primarily planned marketing and product development expenses related to the launch of the Company's printers utilizing inkjet printing technology).

INTEREST. Net interest expense increased to \$154,000 from \$90,000 in the first quarter of 1999 due to increased average outstanding borrowings on the Company's line of credit and a higher average borrowing rate. See "Liquidity and Capital Resources" below.

INCOME TAXES. As a result of the Company's operating loss, the Company recorded an income tax benefit of \$161,000 and \$116,000 for the quarter ended March 25, 2000 and March 27, 1999, respectively.

NET LOSS. The Company incurred a net loss during the first quarter of 2000 of \$300,000, or \$0.05 per share (basic and diluted) compared to a net loss of \$279,000, or \$0.05 per share (basic and diluted) for the first quarter of 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company reported cash used in operations of \$1,796,000 during the first quarter of 2000 compared to cash generated from operations of \$749,000 during the first quarter of 1999. The Company's working capital increased to \$13,059,000 at March 25, 2000 from \$11,094,000 at December 31, 1999. The current ratio also increased to 3.00 at March 25, 2000 from 2.90 at December 31, 1999. Both the increase in working capital and the current ratio were largely due to (1) higher receivables at March 25, 2000 resulting from higher sales volume in the first quarter of 2000 compared to the fourth quarter of 1999 and (2) higher inventory levels in anticipation of higher sales volume and new product launches for the remainder of 2000.

During 1997 and 1998, the Board of Directors authorized the repurchase of up to 1.5 million shares of the Company's common stock (the "Stock Buyback Program"). Since the Company began the Stock Buyback Program in December 1997, it has repurchased 1,273,800 shares for \$9,650,000 (an average cost of \$7.58 per share). No repurchases have been made since the first quarter of 1999. All shares repurchased under the Stock Buyback Program were retired. Further repurchases of the Company's common stock will depend upon future cash flow of the Company and stock market conditions.

The Company had in place a two-year \$10,000,000 revolving credit facility (the "Credit Facility") with Fleet, expiring May 31, 2001. The Credit Facility provided the Company with a \$10,000,000 credit facility that may be used to fund working capital. Borrowings under the Credit Facility bore interest at Fleet's prime rate and bore a commitment fee ranging from 0.25% to 0.625% on any unused portion of the Credit Facility. The Credit Facility also permitted the Company to designate a LIBOR rate on outstanding borrowings with a margin ranging from 1.50 to 2.25 percentage points (the "Margin") over the market rate, depending on the Company meeting certain ratios. Concurrent with the Credit Facility, the Company entered into a swap agreement with Fleet under which the Company fixed its interest rate at 5.63% plus the applicable Margin until May 31, 2001 on \$3,000,000 of outstanding borrowings under the Credit Facility. The Credit Facility was secured by a lien on substantially all the assets of the Company, imposed certain financial covenants and restricted the payment of dividends and the creation of liens. The Company had \$7,100,000 of outstanding borrowings under this facility at December 31, 1999.

On March 14, 2000, the Company entered into a new two-year \$13,000,000 revolving credit facility (the "New Credit Facility") with Fleet, expiring on May 31, 2002. The New Credit Facility replaced the Credit Facility. The New Credit Facility provides the Company with a \$13,000,000 credit facility that may be used to fund working capital. Borrowings under the New Credit facility bear interest on outstanding borrowings at Fleet's prime rate plus a margin ranging from zero to 0.75 percentage points and bears a commitment fee ranging from 0.375% to 0.75% on any unused portion of the New Credit Facility. The New Credit Facility also permits the Company to designate a LIBOR rate on outstanding borrowings with a margin ranging from 1.5 to 3.0 percentage points over the market rate, depending on the Company meeting certain ratios. The New Credit Facility is secured by a lien on substantially all the assets of the Company, imposes certain financial covenants and restricts the payment of dividends and the creation of liens. The Company had \$9,500,000 of outstanding borrowings under this facility at March 25, 2000.

On April 7, 2000 the Company sold 4,000 shares of 7% Series B Cumulative Convertible Redeemable Preferred Stock (the "Preferred Stock") to Advance Capital Advisors, L.P. and its affiliate in consideration of \$1,000 per share (the "Stated Value"), for a total of \$4,000,000, less issuance costs. The Preferred Stock is convertible at any time by the holders at a conversion price of \$9.00 per common share. In addition, the Company issued warrants pro-rata to the Preferred Stock holders to purchase an aggregate of 44,444 shares of the Company's common stock at an exercise price of \$9.00 per common share. The warrants are exercisable at any time until the April 7, 2005. The Preferred Stock is subject to mandatory conversion into shares of the Company's common stock when such stock has traded at \$35 per share or more for a 30 day period ending on or after April 7, 2003, or for a 60 day period beginning on or after April 7, 2002. The Preferred Stock is redeemable at the option of the holders on April 7, 2005 at \$1,000 per share plus any unpaid dividends. On or after April 7, 2007, the Company has the right to require (1) redemption of the Preferred Stock at \$1,000 per share plus any unpaid dividends or (2) conversion of the Preferred Stock at \$9.00 per common share. Upon a change of control, holders have the right to redeem the Preferred Stock for 200% of the Stated Value plus any unpaid dividends. The holders of the Preferred Stock are entitled to receive a cumulative annual dividend of \$70 per share, payable quarterly and have preference to any other dividends, if any, paid by the Company.

The Company's capital expenditures were approximately \$664,000 and \$405,000 for the three months ended March 25, 2000 and March 27, 1999, respectively. These expenditures primarily included new product tooling. The Company's total capital expenditures for 2000 are expected to be approximately \$3,900,000, a majority for new product tooling.

The Company believes that cash flows generated from operations, net cash proceeds from the issuance of Preferred Stock and borrowings available under the New Credit Facility, as necessary, will provide sufficient resources to meet the Company's working capital needs, finance its capital expenditures, and meet its liquidity requirements through December 31, 2000.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

INTEREST RATE RISK

The Company's exposure to market risk for changes in interest rates relates primarily to borrowings under the Company's New Credit Facility with Fleet Bank. These borrowings bear interest at variable rates and the fair value of this indebtedness is not significantly affected by changes in market interest rates. The Company entered into a swap agreement with Fleet to fix its interest rate on \$3 million of borrowings at 5.63% plus a margin as determined under the Company's current credit facility through May 2001. An effective increase or decrease of 10% in the current effective interest rates under the New Credit Facility would not have a material effect on the Company's results of operations or cash flow.

FOREIGN CURRENCY EXCHANGE RISK

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

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

a. Exhibits filed herein

Exhibit 3.1(c)	Certificate of Designation of the Series B Preferred Stock.
Exhibit 10.25	Amended and Restated Credit Agreement dated as of March 14, 2000 by and among TransAct Technologies Incorporated and Fleet National Bank.
Exhibit 10.26	Preferred Stock Purchase dated as of March 20, 2000 between TransAct Technologies Incorporated and Advance Capital Partners, L.P. and affiliate.
Exhibit 11.1	Computation of earnings per share
Exhibit 27.1	Financial Data Schedule

b. Reports on Form 8-K

The Company did not file any reports on Form 8-K during the quarter covered by this report.

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)

May 8, 2000

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

/s/ Steven A. DeMartino
Steven A. DeMartino
Vice President and Corporate Controller
(Principal Accounting Officer)

EXHIBIT LIST

The following exhibits are filed herewith.

Exhibit

- 3.1(c) Certificate of Designation of the Series B Preferred Stock.
- 10.25 Amended and Restated Credit Agreement dated as of March 14, 2000 by and among TransAct Technologies Incorporated and Fleet National Bank.
- 10.26 Preferred Stock Purchase Agreement and Certificate of Designation dated as of March 20, 2000 between TransAct Technologies Incorporated and Advance Capital Partners, L.P. and affiliate.
- 11.1 Computation of earnings per share.
- 27.1 Financial Data Schedule.

TRANSACT TECHNOLOGIES INCORPORATED
 Exhibit 11.1
 Computation of Earnings Per Share
 (Unaudited)

(In thousands, except per share data)	THREE MONTHS ENDED MARCH 25, 2000	MARCH 27, 1999
	-----	-----
Net loss	\$ (300)	\$ (279)
	=====	=====
Shares:		
Basic - Weighted average common shares outstanding	5,483	5,578
Dilutive effect of outstanding options and warrants as determined by the treasury stock method	--	--
	-----	-----
Dilutive - Weighted average common and common equivalent shares outstanding	5,483	5,578
	=====	=====
Net loss per common and common equivalent share:		
Basic	\$ (0.05)	\$ (0.05)
	=====	=====
Diluted	\$ (0.05)	\$ (0.05)
	=====	=====

CERTIFICATE OF DESIGNATION
OF THE VOTING POWERS, DESIGNATION,
PREFERENCES AND RELATIVE, PARTICIPATING,
OPTIONAL OR OTHER SPECIAL RIGHTS AND QUALIFICATIONS,
LIMITATIONS AND RESTRICTIONS OF THE
SERIES B PREFERRED STOCK

Pursuant to Section 151 of the
General Corporation Law of
the State of Delaware

I, Bart C. Shuldman, President and Chief Executive Officer of TransAct Technologies Incorporated, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), DO HEREBY CERTIFY:

that, pursuant to authority conferred upon the Board of Directors of the Corporation by its Certificate of Incorporation (the "Certificate"), and, pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, said Board of Directors, at duly called meetings held on March 3, 2000 and March 17, 2000, respectively, at each of which a quorum was present and acted throughout, adopted the following resolutions, which resolutions remain in full force and effect on the date hereof creating a series of 8,000 shares of Preferred Stock having a par value of \$.01 per share, designated as Series B Preferred Stock (the "Series B Preferred") out of the class of 5,000,000 shares of preferred stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors in accordance with the provisions of the Certificate, the Board of Directors does hereby create, authorize and provide for the issuance of the Series of Preferred Stock having the voting powers, designation, relative, participating, optional and other special rights, preferences, and qualifications, limitations and restrictions thereof that are set forth as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series B Preferred Stock" and the initial number of shares constituting such series shall be 8,000.

Section 2. Dividends.

2A. General Obligation. When and as declared by the Corporation's Board of Directors and to the extent permitted under the General Corporation Law of Delaware, the

Corporation shall pay preferential dividends, quarterly in cash, to the holders of the Series B Preferred as provided in this Section 2. Except as otherwise provided herein, dividends on each share of the Series B Preferred (a "Share") shall accrue, whether or not declared or paid, on a daily basis at the rate of 7% per annum of the sum of the Stated Value thereof plus all accumulated and unpaid dividends thereon from and including the date of issuance of such Share to and including the first to occur of (i) the date on which the Liquidation Preference Price of such Share (plus all accrued and unpaid dividends thereon) is paid to the holder thereof in connection with the liquidation of the Corporation or the redemption of such Share by the Corporation, (ii) the date on which such Share is converted into shares of Conversion Stock hereunder or (iii) the date on which such Share is otherwise acquired by the Corporation. Such dividends shall accrue whether or not they have been declared and whether or not there are profits, surplus or other funds of the Corporation legally available for the payment of dividends, and such dividends shall be cumulative such that all accrued and unpaid dividends shall be fully paid before any dividends, distributions, redemptions or other payments may be made with respect to any Junior Securities. The date on which the Corporation initially issues any Share shall be deemed to be its "date of issuance" regardless of the number of times transfer of such Share is made on the stock records maintained by or for the Corporation and regardless of the number of certificates which may be issued to evidence such Share.

2B. Dividend Payment Dates. Dividends shall accrue on the Series B Preferred Stock from and after the date of issuance thereof and shall be payable on January 1, April 1, July 1 and October 1 of each year, beginning (on a prorated basis) on April 1, 2000 (the "Dividend Payment Dates"); provided, however, that incremental dividends over and above the rate of 7% per annum payable pursuant to clause (i) of Paragraph 10B hereof need not be paid on the Dividend Payment Dates and shall accrue until otherwise payable pursuant to the terms hereof.

2C. Distribution of Partial Dividend Payments. Except as otherwise provided herein, if at any time the Corporation pays less than the total amount of dividends then accrued with respect to the Series B Preferred, such payment shall be distributed pro rata among the holders thereof based upon the aggregate accrued but unpaid dividends on the Shares held by each such holder.

2D. Payment of Dividends with Shares. Notwithstanding any other provision of this Section 2, in the sole discretion of the Corporation, any dividends accruing on the Series B Preferred may be paid in lieu of cash dividends by the issuance of additional Shares of Series B Preferred (including fractional Shares) having an aggregate Stated Value at the time of such payment equal to the amount of the dividend to be paid; provided that if the Corporation chooses to pay dividends in the form of additional Shares of Series B Preferred pursuant to this paragraph 2D, then the rate at which dividends are paid shall be calculated as if the rate specified in paragraph 2A above were 9% per annum; provided further that if the Corporation pays less than the total amount of dividends then accrued on the Series B Preferred in the form of additional Shares, such payment in Shares shall be made pro rata among the holders of Series B Preferred based upon the aggregate accrued but unpaid dividends on the Shares held by each such holder. If and when any Shares are issued under this paragraph 2D for the payment of accrued dividends,

such Shares shall be deemed to be validly issued and outstanding and fully paid and nonassessable.

2E. Participating Dividends. In the event that the Corporation declares or pays any dividends upon the Common Stock (whether payable in cash, securities or other property) other than dividends payable solely in shares of Common Stock, the Corporation shall also declare and pay to the holders of the Series B Preferred at the same time that it declares and pays such dividends to the holders of the Common Stock, the dividends which would have been declared and paid with respect to the Common Stock issuable upon conversion of the Series B Preferred had all of the outstanding Series B Preferred been converted immediately prior to the record date for such dividend, or if no record date is fixed, the date as of which the record holders of Common Stock entitled to such dividends are to be determined.

Section 3. Liquidation.

Upon any liquidation, dissolution or winding up of the Corporation (whether voluntary or involuntary), each holder of Series B Preferred shall be entitled to be paid, before any distribution or payment is made upon any Junior Securities, an amount in cash equal to the aggregate Liquidation Preference Price of all Shares held by such holder, and the holders of Series B Preferred shall not be entitled to any further payment. If upon any such liquidation, dissolution or winding up of the Corporation the Corporation's assets to be distributed among the holders of the Series B Preferred are insufficient to permit payment to such holders of the aggregate amount which they are entitled to be paid under this Section 3, then the entire assets available to be distributed to the Corporation's stockholders shall be distributed pro rata among such holders based upon the aggregate Liquidation Preference Price of the Series B Preferred held by each such holder. Prior to the liquidation, dissolution or winding up of the Corporation, the Corporation shall declare for payment all accrued and unpaid dividends with respect to the Series B Preferred, but only to the extent of funds of the Corporation legally available for the payment of dividends. Not less than sixty (60) days prior to the payment date stated therein, the Corporation shall mail written notice of any such liquidation, dissolution or winding up to each record holder of Series B Preferred, setting forth in reasonable detail the amount of proceeds to be paid with respect to each Share and each share of Common Stock in connection with such liquidation, dissolution or winding up.

Section 4. Priority of Series B Preferred on Dividends and Redemptions.

4A. No Payments With Respect to Junior Securities.

So long as fifty percent (50%) or more of the Series B Preferred issued pursuant to the Purchase Agreement remains outstanding, subject to approval by a representative designated in writing by a majority of the holders of Series B Preferred (such approval not to be unreasonably withheld in the event the holders of Series B Preferred determine that such action would not have an adverse impact on the creditworthiness of the Series B Preferred), the Corporation will not pay any dividend or other distribution on any shares of Junior Securities (other than dividends paid or distributions made in shares of Junior Securities) or make any

purchase, redemption, retirement or other acquisition of any shares of Junior Securities, or of any option, warrant or other right to acquire its capital stock (a "Restricted Payment").

4B. No Issuance of Senior or pari passu Securities.

So long as fifty percent (50%) or more of the Series B Preferred issued pursuant to the Purchase Agreement remains outstanding, without the prior written consent of the holders of a majority of the outstanding shares of the Series B Preferred, the Corporation shall not (i) effect a voluntary liquidation, dissolution or winding up of the Corporation; or (ii) amend its Certificate of Incorporation, as amended, or take any other action to approve or issue any capital stock of the Corporation that is, or reclassify stock into stock of the Corporation that is, senior or pari passu in right to the payment of dividends, payment upon liquidation, redemption or otherwise to the Series B Preferred; (iii) increase the authorized number of shares of Series B Preferred; or (iv) amend its Certificate of Incorporation, as amended, or take any other action that would alter the rights, preferences or privileges of the Series B Preferred as in effect on the date of the original issuance of the Series B Preferred.

Section 5. Redemptions.

5A. Scheduled Redemption. On April 7, 2007 (the "Scheduled Redemption Date"), the Corporation shall have the right to redeem all outstanding shares of Series B Preferred at a price per Share equal to the Liquidation Preference Price thereof.

5B. Mandatory Redemption. On or after April 7, 2005, the holders of a majority of the outstanding shares of the Series B Preferred shall have the right to require the Corporation to redeem all, but not less than all, of the outstanding Series B Preferred in Cash at the Liquidation Preference Price.

5C. Redemption Payments. For each Share which is to be redeemed hereunder, the Corporation shall be obligated on the Redemption Date to pay to the holder thereof (upon surrender by such holder at the Corporation's principal office of the certificate representing such Share) an amount in cash in immediately available funds equal to the Liquidation Preference Price of such Share. If the funds of the Corporation legally available for redemption of Shares on any Redemption Date are insufficient to redeem the total number of Shares to be redeemed on such date, those funds which are legally available shall be used to redeem the maximum possible number of Shares pro rata among the holders of the Shares to be redeemed based upon the aggregate Liquidation Preference Price of such Shares held by each such holder. At any time thereafter when additional funds of the Corporation are legally available for the redemption of Shares, such funds shall immediately be used to redeem the balance of the Shares which the Corporation has become obligated to redeem on any Redemption Date but which it has not redeemed. Prior to any redemption of Series B Preferred, the Corporation shall declare for payment all accrued and unpaid dividends with respect to the Shares which are to be redeemed, but only to the extent of funds of the Corporation legally available for the payment of dividends.

5D. Notice of Redemption. The Corporation shall mail written notice of each redemption of any Series B Preferred (other than a redemption at the request of a holder or holders of Series B Preferred) to each record holder thereof not more than sixty (60) nor less than thirty (30) days prior to the date on which such redemption is to be made. In case fewer than the total number of Shares represented by any certificate are redeemed, a new certificate representing the number of unredeemed Shares shall be issued to the holder thereof without cost to such holder within five (5) business days after surrender of the certificate representing the redeemed Shares.

5E. Dividends After Redemption Date. No Share shall be entitled to any dividends accruing after the date on which the Liquidation Preference Price of such Share is paid to the holder of such Share. On such date, all rights of the holder of such Share shall cease, and such Share shall no longer be deemed to be issued and outstanding.

5F. Redeemed or Otherwise Acquired Shares. Any Shares which are redeemed or otherwise acquired by the Corporation shall be canceled and retired to authorized but unissued shares and shall not be reissued, sold or transferred.

5G. Other Redemptions or Acquisitions. The Corporation shall not, nor shall it permit any Subsidiary to, redeem or otherwise acquire any Shares of Series B Preferred, except as expressly authorized herein or pursuant to a purchase offer made pro rata to all holders of Series B Preferred on the basis of the number of Shares owned by each such holder.

5H. Payment of Accrued Dividends. The Corporation may not redeem any Series B Preferred unless all dividends accrued on the outstanding Series B Preferred through the immediately preceding Dividend Payment Date have been declared and paid in full.

5I. Change of Control.

(i) If a Change of Control has occurred or the Corporation enters into a binding agreement or a non-binding letter of intent, memorandum of understanding or similar document that contemplates a Change of Control, the Corporation shall give prompt written notice of such Change of Control (or anticipated Change of Control, as the case may be) describing in reasonable detail the material terms and date (or anticipated date, as the case may be) of consummation thereof to each holder of Series B Preferred, but in any event such notice shall not be given later than five days after the occurrence of such Change of Control, and the Corporation shall give each holder of Series B Preferred prompt written notice of any material change in the terms or timing of such transaction. Any holder of Series B Preferred may require the Corporation to redeem all, but not less than all, of the Series B Preferred owned by such holder for an amount in cash per share equal to the sum of (a) all accrued but unpaid cash dividends (whether or not declared), and (b) two hundred percent (200%) of the Stated Value by giving written notice to the Corporation of such election prior to the later of (i) fourteen (14) days after receipt of the Corporation's notice and (ii) ten (10) business days prior to the consummation of the Change of Control (the "Expiration Date"). The Corporation shall give prompt written notice of any such election to all other holders of Series B Preferred within five

(5) days after the receipt thereof, and each such holder shall have until the later of (a) the Expiration Date or (b) ten days after receipt of such second notice to request redemption hereunder (by giving written notice to the Corporation) of all or any portion of the Series B Preferred owned by such holder.

Upon receipt of such election(s), the Corporation shall be obligated to redeem the aggregate number of Shares specified therein on the occurrence of the Change of Control. If any proposed Change of Control does not occur, all requests for redemption in connection therewith shall be automatically rescinded, or if there has been a material change in any of the pricing terms or the timing of the transaction, any holder of Series B Preferred may rescind such holder's request for redemption by giving written notice of such rescission to the Corporation.

The term "Change of Control" means (a) any sale, transfer or issuance or series of sales, transfers and/or issuances of Common Stock by the Corporation or any holders thereof which results in any Person or group of Persons (as the term "group" is used under the Securities Exchange Act of 1934), beneficially owning (as such term is used in the Securities Exchange Act of 1934) more than fifty (50%) of the Common Stock outstanding at the time of such sale, transfer or issuance or series of sales, transfers and/or issuances, or acquiring the power to vote more than fifty (50%) of the Common Stock then outstanding, and (b) any sale or transfer of more than fifty (50%) of the assets of the Corporation and its Subsidiaries on a consolidated basis (measured either by book value in accordance with generally accepted accounting principles consistently applied or by fair market value determined in the reasonable good faith judgment of the Corporation's Board of Directors) in any transaction or series of transactions (other than sales in the ordinary course of business) to any Person or group of Persons and (c) any merger or consolidation to which the Corporation is a party, except (i) for a merger in which the Corporation is the surviving corporation, the terms of the Series B Preferred are not changed and the Series B Preferred is not exchanged for cash, securities or other property, and after giving effect to such merger, the holders of the Corporation's outstanding capital stock possessing more than fifty percent (50%) of the voting power to elect a majority of the Corporation's Board of Directors immediately prior to the merger shall continue to own the Corporation's outstanding capital stock possessing more than fifty percent (50%) of the voting power to elect a majority of the Corporation's Board of Directors or (ii) a merger or consolidation in which the holders of the Corporation's outstanding Common Stock are entitled to receive securities which are listed on the New York Stock Exchange or NASDAQ with a value of greater than \$18.00 per share of Common Stock and such securities are not subject to any restrictions on transfer other than those imposed by law.

(ii) Redemptions of any Shares made pursuant to this paragraph 5I shall not relieve the Corporation of its obligation to redeem any Shares that are not redeemed pursuant to this Section 5 on the Scheduled Redemption Date pursuant to paragraph 5A above.

(iii) Notwithstanding the foregoing provisions of this paragraph 5I, the Corporation shall not be required to redeem any Shares under this paragraph 5I from and after

the date on which the Corporation shall have given notice pursuant to paragraph 5A above, or paragraph 7B below, that it has elected to redeem or convert such shares.

Section 6. Voting Rights.

6A. Election of Directors. Subject to the provisions of paragraph 6C below, in the election of directors of the Corporation, the holders of the Series B Preferred, voting separately as a single class to the exclusion of all other classes of the Corporation's capital stock and with each Share of Series B Preferred entitled to one vote, shall be entitled to elect one (1) director to serve on the Corporation's Board of Directors who will have the right to serve on any committee of the Board of Directors until his or her successor is duly elected by the holders of the Series B Preferred or he or she is removed from office by the holders of the Series B Preferred. If the holders of the Series B Preferred for any reason fail to elect anyone to fill any such directorship, such position shall remain vacant until such time as the holders of the Series B Preferred elect a director to fill such position and shall not be filled by resolution or vote of the Corporation's Board of Directors or the Corporation's other stockholders.

6B. Other Voting Rights. The holders of the Series B Preferred shall be entitled to notice of all stockholders' meetings in accordance with the Corporation's bylaws, except as otherwise required by applicable law. Except to the extent that voting as a separate class or series is required by law, and except as described in paragraph 4B, hereof, the holders of Series B Preferred will be entitled to vote on all matters submitted to the stockholders for a vote together with the holders of Common Stock and all other series of preferred stock voting together as a single class with each share of Common Stock entitled to one vote per share and each Share of Series B Preferred entitled to one vote for each share of Common Stock issuable upon conversion of such Share of Series B Preferred as of the record date for such vote or, if no record date is specified, as of the date of such vote.

6C. Loss of Voting Rights. The holders of the Series B Preferred shall cease to have the right to elect a member of the Corporation's Board of Directors when the shares of Common Stock into which the then-outstanding shares of Series B Preferred held by Advance Capital Partners, L.P., a Delaware limited partnership and Advance Capital Offshore Partners, L.P., a Cayman Islands limited partnership (together, "Advance"), are convertible, when added to the then-outstanding shares of Common Stock held by Advance that were issued upon conversions of Series B Preferred, in each case not including any shares distributed to its partners, represent (a) fifty percent (50%) or less of the number of shares of Common Stock into which all of the Series B Preferred issued pursuant to the Purchase Agreement were convertible on the date of issuance of the Series B Preferred and (b) five percent (5%) or less of the number of shares of Common Stock then outstanding (on a fully-diluted basis). At any time after the holders of the Series B Preferred cease to have the right to elect a member of the Corporation's Board of Directors, promptly (and in any event not more than ten (10) business days) after a majority of the other directors request the resignation of the director elected by the holders of the Series B Preferred, such director shall resign from the Corporation's Board of Directors.

Section 7. Conversion.

7A. Conversion Procedure.

(i) At any time and from time to time, any holder of Series B Preferred may convert all or any portion of the shares of Series B Preferred (including any fraction of a share of Series B Preferred) held by such holder into a number of shares of Conversion Stock computed by multiplying the number of shares of Series B Preferred to be converted by one thousand dollars (\$1,000) and dividing the result by the Series B Conversion Price then in effect.

(ii) Except in the case of a mandatory conversion pursuant to Section 7B hereof and as otherwise provided herein, each conversion of Series B Preferred shall be deemed to have been effected as of the close of business on the date on which the certificate or certificates representing the Series B Preferred to be converted have been surrendered for conversion at the principal office of the Corporation. At the time any conversion has been effected, the rights of the holder of the Shares converted as a holder of Series B Preferred shall cease and the Person or Persons in whose name or names any certificate or certificates for shares of Conversion Stock are to be issued upon such conversion shall be deemed to have become the holder or holders of record of the shares of Conversion Stock represented thereby.

(iii) The conversion rights of any Share subject to redemption hereunder shall terminate on the Redemption Date for such Share unless the Corporation has failed to pay to the holder thereof the Liquidation Preference Price of such Share.

(iv) Notwithstanding any other provision hereof, if a conversion of Series B Preferred is to be made in connection with a Change of Control or other transaction affecting the Corporation, the conversion of any Shares of Series B Preferred may, at the election of the holder thereof, be conditioned upon the consummation of such transaction, in which case such conversion shall not be deemed to be effective until such transaction has been consummated.

(v) As soon as possible after a conversion has been effected (but in any event within three (3) business days after conversion pursuant to paragraph 7B, below or within three (3) business days after notice of conversion has been delivered to the Corporation, provided that such conversion has been effected by such date, in the case of subparagraph (a) below), the Corporation shall deliver to the converting holder:

(a) a certificate or certificates representing the number of shares of Conversion Stock issuable by reason of such conversion in such name or names and such denomination or denominations as the converting holder has specified;

(b) payment in an amount equal to all accrued dividends with respect to each Share converted which have not been paid prior thereto, plus the amount payable under subparagraph (x) below with respect to such conversion; and

(c) a certificate representing any Shares which were represented by the certificate or certificates delivered to the Corporation in connection with such conversion but which were not converted.

(vi) The Corporation shall declare the payment of all dividends payable under subparagraph (v) (b) above. If the Corporation is not permitted under applicable law to pay any portion of the accrued and unpaid dividends on the Series B Preferred being converted, the Corporation shall pay such dividends to the converting holder as soon thereafter as funds of the Corporation are legally available for such payment. At the request of any such converting holder, the Corporation shall provide such holder with written evidence of its obligation to such holder. If for any reason the Corporation is unable to pay any portion of the accrued and unpaid dividends on Series B Preferred being converted, such dividends may, at the converting holder's option, be converted into an additional number of shares of Conversion Stock determined by dividing the amount of the unpaid dividends to be applied for such purpose, by the lesser of (a) the Conversion Price then in effect and (b) the Market Price of a share of Common Stock.

(vii) The issuance of certificates for shares of Conversion Stock upon conversion of the Series B Preferred shall be made without charge to the holders of such Series B Preferred for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such conversion and the related issuance of shares of Conversion Stock. Upon conversion of each Share, the Corporation shall take all such actions as are necessary in order to insure that the Conversion Stock issuable with respect to such conversion shall be validly issued, fully paid and nonassessable, free and clear of all taxes, liens, charges and encumbrances with respect to the issuance thereof (other than customary securities legends and any restrictions on transfer applicable thereto pursuant to the Purchase Agreement).

(viii) The Corporation shall not close its books against the transfer of Series B Preferred or of Conversion Stock issued or issuable upon conversion of Series B Preferred in any manner which interferes with the timely conversion of Series B Preferred. The Corporation shall assist and cooperate with any holder of Shares required to make any governmental filings or obtain any governmental approval prior to or in connection with any conversion of Shares hereunder (including, without limitation, making any filings required to be made by the Corporation).

(ix) The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Conversion Stock, solely for the purpose of issuance upon the conversion of Series B Preferred, such number of shares of Conversion Stock issuable upon the conversion of all outstanding Series B Preferred. All shares of Conversion Stock which are so issuable shall, when issued, be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges. The Corporation shall take all such actions as may be necessary to assure that all such shares of Conversion Stock may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which shares of Conversion Stock may be listed (except for official notice of issuance which shall be immediately delivered by the Corporation upon each such issuance). The Corporation shall not take any action which would cause the number of authorized but

unissued shares of Conversion Stock to be less than the number of such shares required to be reserved hereunder for issuance upon conversion of Series B Preferred.

(x) If any fractional interest in a share of Conversion Stock would, except for the provisions of this subparagraph, be delivered upon any conversion of Series B Preferred, the Corporation, in lieu of delivering the fractional share therefor, shall pay an amount to the holder thereof equal to the Market Price of such fractional interest as of the date of conversion.

(xi) If the shares of Conversion Stock issuable by reason of conversion of Series B Preferred are convertible into or exchangeable for any other stock or securities of the Corporation, the Corporation shall, at the converting holder's option, upon surrender of the Shares to be converted by such holder as provided herein together with any notice, statement or payment required to effect such conversion or exchange of Conversion Stock, deliver to such holder or as otherwise specified by such holder a certificate or certificates representing the stock or securities into which the shares of Conversion Stock issuable by reason of such conversion are so convertible or exchangeable, registered in such name or names and in such denomination or denominations as such holder has specified.

7B. Mandatory Conversion. Each share of Series B Preferred will automatically convert into shares of the Corporation's Common Stock (on the conversion terms described in this Section 7) without any action on the part of the holders of Series B Preferred if at any time the average closing bid prices of the Common Stock quoted in the NASDAQ system is thirty five dollars (\$35) per share or more for a thirty (30) consecutive day trading period ending on or after the third anniversary of the date of issuance of the Series B Preferred or for a sixty (60) consecutive day trading period beginning on or after the second anniversary of the date of issuance of the Series B Preferred. If the Series B Preferred is converted to Common Stock pursuant to this Section 7B, dividends on the Series B Preferred will accrue and be paid as though the Series B Preferred had remained outstanding until the later of (i) the date of conversion or (ii) the third anniversary of the date of issuance of the Series B Preferred. Additionally, on April 7, 2007, the Corporation shall have the right to convert the Preferred Shares into shares of Common Stock on the conversion terms described in this Section 7.

7C. Conversion Price.

(i) The initial Series B Conversion Price ("Conversion Price") shall be nine dollars (\$9.00). In order to prevent dilution of the conversion rights granted under this Section 7, the Conversion Price shall be subject to adjustment from time to time pursuant to this paragraph 7C.

(ii) If and whenever on or after the original date of issuance of the Series B Preferred the Corporation issues or sells, or in accordance with paragraph 7D is deemed to have issued or sold, any shares of its Common Stock for a consideration per share less than the Conversion Price in effect immediately prior to the time of such issue or sale, then immediately upon such issue or sale or deemed issue or sale the Conversion Price shall be reduced to the

Conversion Price determined by dividing (a) the sum of (1) the product derived by multiplying the Conversion Price in effect immediately prior to such issue or sale by the number of shares of Common Stock Deemed Outstanding immediately prior to such issue or sale, plus (2) the consideration, if any, received by the Corporation upon such issue or sale, by (b) the number of shares of Common Stock Deemed Outstanding immediately after such issue or sale.

(iii) Notwithstanding the foregoing, there shall be no adjustment in the Conversion Price as a result of (a) the exercise of any options outstanding on the date of original issuance of the Series B Preferred issued to directors, officers or employees of, or consultants to, the Corporation and its Subsidiaries pursuant to stock option plans and stock ownership plans approved by the Corporation's Board of Directors or (b) any issue or sale (or deemed issue or sale) of up to an aggregate of 1,046,098 shares of Common Stock to directors, officers or employees of, or consultants to, the Corporation and its Subsidiaries pursuant to stock option plans and stock ownership plans approved by the Corporation's Board of Directors (as such number of shares is proportionately adjusted for subsequent stock splits, combinations and dividends affecting the Common Stock).

7D. Effect on Conversion Price of Certain Events. For purposes of determining the adjusted Conversion Price under paragraph 7C, the following shall be applicable:

(i) Issuance of Rights or Options. If the Corporation in any manner grants or sells any Options and the price per share for which Common Stock is issuable upon the exercise of such Options, or upon conversion or exchange of any Convertible Securities issuable upon exercise of such Options, is less than the Conversion Price in effect immediately prior to the time of the granting or sale of such Options, then the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon conversion or exchange of the total maximum amount of such Convertible Securities issuable upon the exercise of such Options shall be deemed to be outstanding and to have been issued and sold by the Corporation at the time of the granting or sale of such Options for such price per share. For purposes of this paragraph, the "price per share for which Common Stock is issuable" shall be determined by dividing (A) the total amount, if any, received or receivable by the Corporation as consideration for the granting or sale of such Options, plus the minimum aggregate amount of additional consideration payable to the Corporation upon exercise of all such Options, plus in the case of such Options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the issuance or sale of such Convertible Securities and the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such Options. No further adjustment of the Conversion Price shall be made when Convertible Securities are actually issued upon the exercise of such Options or when Common Stock is actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(ii) Issuance of Convertible Securities. If the Corporation in any manner issues or sells any Convertible Securities and the price per share for which Common Stock is issuable upon conversion or exchange thereof is less than the Conversion Price in effect immediately prior to the time of such issue or sale, then the maximum number of shares of Common Stock issuable upon conversion or exchange of such Convertible Securities shall be deemed to be outstanding and to have been issued and sold by the Corporation at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this paragraph, the "price per share for which Common Stock is issuable" shall be determined by dividing (A) the total amount received or receivable by the Corporation as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment of the Conversion Price shall be made when Common Stock is actually issued upon the conversion or exchange of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any Options for which adjustments of the Conversion Price had been or are to be made pursuant to other provisions of this Section 7, no further adjustment of the Conversion Price shall be made by reason of such issue or sale.

(iii) Change in Option Price or Conversion Rate. If the purchase price provided for in any Options, the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities or the rate at which any Convertible Securities are convertible into or exchangeable for Common Stock changes at any time, the Conversion Price in effect at the time of such change shall be immediately adjusted to the Conversion Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold; provided that if such adjustment would result in an increase of the Conversion Price then in effect, such adjustment shall not be effective until thirty (30) days after written notice thereof has been given by the Corporation to all holders of the Series B Preferred. For purposes of paragraph 7D, if the terms of any Option or Convertible Security which was outstanding as of the date of issuance of the Series B Preferred are changed in the manner described in the immediately preceding sentence, then such Option or Convertible Security and the Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such change.

(iv) Treatment of Expired Options and Unexercised Convertible Securities. Upon the expiration of any Option or the termination of any right to convert or exchange any Convertible Security without the exercise of any such Option or right, the Conversion Price then in effect hereunder shall be adjusted immediately to the Series B Conversion Price which would have been in effect at the time of such expiration or termination had such Option or Convertible Security, to the extent outstanding immediately prior to such expiration or termination, never been issued; provided that if such expiration or termination would result in an increase in the Conversion Price then in effect, such increase shall not be effective until thirty (30) days after written notice thereof has been given to all holders of the

Series B Preferred. For purposes of paragraph 7D, the expiration or termination of any Option or Convertible Security which was outstanding as of the date of issuance of the Series B Preferred shall not cause the Conversion Price hereunder to be adjusted unless, and only to the extent that, a change in the terms of such Option or Convertible Security caused it to be deemed to have been issued after the date of issuance of the Series B Preferred.

(v) Calculation of Consideration Received. If any Common Stock, Option or Convertible Security is issued or sold or deemed to have been issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Corporation therefor (net of discounts, commissions and related expenses). If any Common Stock, Option or Convertible Security is issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Corporation shall be the fair value of such consideration, except where such consideration consists of securities, in which case the amount of consideration received by the Corporation shall be the Market Price thereof as of the date of receipt. If any Common Stock, Option or Convertible Security is issued to the owners of the non-surviving entity in connection with any merger in which the Corporation is the surviving corporation, the amount of consideration therefor shall be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Common Stock, Option or Convertible Security, as the case may be. The fair value of any consideration other than cash and securities shall be determined jointly by the Corporation and the holders of a majority of the outstanding Series B Preferred. If such parties are unable to reach agreement within a reasonable period of time, the fair value of such consideration shall be determined by an independent appraiser experienced in valuing such type of consideration jointly selected by the Corporation and the holders of a majority of the outstanding Series B Preferred. The determination of such appraiser shall be final and binding upon the parties, and the fees and expenses of such appraiser shall be borne by the Corporation.

(vi) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Corporation or any Subsidiary, and the disposition of any shares so owned or held shall be considered an issue or sale of Common Stock.

(vii) Record Date. If the Corporation takes a record of the holders of Common Stock for the purpose of entitling them (a) to receive a dividend or other distribution payable in Common Stock, Options or in Convertible Securities or (b) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or upon the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

7E. Subdivision or Combination of Common Stock. If the Corporation at any time subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision shall be proportionately

reduced, and if the Corporation at any time combines (by reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such combination shall be proportionately increased.

7F. Reorganization, Reclassification, Consolidation, Merger or Sale. Any recapitalization, reorganization, reclassification, consolidation, merger, sale of all or substantially all of the Corporation's assets or other transaction, in each case which is effected in such a manner that the holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock, is referred to herein as an "Organic Change". Prior to the consummation of any Organic Change, the Corporation shall make appropriate provisions (in form and substance satisfactory to the holders of a majority of the Series B Preferred then outstanding) to insure that each of the holders of Series B Preferred shall thereafter have the right to acquire and receive, in lieu of or in addition to (as the case may be) the shares of Conversion Stock immediately theretofore acquirable and receivable upon the conversion of such holder's Series B Preferred, such shares of stock, securities or assets as such holder would have received in connection with such Organic Change if such holder had converted its Series B Preferred immediately prior to such Organic Change. In each such case, the Corporation shall also make appropriate provisions (in form and substance satisfactory to the holders of a majority of the Series B Preferred then outstanding) to insure that the provisions of this Section 7 and Sections 8 and 9 hereof shall thereafter be applicable to the Series B Preferred (including, in the case of any such consolidation, merger or sale in which the successor entity or purchasing entity is other than the Corporation, an immediate adjustment of the Conversion Price to the value for the Common Stock reflected by the terms of such consolidation, merger or sale, and a corresponding immediate adjustment in the number of shares of Conversion Stock acquirable and receivable upon conversion of Series B Preferred, if the value so reflected is less than the Conversion Price in effect immediately prior to such consolidation, merger or sale). The Corporation shall not effect any such consolidation, merger or sale, unless prior to the consummation thereof, the successor entity (if other than the Corporation) resulting from consolidation or merger or the entity purchasing such assets assumes by written instrument (in form and substance satisfactory to the holders of a majority of the Series B Preferred then outstanding), the obligation to deliver to each such holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holder may be entitled to acquire.

7G. Certain Events. If any event occurs of the type contemplated by the provisions of this Section 7 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Corporation's Board of Directors shall make an appropriate adjustment in the Conversion Price so as to protect the rights of the holders of Series B Preferred; provided that no such adjustment shall increase the Conversion Price as otherwise determined pursuant to this Section 7 or decrease the number of shares of Conversion Stock issuable upon conversion of each Share.

7H. Notices.

(i) Immediately upon any adjustment of the Conversion Price, the Corporation shall give written notice thereof to all holders of Series B Preferred, setting forth in reasonable detail and certifying the calculation of such adjustment.

(ii) The Corporation shall give written notice to all holders of Series B Preferred at least twenty (20) days prior to the date on which the Corporation closes its books or takes a record (a) with respect to any dividend or distribution upon Common Stock, (b) with respect to any pro rata subscription offer to holders of Common Stock or (c) for determining rights to vote with respect to any Organic Change, dissolution or liquidation.

(iii) The Corporation shall also give written notice to the holders of Series B Preferred at least twenty (20) days prior to the date on which any Organic Change shall take place.

Section 8. Liquidating Dividends.

If the Corporation declares or pays a dividend upon the Common Stock payable otherwise than in cash out of earnings or earned surplus (determined in accordance with generally accepted accounting principles, consistently applied) except for a stock dividend payable in shares of Common Stock (a "Liquidating Dividend"), then the Corporation shall pay to the holders of Series B Preferred at the time of payment thereof the Liquidating Dividends which would have been paid on the shares of Conversion Stock had such Series B Preferred been converted immediately prior to the date on which a record is taken for such Liquidating Dividend, or, if no record is taken, the date as of which the record holders of Common Stock entitled to such dividends are to be determined.

Section 9. Purchase Rights.

If at any time the Corporation grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the "Purchase Rights"), then each holder of Series B Preferred shall be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such holder could have acquired if such holder had held the number of shares of Conversion Stock acquirable upon conversion of such holder's Series B Preferred immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

Section 10. Events of Noncompliance.

10A. Definition. An Event of Noncompliance shall have

occurred if:

(i) the Corporation fails to pay on any two consecutive Dividend Payment Dates the full amount of dividends then accrued on the Series B Preferred, either in cash or in additional Shares of Series B Preferred, whether or not such payments are legally permissible or are prohibited by any agreement to which the Corporation is subject;

(ii) the Corporation fails to make any redemption payment with respect to the Series B Preferred which it is required to make hereunder, whether or not such payment is legally permissible or is prohibited by any agreement to which the Corporation is subject;

(iii) the Corporation or any material Subsidiary makes an assignment for the benefit of creditors or admits in writing its inability to pay its debts generally as they become due; or an order, judgment or decree is entered adjudicating the Corporation or any material Subsidiary bankrupt or insolvent; or any order for relief with respect to the Corporation or any material Subsidiary is entered under the Federal Bankruptcy Code; or the Corporation or any material Subsidiary petitions or applies to any tribunal for the appointment of a custodian, trustee, receiver or liquidator of the Corporation or any material Subsidiary or of any substantial part of the assets of the Corporation or any material Subsidiary, or commences any proceeding (other than a proceeding for the voluntary liquidation and dissolution of a Subsidiary) relating to the Corporation or any material Subsidiary under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction; or any such petition or application is filed, or any such proceeding is commenced, against the Corporation or any material Subsidiary and either (a) the Corporation or any such Subsidiary by any act indicates its approval thereof, consent thereto or acquiescence therein or (b) such petition, application or proceeding is not dismissed within sixty (60) days;

(iv) a judgment in excess of \$2,000,000 is rendered against the Corporation or any material Subsidiary and, such judgment is not (a) discharged, bonded or otherwise satisfied within 60 days from the entry thereof, (b) covered by adequate insurance, or (c) the execution of such judgment is not stayed pending appeal or, within 60 days after the expiration of such stay, discharged or otherwise satisfied; or

(v) the Corporation or any material Subsidiary defaults in the performance of any obligation or agreement, and such default is continuing for a period of seven (7) days, if the effect of such default is to cause an amount exceeding \$2,000,000 to become due prior to its stated maturity or the holder or holders of any obligation causes an amount exceeding \$2,000,000 to become due prior to its stated maturity.

10B. Consequences of Events of Noncompliance.

(i) If an Event of Noncompliance of the type described in subparagraphs 10A(i), 10A(ii) or 10A(iii) has occurred and is continuing, the dividend rate on

the Series B Preferred shall increase immediately by an increment of two percentage point(s). Thereafter, until such time as no Event of Noncompliance exists, the dividend rate shall increase automatically at the end of each succeeding ninety-day (90-day) period by an additional increment of two (2) percentage point(s) (but in no event shall the dividend rate exceed 17%). Any increase of the dividend rate resulting from the operation of this subparagraph shall terminate as of the close of business on the date on which no Event of Noncompliance exists, subject to subsequent increases pursuant to this paragraph.

(ii) If an Event of Noncompliance of the type described in subparagraphs 10A(ii), 10A(iv) or 10A(v) has occurred and is continuing, the holders of a majority of the Series B Preferred then outstanding may demand (by written notice delivered to the Corporation) immediate redemption of all or any portion of the Series B Preferred owned by such holder or holders at a price per Share equal to the Liquidation Preference Price thereof. The Corporation shall give prompt written notice of such election to the other holders of Series B Preferred (but in any event within five (5) days after receipt of the initial demand for redemption), and each such other holder may demand immediate redemption of all or any portion of such holder's Series B Preferred by giving written notice thereof to the Corporation within seven days after receipt of the Corporation's notice. The Corporation shall, to the extent permitted by applicable law, redeem all Series B Preferred as to which rights under this paragraph have been exercised within fifteen (15) business days after receipt of the initial demand for redemption.

(iii) If an Event of Noncompliance of the type described in subparagraph 10A(iii) has occurred, all of the Series B Preferred then outstanding shall be subject to immediate redemption by the Corporation (without any action on the part of the holders of the Series B Preferred) at a price per Share equal to the Liquidation Preference Price thereof. The Corporation shall, to the extent permitted by applicable law, immediately redeem all Series B Preferred upon the occurrence of such Event of Noncompliance.

(iv) If any Event of Noncompliance exists, each holder of Series B Preferred shall also have any other rights which such holder is entitled to under the Purchase Agreement or any other contract or agreement with such holder at any time and any other rights which such holder may have pursuant to applicable law.

Section 11. Registration of Transfer.

The Corporation shall keep at its principal office a register for the registration of Series B Preferred. Upon the surrender of any certificate representing Series B Preferred at such place, the Corporation shall, at the request of the record holder of such certificate, execute and deliver (at the Corporation's expense) a new certificate or certificates in exchange therefor representing in the aggregate the number of Shares represented by the surrendered certificate. Each such new certificate shall be registered in such name and shall represent such number of Shares as is requested by the holder of the surrendered certificate and shall be substantially identical in form to the surrendered certificate, and dividends shall accrue on the Series B

Preferred represented by such new certificate from the date to which dividends have been fully paid on such Series B Preferred represented by the surrendered certificate.

Section 12. Replacement.

Upon receipt of evidence reasonably satisfactory to the Corporation (an affidavit of the registered holder shall be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing Series B Preferred, and in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Corporation (provided that if the holder is a financial institution or other institutional investor its own agreement shall be satisfactory), or, in the case of any such mutilation upon surrender of such certificate, the Corporation shall (at its expense) execute and deliver in lieu of such certificate a new certificate of like kind representing the number of Shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate, and dividends shall accrue on the Series B Preferred represented by such new certificate from the date to which dividends have been fully paid on such lost, stolen, destroyed or mutilated certificate.

Section 13. Information Rights. So long as fifty percent (50%) or more of the Series B Preferred issued pursuant to the Purchase Agreement remains outstanding, the Company will deliver to the holders of the Series B Preferred the Company's Form 10-K, Form 10-Q, proxy statement, annual report, any filings that the Company makes from time to time with the Securities and Exchange Commission and any information distributed to the board of directors. The holders of the Preferred Stock agree to maintain the confidentiality of all Confidential Information received from the Company.

Section 14. Definitions.

"Change of Control" has the meaning set forth in paragraph 5H hereof.

"Common Stock" means, collectively, the Corporation's Common Stock, \$0.01 par value per share, and any capital stock of any class of the Corporation hereafter authorized which is not limited to a fixed sum or percentage of par or stated value in respect to the rights of the holders thereof to participate in dividends or in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation.

"Common Stock Deemed Outstanding" means, at any given time, the number of shares of Common Stock actually outstanding at such time, plus the number of shares of Common Stock deemed to be outstanding pursuant to subparagraphs 7D(i) and 7D(ii) hereof whether or not the Options or Convertible Securities are actually exercisable at such time.

"Confidential Information" means any information concerning the Company's business other than information that (i) was already known to the Person having a duty to keep confidential such information on a nonconfidential basis prior to the time of disclosure, (ii) is or becomes generally available to the public through no act or omission of such Person or (iii)

becomes available to such Person on a nonconfidential basis from a source other than any party hereto (or any agent or representative thereof) if such source was not under a prohibition against disclosing the information to such Person.

"Conversion Stock" means shares of the Corporation's Common Stock, par value \$0.01 per share; provided that if there is a change such that the securities issuable upon conversion of Series B Preferred are issued by an entity other than the Corporation or there is a change in the type or class of securities so issuable, then the term "Conversion Stock" shall mean one share of the security issuable upon conversion of Series B Preferred if such security is issuable in shares, or shall mean the smallest unit in which such security is issuable if such security is not issuable in shares.

"Convertible Securities" means any stock or securities directly or indirectly convertible into or exchangeable for Common Stock.

"Junior Securities" means any capital stock or other equity securities of the Corporation, except for the Series B Preferred.

"Liquidation Preference Price" of any Share as of any particular date shall be equal to one thousand dollars (\$1,000), plus any accrued but unpaid dividends, whether or not declared.

"Market Price" of any security means the average of the closing prices of such security's sales on all securities exchanges on which such security may at the time be listed, or, if there has been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 P.M., New York time, or, if on any day such security is not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar successor organization, in each such case averaged over a period of twenty one (21) days consisting of the day as of which "Market Price" is being determined and the twenty (20) consecutive business days prior to such day. If at any time such security is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the "Market Price" shall be the fair value thereof determined jointly by the Corporation and the holders of a majority of the Series B Preferred. If such parties are unable to reach agreement within a reasonable period of time, such fair value shall be determined by an independent appraiser experienced in valuing securities jointly selected by the Corporation and the holders of a majority of the Series B Preferred. The determination of such appraiser shall be final and binding upon the parties, and the Corporation shall pay the fees and expenses of such appraiser.

"Options" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

"Person" means an individual, a partnership, a corporation, a limited liability company, a limited liability partnership, an association, a joint stock company, a trust, a joint

venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Purchase Agreement" means the Purchase Agreement, dated as of March __, 2000, by and among the Corporation and certain investors, as such agreement may from time to time be amended in accordance with its terms.

"Redemption Date" as to any Share means the date specified in the notice of any redemption at the Corporation's option or at the holder's option or the applicable date specified herein in the case of any other redemption; provided that no such date shall be a Redemption Date unless the Liquidation Preference Price of such Share (plus all accrued and unpaid dividends thereon and any required premium with respect thereto) is actually paid in full on such date, and if not so paid in full, the Redemption Date shall be the date on which such amount is fully paid.

"Series B Conversion Price" means nine dollars (\$9.00), subject to adjustment as provided in Section 7C hereof.

"Stated Value" means one thousand dollars (\$1,000) per Share.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control the managing general partner of such limited liability company, partnership, association or other business entity.

Section 15. Amendment and Waiver.

No amendment, modification or waiver shall be binding or effective with respect to any provision of Sections 1 to 16 hereof without the prior written consent of the holders of greater than fifty percent (50%) of the Series B Preferred outstanding at the time such action is taken; provided that no such action shall change (a) the rate at which or the manner in which dividends on the Series B Preferred accrue or the times at which such dividends become payable or the amount payable on redemption of the Series B Preferred or the times at which redemption of Series B Preferred is to occur, without the prior written consent of the holders of at least seventy-five percent (75%) of the Series B Preferred then outstanding, (b) the Conversion Price

of the Series B Preferred or the number of shares or class of stock into which the Series B Preferred is convertible, without the prior written consent of the holders of at least seventy-five percent (75%) of the Series B Preferred then outstanding, or (c) the percentage required to approve any change described in clauses (a) and (b) above, without the prior written consent of the holders of at least seventy-five percent (75%) of the Series B Preferred then outstanding; and provided further that no change in the terms hereof may be accomplished by merger or consolidation of the Corporation with another corporation or entity unless the Corporation has obtained the prior written consent of the holders of the applicable percentage of the Series B Preferred then outstanding.

Section 16. Notices.

Except as otherwise expressly provided hereunder, all notices referred to herein shall be in writing and shall be delivered by registered or certified mail, return receipt requested and postage prepaid, or by reputable overnight courier service, charges prepaid, and shall be deemed to have been given when so mailed or sent (i) to the Corporation, at its principal executive offices and (ii) to any stockholder, at such holder's address as it appears in the stock records of the Corporation (unless otherwise indicated by any such holder).

IN WITNESS WHEREOF, TransAct Technologies Incorporated has caused this Certificate to be signed by its President and Chief Executive Officer and attested by its Secretary this 5th day of April, 2000.

TRANSACT TECHNOLOGIES
INCORPORATED

By /s/ Bart C. Shuldman

Attest:

/s/ Richard L. Cote

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of March 14, 2000

between

TRANSACT TECHNOLOGIES INCORPORATED

and

FLEET NATIONAL BANK

AMENDED AND RESTATED CREDIT AGREEMENT dated as of March 14, 2000 between TRANSACT TECHNOLOGIES INCORPORATED, a Delaware corporation (the "Borrower" and sometimes referred to herein as "TransAct"), and FLEET NATIONAL BANK, a national banking association organized under the laws of the United States of America (the "Bank").

WHEREAS, the Borrower and the Bank have previously entered into a Credit Agreement dated as of January 29, 1998, as previously amended, (the "Original Credit Agreement"); and

WHEREAS, the parties hereto intend that this Amended and Restated Credit Agreement amend and restate the Original Credit Agreement in its entirety; and

WHEREAS, the Borrower desires that the Bank extend credit as provided herein and the Bank is prepared to extend such credit.

NOW THEREFORE, in consideration of the foregoing, which is incorporated by reference, and other valuable consideration, receipt of which is acknowledged, the parties, intending to be legally bound, agree as follows:

ARTICLE 1. DEFINITIONS; ACCOUNTING TERMS

Section 1.1. Definitions. As used in this Agreement, the following terms have the following meanings (terms defined in the singular do have a correlative meaning when used in the plural and vice versa):

"Acceptable Acquisition" means any Acquisition: (i) which has been either (A) approved by the Board of Directors of the corporation, or governing body of any other business entity, which is the subject of such Acquisition or (B) recommended by such Board or governing body to the shareholders of such corporation or equity owners of such other business entity; and (ii) with respect to which the following conditions are satisfied:

(a) no Default or Event of Default exists or would result from such Acquisition;

(b) the company or assets acquired involve substantially the same or similar line of business as the Borrower;

(c) the Borrower demonstrates that, on a combined basis with the acquired assets and/or entity, in accordance with GAAP, it would have been in compliance with the financial covenants contained in Article 8 on a trailing four quarters pro forma basis as of the end of the immediately preceding fiscal quarter; and will be in such compliance prospectively on a pro forma basis for the next succeeding four fiscal quarters;

(d) the Borrower remains as a surviving entity;

(e) the total aggregate consideration for all such Acquisitions (not including reasonable fees and expenses payable by the Borrower in connection therewith) does not exceed \$400,000; and

(f) the Bank obtains a perfected security interest in the acquired assets or in the assets of the acquired company, subject only to Liens permitted by Section 7.3 hereof.

"Acquisition" means any transaction pursuant to which the Borrower (a) acquires greater than 5% of the equity securities (or warrants, options or other rights to acquire such securities) of any Person, (b) causes or permits any Person to be merged into the Borrower, in any case pursuant to a merger, purchase of assets or any reorganization providing for the delivery or issuance to the holders of such Person's then outstanding securities, in exchange for such securities, of cash or securities of the Borrower, or a combination thereof, or (c) purchases all or substantially all of the business or assets of any Person.

"Affiliate" means any Person: (a) which directly or indirectly controls, or is controlled by, or is under common control with, the Borrower or any of their respective Subsidiaries; (b) which directly or indirectly beneficially owns or holds five percent or more of any class of voting stock of the Borrower or any of their respective Subsidiaries; (c) five percent or more of the voting stock of which is directly or indirectly beneficially owned or held by the Borrower or any of their respective Subsidiaries; or (d) which is a partnership in which the Borrower or any of their respective Subsidiaries is a general partner. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agreement" means this Amended and Restated Credit Agreement, as amended or supplemented from time to time. References to Articles, Sections, Exhibits, Schedules and the like refer to the Articles, Sections, Exhibits, Schedules and the like of this Agreement unless otherwise indicated.

"Banking Day" means, a day on which commercial banks settle payments in (i) New York or London if the payment obligation is calculated by reference to any LIBO Rate, or (ii) New York, if the payment obligation is calculated by reference to the Prime Rate.

"Borrowing" means any Loan requested by the Borrower hereunder.

"Borrowing Base" means an amount equal to the sum of (a) 85% of Eligible Receivables (80% from and after December 31, 2000), plus (b) 30% of Eligible Inventory, provided, however, in no event shall the aggregate amount under clause (b) exceed \$4,000,000, plus (c) \$2,000,000 (as an overadvance allowance) (the "Overadvance"), which Overadvance amount will be reduced by \$500,000 on the last day of each of

September, October, November and December, 2000 and will also be reduced dollar for dollar by the amount of any new equity sold by or contributed to the Borrower. Unless the Bank shall otherwise determine, the Borrowing Base as of any date shall be the Borrowing Base set forth on the most current Borrowing Base Certificate certified and delivered by the Borrower to the Bank. If, at any time, the Borrowing Base shall exceed the Commitment, for purposes of this Agreement the Borrowing Base shall be deemed to be equal to the Commitment. The Bank reserves the right to modify the percentages of Eligible Receivables and Eligible Inventory against which it will lend under the Borrowing Base formula above, based on the results of any field examinations of the Borrower conducted by the Bank.

"Borrowing Base Certificate" means a certificate substantially in the form of Exhibit B hereto or such other form agreed to in writing by the Bank and the Borrower.

"Capital Expenditures" shall mean, in respect of any relevant period, the dollar amount of gross expenditures (including obligations under Capital Leases) made for fixed assets, real property, plant and equipment, and all renewals, improvements and replacements thereto (but not repairs thereof) incurred during such period, as determined in accordance with GAAP.

"Capital Lease" means any lease which has been or should be capitalized on the books of the lessee in accordance with GAAP.

"Change of Control" means any one or more of the following events:

(a) the failure by Bart Shuldman or Richard Cote to remain active in the day to day senior management of TransAct; or

(b) the stockholders of any Borrower shall approve a plan or proposal for the acquisition of, merger, liquidation or dissolution of the Borrower, or a sale of more than 25% of its assets in one or a series of related transactions; or

(c) a Person or group of Persons acting in concert (other than the direct or indirect beneficial owners of the capital stock of any Borrower as of the date of this Agreement) shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the direct or indirect beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended from time to time) of securities of the Borrower representing 15% or more of the combined voting power of the outstanding voting securities for the election of directors or shall have the right to elect a majority of the board of directors of the Borrower.

"Closing Date" means the date this Agreement has been executed by the Borrower and the Bank.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means the obligation of the Bank to make the Revolving Loans under this Agreement in the aggregate principal amount of up to \$13,000,000, as such amount may be limited or reduced pursuant to Article 2 or otherwise modified from time to time.

"Consolidated Subsidiary" means any Subsidiary whose accounts are or are required to be consolidated with the accounts of a Person in accordance with GAAP.

"Current Assets" of any Person at any time means all cash, Receivables and Inventory of such Person.

"Current Funded Bank Debt" means, with respect to any Person, all Debt of such Person for money borrowed, other than Subordinated Debt.

"Current Liabilities" means all liabilities of a Person treated as current liabilities in accordance with GAAP, including without limitation (a) all obligations payable on demand or within one year after the date in which the determination is made and (b) installment and sinking fund payments required to be made within one year after the date on which determination is made, but excluding all such liabilities or obligations which are renewable or extendible at the option of such Person to a date more than one year from the date of determination.

"Debt" means, with respect to any Person: (a) indebtedness of such Person for borrowed money; (b) indebtedness for the deferred purchase price of property or services (except trade payables in the ordinary course of business); (c) Unfunded Benefit Liabilities of such Person; (d) the face amount of any outstanding letters of credit issued for the account of such person; (e) obligations arising under acceptance facilities; (f) guaranties, endorsements (other than for collection in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person, or otherwise to assure a creditor against loss, including any contingent obligations under swaps, derivatives, currency exchanges and similar transactions; (g) obligations secured by any Lien on property of such Person; and (h) obligations of such Person as lessee under Capital Leases.

"Default" means any event which with the giving of notice or lapse of time, or both, would become an Event of Default.

"Default Rate" means, with respect to the principal of any Loan and, to the extent permitted by law, any other amount payable by the Borrower under this Agreement or the Note that is not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period from and including the due date, to, but excluding the date on which such amount is paid in full equal to four percentage points above the Prime Rate as in effect from time to time plus the applicable Margin (provided that, if the amount so in default is principal of a LIBOR Loan and the due date thereof is a day other than the last day of the Interest Period therefor, the "Default Rate" for such

principal shall be, for the period from and including the due date and to but excluding the last day of the Interest Period therefor, 4% above the interest rate for such Loan as provided in Section 2.10 hereof and, thereafter, the rate provided for above in this definition).

"Dollars" and the sign "\$" mean lawful money of the United States of America.

"EBIT" means, for any Person, for any period, earnings before Interest Expense and taxes for such Person determined in accordance with GAAP.

"EBITDA" means, for any Person, for any period, earnings before Interest Expense, taxes, depreciation, amortization and extraordinary items for such Person determined in accordance with GAAP.

"Eligible Inventory" means, as of any date of determination thereof, all Inventory (valued at the lower of cost or its net realizable value as determined using GAAP) owned by the Borrower, but excluding (a) all Inventory in which the Bank does not have a first perfected security interest, subject to no other Lien prior to or on a parity with such security interest, (b) all Inventory for which warehouse receipts or documents of title have been issued, unless the same are delivered to the Bank, (c) all work-in-progress, any reserve for obsolete Inventory and any finished Inventory units housed at customer locations, and (d) all other Inventory which is determined by the Bank, in the exercise of its reasonable judgment, to be ineligible for any other reason generally accepted in the commercial finance business as a reason for ineligibility. Notwithstanding the preceding sentence, "Eligible Inventory" shall not include any Inventory not located at premises owned by or leased to or contracted to the Borrower, unless such Inventory is in transit (and insured) or the Borrower has made a formal financing statement filing against the consignee of such Inventory and has given any party claiming of record a security interest in such consignee's Inventory, or other assets that might include such Inventory, notice of the Borrower's consignment arrangements with such consignee or has taken equivalent protective steps satisfactory to the Bank.

"Eligible Receivables" means, as of any date of determination thereof, all Receivables of the Borrower net of the Borrower's customary reserves, discounts, credits, returns, rebates, allowances or set-offs, excluding the following:

- (i) any Receivable unpaid for 90 or more days from the date of the original invoice;
- (ii) any Receivable evidenced by chattel paper or an instrument of any kind unless such chattel paper or instrument is pledged and delivered to the Bank or unless the total amount of such Receivables at any one time does not exceed 5% of total Eligible Receivables at such time;

(iii) any Receivable which is owed by an account debtor which is insolvent or the subject of any bankruptcy or insolvency proceedings of any kind or of any other proceeding or action, which might have an adverse effect on the business of such account debtor;

(iv) all Receivables deemed uncollectable by the Borrower or turned over to collection agencies or outside collection attorneys;

(v) any Receivable which is not a valid, legally enforceable obligation of the account debtor or is subject to any present or contingent, or any fact exists which is the basis for any future, offset or counterclaim or other defense on the part of such account debtor;

(vi) any Receivable not evidenced by an invoice or other documentation in form reasonably acceptable to the Bank;

(vii) any Receivable which arises out of any transaction between (A) the Borrower and (B) any Subsidiary or any Affiliate;

(viii) any Receivable which is subject to any provision prohibiting its assignment or requiring notice not theretofor given of or consent not theretofor obtained to such assignment;

(ix) all Receivables arising out of or in connection with advance billings of a customer's requirements of supplies over a period of time;

(x) all Receivables that do not conform to the representations and warranties contained in Article 2 of the Security Agreement;

(xi) all Receivables in which the Bank does not have a first perfected security interest, subject to no other Lien prior to or on a parity with such security interest;

(xii) all Receivables from an account debtor if more than 50% of the aggregate Dollar amount of invoices billed with respect to such account debtor is more than 90 days past due according to the original terms of payment;

(xiii) any Receivable which is owed by an account debtor who has disputed liability or made any claim with respect to any other account due from such account debtor to the Borrower, except the foregoing exclusion shall not apply to any account debtor unless and until such disputed amounts equal or exceed twenty percent (20%) of the aggregate Dollar amount of accounts due from such account debtor; and

(xiv) any Receivable which is determined by the Bank, in the exercise of its reasonable judgment, to be ineligible for any other reason generally accepted in the commercial finance business as a reason for ineligibility.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, including any rules and regulations promulgated thereunder.

"ERISA Affiliate" means any corporation or trade or business which is a member of any group of organizations (i) described in section 414(b) or (c) of the Code of which any Borrower is a member, or (ii) solely for purposes of potential liability under section 302(c)(11) of ERISA and section 412(c)(11) of the Code and the lien created under section 302(f) of ERISA and section 412(n) of the Code, described in section 414(m) or (o) of the Code of which any Borrower is a member.

"Event of Default" has the meaning given such term in Section 9.1.

"Facility Documents" means this Agreement, the Note, the Guaranty, the Security Agreement and each of the documents, certificates or other instruments referred to in Article 4 hereof as well as any other document, instrument or certificate to be delivered by the Borrower in connection with this Agreement or in connection with the documents, certificates or instruments referred to in Article 4, including documents delivered in connection with any Borrowing.

"Forfeiture Proceeding" means any action, proceeding or investigation affecting the Parent or any of its Subsidiaries or Affiliates before any court, governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or the receipt of notice by any such party that any of them is a suspect in or a target of any governmental inquiry or investigation, which may result in an indictment of any of them or the seizure or forfeiture of any of their property.

"Funded Debt" means, with respect to any Person, all Debt (senior and subordinated) of such Person for money borrowed, including Capital Lease obligations.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, applied on a basis consistent with those used in the preparation of the financial statements referred to in Section 5.5 (except for changes concurred in by the Borrower's independent public accountants).

"Guaranty" shall mean that certain Amended and Restated Guaranty dated as of the date hereof from each of the Guarantors to the Bank.

"Guarantors" shall mean, collectively, TransAct.Com, Inc., a Delaware corporation, Ithaca Peripherals Limited, a United Kingdom corporation, and TransAct Technologies International Ltd, a Barbados corporation, and each of whom may sometimes be referred to individually as a "Guarantor".

"Interest Coverage Ratio" means, with respect to any Person, for any period, the ratio of (i) EBIT, to (ii) Interest Expense plus any preferred stock dividends.

"Interest Expense" shall mean, with respect to any Person, for any period, the sum, for such Person in accordance with GAAP, of (a) all interest on Debt that is accrued as an expense during such period (including, without limitation, imputed interest on Capital Lease obligations), plus (b) all amounts paid, accrued or amortized as an expense during such period in respect of interest rate protection agreements, minus (c) all amounts received or accrued as income during such period in respect of interest rate protection agreements.

"Interest Period" means with respect to any LIBOR Loan, the period commencing on the date such Loan is made, converted from another type of Loan or renewed, as the case may be, and ending, as the Borrower may select pursuant to Section 2.11, on the numerically corresponding day in the first, second, third, sixth (or if available through the Bank, the ninth or twelfth) calendar month thereafter, provided that each such Interest Period which commences on the last Banking Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Banking Day of the appropriate calendar month.

"Inventory" means all inventory, now or hereafter owned and wherever located, of the Borrower, including (without limitation) raw materials, work-in-process, finished goods, supplies and packaging materials.

"Lending Office" means the lending office of the Bank set forth on the signature page.

"LIBO Rate" means, as applicable to any LIBOR Loan, the rate per annum (rounded upward, if necessary, to the nearest 1/32 of one percent) as determined on the basis of the offered rates for deposits in U.S. dollars, for a period of time comparable to such LIBOR Loan which appears on the Telerate page 3750 as of 11:00 a.m. London time on the day that is two London Banking Days preceding the first day of such LIBOR Loan; provided, however, if the rate described above does not appear on the Telerate System on any applicable interest determination date, the LIBOR rate shall be the rate (rounded upwards as described above, if necessary) for deposits in dollars for a period substantially equal to the interest period on the Reuters Page "LIBO" (or such other page as may replace the LIBO Page on that service for the purpose of displaying such rates), as of 11:00 a.m.

(London Time), on the day that is two (2) London Banking Days prior to the beginning of such interest period.

If both the Telerate and Reuters system are unavailable, then the rate for that date will be determined on the basis of the offered rates for deposits in U.S. dollars for a period of time comparable to such LIBOR Loan which are offered by four major banks in the London interbank market at approximately 11:00 a.m. London time, on the day that is two (2) London Banking Days preceding the first day of such LIBOR Loan as selected by the Bank. The principal London office of each of the four major London banks will be requested to provide a quotation of its U.S. dollar deposit offered rate. If at least two such quotations are provided, the rate for that date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that date will be determined on the basis of the rates quoted for loans in U.S. dollars to leading European banks for a period of time comparable to such LIBOR Loan offered by major banks in New York City at approximately 11:00 a.m. New York City time, on the day that is two London Banking Days preceding the first day of such LIBOR Loan. In the event that Bank is unable to obtain any such quotation as provided above, it will be deemed that LIBOR pursuant to a LIBOR Loan cannot be determined.

In the event that the Board of Governors of the Federal Reserve System shall impose a Reserve Requirement with respect to LIBOR deposits of the Bank then for any period during which such Reserve Requirement shall apply, LIBO Rate shall be equal to the amount determined above divided by an amount equal to 1 minus the Reserve Requirement.

"LIBOR Loan" means any Loan when and to the extent the interest rate therefor is determined on the basis of the definition "LIBO Rate."

"Lien" means any lien (statutory or otherwise), security interest, mortgage, deed of trust, priority, pledge, negative pledge, charge, conditional sale, title retention agreement, financing lease or other encumbrance or similar right of others, or any agreement to give any of the foregoing.

"Loan" means any of the Revolving Loans, and "Loans" means all of the Revolving Loans.

"Margin" means the percentage points to be added to the Bank's Prime Rate or the then applicable LIBO Rate, in each case based on the then prevailing Interest Coverage Ratio of the Borrower, on a consolidated basis (the applicable ratio for each quarter will be the ratio determined as of the last day of the previous quarter and will be calculated on a rolling four quarters basis, with the first such calculation to be made in respect of the quarter ending December 31, 1999, as follows:

INTEREST COVERAGE RATIO OF THE BORROWER -----	LIBOR MARGIN (PERCENTAGE POINTS) -----	PRIME RATE MARGIN (PERCENTAGE POINTS) -----
Greater than or equal to 6.00	1.50	0.00
Greater than or equal to 5.00, but less than 6.00	1.75	0.00
Greater than or equal to 4.00, but less than 5.00	2.00	0.00
Less than 4.00	2.25	0.00

Notwithstanding the foregoing, for the period commencing on February 1, 2000, the date on which the Overadvance became available to the Borrower, and ending on the date the Overadvance is either terminated, cancelled or repaid in full, the Margin added to the Prime Rate shall be 75 basis points and the Margin added to the LIBO Rate shall be 300 basis points.

"Multiemployer Plan" means a Plan defined as such in section 3(37) of ERISA to which contributions have been made by the Borrower or any ERISA Affiliate and which is covered by Title IV of ERISA.

"Net Income (Loss)" of any Person for any period means the net income (loss) of such Person for such period determined in accordance with GAAP.

"Net Worth" means, with respect to any Person, at any time, the stockholders' equity of such Person and its Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Note" means the Revolving Note.

"Notice of Borrowing" shall mean the notice of each Borrowing described in Section 2.8 and in the form of Exhibit C hereto.

"Overadvance" shall have the meaning given thereto under the definition of "Borrowing Base".

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

"Plan" means any employee benefit or other plan established or maintained, or to which contributions have been made, by any Borrower or any ERISA Affiliate and which is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Prime Rate" means that rate of interest from time to time announced by the Bank at its office located at 111 Westminster Street, Providence, Rhode Island 02903, which rate may not be the Bank's lowest or best rate.

"Prime Rate Loan" means any Loan when and to the extent the interest rate therefor is determined in relation to the Prime Rate.

"Receivables" means all accounts owing to a Person arising out of or in connection with the bona fide sale or lease of goods or services in the ordinary course of business.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as the same may be amended or supplemented from time to time.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as the same may be amended or supplemented from time to time.

"Regulatory Change" means any change after the date of this Agreement in United States federal, state, municipal or foreign laws or regulations (including without limitation Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including the Bank of or under any United States, federal, state, municipal or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Reserve Requirement" means, for any Interest Period for any LIBOR Loan, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under Regulation D by member banks of the Federal Reserve System in Boston with deposits exceeding \$1,000,000,000 against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the LIBO Rate for LIBOR Loans is to be determined as provided in the definition of "LIBO Rate" in this Section 1.1 or (ii) any category of extensions of credit or other assets which include LIBOR Loans.

"Revolving Credit Termination Date" means May 31, 2002; provided that if such date is not a Banking Day, the Revolving Credit Termination Date shall be the next succeeding Banking Day (or, if such next succeeding Banking Day falls in the next calendar month, the next preceding Banking Day) or (b) the earlier date of termination of the Commitment pursuant to Section 9.2.

"Revolving Loan" means any loan made by the Bank pursuant to Section 2.1(a), and "Revolving Loans" means all of such loans.

"Revolving Note" means the promissory note of the Borrower in the form of Exhibit A hereto evidencing the Revolving Loans made by the Bank hereunder and all promissory notes delivered in substitution or exchanged therefor, as amended or supplemented from time to time.

"Security Agreement" means the Amended and Restated Security Agreement dated as of the date hereof by the Borrower in favor of the Bank.

"Senior Liabilities" means for any Person at any time, all Debt, other than contingent liabilities and Subordinated Debt.

"Subordinated Debt" means Funded Debt of a Person subordinated to the Loans on terms satisfactory to the Bank.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which at least a majority of the securities or other ownership interests having ordinary voting power (absolutely or contingently) for the election of directors or other persons performing similar functions are at the time owned directly or indirectly by such Person.

"Tangible Net Worth" means, at any date of determination thereof, the excess of total assets of a Person over total liabilities of such Person, excluding, however, from the determination of total assets: loans and advances to officers and non-consolidated Affiliates, goodwill, trademarks, patents, organizational costs, unamortized debt discounts and expenses and other like intangible assets as defined by GAAP.

"Total Liabilities" means all liabilities of a Person which would be classified as such on a balance sheet in accordance with GAAP.

"Unfunded Benefit Liabilities" means, with respect to any Plan, the amount (if any) by which the present value of all benefit liabilities (within the meaning of section 4001(a)(16) of ERISA) under the Plan exceeds the fair market value of all Plan assets allocable to such benefit liabilities, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA for calculating the potential liability of the Borrower or any ERISA Affiliate under Title IV of ERISA.

Section 1.2. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP, and all financial data required to be delivered hereunder shall be prepared in accordance with GAAP.

Section 1.3. Currency Equivalents. For all purposes of this Agreement, all amounts denominated in a currency other than Dollars shall be converted into the Dollar equivalent of such amounts. The equivalent in another currency of an amount in Dollars shall be determined at the rate of exchange quoted by Fleet National Bank in Boston at 9:00 a.m. (Boston time) on the date of determination, to prime banks in Boston for the spot

purchase in the Boston foreign exchange market of such amount of Dollars with such other currency.

ARTICLE 2. THE CREDIT

Section 2.1. The Loans.

(a) Subject to the terms and conditions of this Agreement, the Bank agrees to make revolving loans (the "Revolving Loans") to the Borrower from time to time from and including the date hereof to and including the Revolving Credit Termination Date, up to but not exceeding in the aggregate principal amount at any one time outstanding the amount of the Commitment, and provided that the aggregate outstanding principal amount of Revolving Loans shall at no time exceed the Borrowing Base. The Revolving Loans may be outstanding as Prime Rate Loans or LIBOR Loans (each a "type" of Loan). The Revolving Loans shall be due and payable on the Revolving Credit Termination Date. Each type of Loan shall be made and maintained at the Bank's Lending Office for such type of Loan.

Section 2.2. The Note. The Revolving Loans shall be evidenced by a promissory note in favor of the Bank in the form of Exhibit A, dated the date of this Agreement, duly completed and executed by the Borrower.

Section 2.3 Purpose. The Borrower shall use the proceeds of the Revolving Loans for general corporate purposes, including working capital, leasehold improvements, equipment needs, and to finance Acceptable Acquisitions, but shall not be used to repurchase shares of the common stock of TransAct in open-market transactions or otherwise. No proceeds of the Revolving Loans shall be used to directly or indirectly fund the needs of any Subsidiary of the Borrower if such Subsidiary is not also a Borrower hereunder. No proceeds of the Revolving Loans shall be used for the purpose, whether immediate, incidental or ultimate, of buying or carrying "margin stock" within the meaning of Regulation U.

Section 2.4 Borrowing Procedures. The Borrower shall give the Bank notice of each Borrowing to be made hereunder as provided in Section 2.8. Not later than 1:00 p.m. Hartford, Connecticut time on the date of such Borrowing, the Bank shall, subject to the conditions of this Agreement, make the amount of the Loan to be made by it on such day available to the Borrower, in immediately available funds, by the Bank crediting an account of the Borrower designated by the Borrower and maintained with the Bank at the Lending Office.

Section 2.5 Prepayments and Conversions.

(a) Optional Prepayments and Conversions. The Borrower shall have the right to make prepayments of principal, or to convert one type of Loan into

another type of Loan, at any time or from time to time; provided that: (i) the Borrower shall give the Bank notice of each such prepayment or conversion as provided in Section 2.8; and (ii) LIBOR Loans may be prepaid or converted only on the last day of an Interest Period for such Loans.

(b) Mandatory Prepayments. The Borrower shall immediately repay the excess by which the aggregate principal amount of all outstanding Revolving Loans exceeds the Commitment or the Borrowing Base. In addition, amounts outstanding as Loans will be reduced by 100% of the net cash proceeds from any sale by the Borrower of any material assets outside of the normal course of business or from any new issuances of stock otherwise permitted under this Agreement. In addition, upon the occurrence of any Change of Control, the Borrower shall immediately, at the option of and upon demand by the Bank, repay all outstanding amounts under the Loans. In addition, to the extent any Overadvance remains outstanding from and after September 30, 2000, the Borrower shall make principal repayments of \$500,000 each on the last day of September, October, November and December (or such lesser amount in the final payment as is necessary to repay the Overadvance in full), together with accrued interest thereon, until full repayment of the Overadvance. Each such prepayment in accordance with the foregoing provisions shall be applied first to any expenses incurred by the Bank, second to any interest due on the amount prepaid, and last to the outstanding principal amount of the Loans prepaid, in each case in such manner as the Bank in its discretion shall determine.

(c) Yield Maintenance Fee. If, at any time (i) the interest rate on any Loan is a fixed rate, and (ii) the Bank in its sole discretion should determine that current market conditions can accommodate a prepayment request, the Borrower shall have the right at any time and from time to time to prepay the Loan in whole (but not in part), and the Borrower shall pay to the Bank a yield maintenance fee in an amount computed as follows: The current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the maturity date of the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made, shall be subtracted from the "cost of funds" component of the fixed rate in effect at the time of prepayment. If the result is zero or a negative number, there shall be no yield maintenance fee. If the result is a positive number, then the resulting percentage shall be multiplied by the amount of the principal balance being prepaid. The resulting amount shall be divided by 360 and multiplied by the number of the days remaining in the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made. Said amount shall be reduced to present value calculated by using the number of days remaining in the designated term and using the above-referenced United States Treasury security rate and the number of days remaining in the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made. The resulting amount shall be the yield maintenance fee due to the Bank upon prepayment of the fixed rate Loan. Each reference in this paragraph to "Fixed Rate Election" shall mean the election by Borrower pursuant to Section 2.11 hereof. If by reason of an Event of Default the Bank elects to declare such Loan to be immediately due and payable, then any yield maintenance fee with respect to

the Loan shall become due and payable in the same manner as though Borrower had exercised such right of prepayment.

Section 2.6 Late Charges. Payments not received within 10 days of the due date therefor will be subject to a one-time charge equal to 5% of the amount overdue.

Section 2.7 Changes of Commitment. The Borrower shall have the right to reduce or terminate the amount of the unused portion of the Commitment at any time or from time to time, provided that: (i) the Borrower shall give notice of each such reduction or termination to the Bank as provided in Section 2.8; and (ii) each partial reduction shall be in an aggregate amount at least equal to \$500,000 (and integral multiples of \$100,000 in excess thereof). Once reduced or terminated, such Commitment may not be reinstated. The Borrower shall further have the right to cancel and terminate the availability of the Overadvance, upon 2 Banking Days notice to the Bank, after which the Overadvance may not be reinstated.

Section 2.8 Certain Notices. Notice by the Borrower to the Bank of each Borrowing pursuant to Section 2.4, and each prepayment or conversion pursuant to Section 2.5(a), and each reduction or termination of the Commitment pursuant to Section 2.7 shall be irrevocable and shall be effective only if received by the Bank not later than 12:00 noon Hartford, Connecticut time, and (a) in the case of Borrowings and prepayments of, conversions into and (in the case of LIBOR Loans) renewals of (i) Prime Rate Loans, given one Banking Day prior thereto; and (ii) LIBOR Loans, given two Banking Days prior thereto; and (b) in the case of reductions or termination of the Commitments, given three Banking Days prior thereto. Each such Notice of Borrowing shall be in the form of Exhibit C hereto, shall be accompanied by a Borrowing Base Certificate, and shall specify the Loans to be borrowed, prepaid, converted or renewed and the amount (subject to Section 2.9) and type of the Loans to be borrowed, or converted, or renewed or prepaid and the date of the Borrowing or prepayment, or conversion or renewal (which shall be a Banking Day). Each such notice of reduction or termination shall specify the amount of the Commitment to be reduced or terminated. In addition to the foregoing, the Borrower shall deliver a Borrowing Base Certificate to the Bank on the date hereof.

Section 2.9 Minimum Amounts. Except for Borrowings which exhaust the full remaining amount of the unused portion of the Commitment or prepayments or conversions which result in the prepayment or conversion of all Loans, as the case may be, of a particular type, each Borrowing, optional prepayment, conversion and renewal of principal of Loans of a particular type shall be in an amount at least equal to (a) \$100,000 with respect to Prime Rate Loans, and (b) \$500,000 and integral multiples of \$100,000 in excess thereof with respect to LIBOR Loans (borrowings, prepayments, conversions or renewals of or into Loans of different types or, in the case of LIBOR Loans, having different Interest Periods at the same time hereunder to be deemed separate borrowings, prepayments, conversions and renewals for the purposes of the foregoing, one for each type of Interest Period).

Section 2.10 Interest.

(a) Interest shall accrue on the outstanding and unpaid principal amount of each Loan for the period from and including the date of such Loan to but excluding the date such Loan is due at the following rates per annum: (i) for Prime Rate Loans, at a variable rate per annum equal to the Prime Rate plus the Margin and; (ii) for LIBOR Loans, at a fixed rate equal to the LIBO Rate plus the Margin, for the period from and including the first day of the Interest Period therefore to but excluding the last day of such Interest Period. If the principal amount of any Loan and any other amount payable by the Borrower hereunder or under the Note shall not be paid when due (at stated maturity, by acceleration or otherwise), interest shall accrue on such amount to the fullest extent permitted by law from and including such due date to but excluding the date such amount is paid in full at the Default Rate for such type of Loan.

(b) The interest rate on Prime Rate Loans shall change immediately when the Prime Rate changes (without notice or demand of any kind) and interest on each such Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed. Interest on each LIBOR Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed.

(c) Accrued interest on all types of Loans shall be due and payable in arrears upon any payment of principal and (i) for each Prime Rate Loan, on the last day of each calendar month, commencing March 31, 2000, and (ii) for each LIBOR Loan, on the last day of the Interest Period with respect thereto (but in no event less frequently than every 90 days), and on the Revolving Credit Termination Date; provided that interest accruing at the Default Rate shall be due and payable from time to time on demand of the Bank.

Section 2.11 Interest Periods; Renewals.

(a) In the case of each LIBOR Loan, the Borrower shall select an Interest Period of any duration in accordance with the definition of Interest Period in Section 1.1, subject to the following limitations: (i) no Interest Period may extend beyond the Revolving Credit Termination Date; (ii) notwithstanding clause (i) above, no Interest Period shall have a duration less than one month, and if any such proposed Interest Period would otherwise be for a shorter period, such Interest Period shall not be available; (iii) if an Interest Period would end on a day which is not a Banking Day, such Interest Period shall be extended to the next Banking Day; and (iv) no more than five Interest Periods may be outstanding at any one time.

(b) Upon notice to the Bank as provided in Section 2.8, the Borrower may renew any LIBOR Loan on the last day of the Interest Period therefor as the same type of Loan with an Interest Period of the same or different duration in accordance with the limitations provided above. If the Borrower shall fail to give notice to the Bank of

such a renewal, such LIBOR Loan shall automatically become a Prime Rate Loan on the last day of the current Interest Period.

Section 2.12 Fees.

(a) Commitment Fee. During the period ending on the Revolving Credit Termination Date, there will be a per annum commitment fee payable on the average unused daily availability under the Commitment, payable quarterly in arrears on the first Banking Day after the end of each quarter and calculated on a 360 day year for actual days elapsed. The commitment fee rate will vary based on the then prevailing Interest Coverage Ratio of the Borrower, on a consolidated basis (the applicable ratio for such quarter will be the ratio determined as of the last day of the previous quarter and will be calculated on a rolling four quarters basis, with the first such calculation to be made in respect of the quarter ending December 31, 1999, as follows:

Interest Coverage Ratio OF THE BORROWER	COMMITMENT FEE
Greater than or equal to 6.00	0.375%
Greater than or equal to 5.00, but less than 6.00	0.375%
Greater than or equal to 4.00, but less than 5.00	0.50%
Less than 4.00	0.50%

Notwithstanding the foregoing, for the period commencing on February 1, 2000, the date on which the Overadvance is available to the Borrower, and ending on the date the Overadvance is either terminated, cancelled or repaid in full, the commitment fee will equal 0.75%.

(b) Facility Fee. The Borrower shall pay to the Bank, on the Closing Date, a \$25,000 facility fee in respect of the Commitment.

Section 2.13 Payments Generally. All payments under this Agreement or the Note shall be made in Dollars in immediately available funds not later than 1:00 p.m. Hartford, Connecticut, time on the relevant dates specified above (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Banking Day) at the Lending Office of the Bank. The Bank may (but shall not be obligated to) debit the amount of any such payment which is not made by such time to any ordinary deposit account of the Borrower with the Bank. Until the Bank and the Borrower otherwise agree, the Bank shall debit the Borrower's account number 9368994710 with the Bank for the amount of any payment required hereunder, but the Bank may also debit any ordinary deposit account of the Borrower if the amount in account number 9368994710 is insufficient to make any required payment. The Borrower shall, at the time of making each payment under this Agreement or the Note, specify to the Bank the principal or other amount payable by the Borrower under this Agreement or the Note to which such payment is to be applied (and in the event that it fails to so specify, or if a Default or Event of Default has occurred and is continuing, the Bank may apply such

payment as it may elect in its sole discretion). If the due date of any payment under this Agreement or the Note would otherwise fall on a day which is not a Banking Day, such date shall be extended to the next succeeding Banking Day and interest shall be payable for any principal so extended for the period of such extension.

ARTICLE 3. YIELD PROTECTION; ILLEGALITY; ETC.

Section 3.1. Additional Costs.

(a) The Borrower shall pay to the Bank from time to time on demand such amounts as the Bank may determine to be necessary to compensate it for any costs which the Bank determines are attributable to its making or maintaining any LIBOR Loans under this Agreement or the Note or its obligation to make any such Loans hereunder, or any reduction in any amount receivable by the Bank hereunder in respect of any such Loans or such obligation (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), resulting from any Regulatory Change which: (i) changes the basis of taxation of any amounts payable to the Bank under this Agreement or the Note in respect of any of such Loans (other than taxes imposed on the overall net income of the Bank or of its Lending Office for any of such Loans by the jurisdiction in which the Principal Office or such Lending Office is located); or (ii) imposes or modifies any reserve, special deposit, deposit insurance or assessment, minimum capital, capital ratio or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, the Bank (including any of such Loans or any deposits referred to in the definition of "LIBO Rate" in Section 1.1); or (iii) imposes any other condition affecting this Agreement or the Note (or any of such extensions of credit or liabilities). The Bank will notify the Borrower of any event occurring after the date of this Agreement which will entitle the Bank to compensation pursuant to this Section 3.1(a) as promptly as practicable after it obtains knowledge thereof and determines to request such compensation.

(b) Without limiting the effect of the foregoing provisions of this Section 3.1, in the event that, by reason of any Regulatory Change, the Bank either (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of the Bank which includes deposits by reference to which the interest rate on LIBOR Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of the Bank which includes LIBOR Loans or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold, then, if the Bank so elects by notice to the Borrower, the obligation of the Bank to make or renew, and to convert Loans of any other type into, Loans of such type hereunder shall be suspended until the date such Regulatory Change ceases to be in effect, and the Borrower shall on the last day(s) of the then current Interest Period(s) for the outstanding Loans of such type, either prepay such Loans or convert such Loans into another type of Loan in accordance with Section 2.5.

(c) Without limiting the effect of the foregoing provisions of this Section 3.1 (but without duplication), the Borrower shall pay to the Bank from time to time on request such amounts as the Bank may determine to be necessary to compensate the Bank for any costs which it determines are attributable to the maintenance by it or any of its affiliates pursuant to any law or regulation of any jurisdiction or any interpretation, directive or request (whether or not having the force of law and whether in effect on the date of this Agreement or thereafter) of any court or governmental or monetary authority of capital in respect of its Loans hereunder or its obligation to make Loans hereunder (such compensation to include, without limitation, an amount equal to any reduction in return on assets or equity of the Bank to a level below that which it could have achieved but for such law, regulation, interpretation, directive or request). The Bank will notify the Borrower if it is entitled to compensation pursuant to this Section 3.1(c) as promptly as practicable after it determines to request such compensation.

(d) Determinations and allocations by the Bank for purposes of this Section 3.1 of the effect of any Regulatory Change pursuant to subsections (a) or (b), or of the effect of capital maintained pursuant to subsection (c), on its costs of making or maintaining Loans or its obligation to make Loans, or on amounts receivable by, or the rate of return to, it in respect of Loans or such obligation, and of the additional amounts required to compensate the Bank under this Section 3.1, shall be conclusive, provided that such determinations and allocations are made on a reasonable basis; provided, however, that the Bank shall provide ninety days' notice of any additional amounts required to compensate the Bank under this Section 3.1 (the "Adjustment"), and the Borrower may thereafter attempt to negotiate the amount of the Adjustment in good faith with the Bank within ninety days of the day on which the Borrower is so notified. If the Borrower and the Bank are unable to agree on the amount of the Adjustment within such ninety-day period, then the amount of the Adjustment shall be the amount set forth in the aforementioned notice from the Bank to the Borrower. Whatever the final Adjustment may be, if the Bank shall still have any Loans outstanding to the Borrower upon the expiration of such ninety-day period, then the Adjustment shall be effective retroactive to the date on which the Borrower first received notice of the Adjustment. The Bank shall not be obligated to offer LIBO Rates with respect to Interest Periods commencing during the period following any such notice and prior to agreement by the Bank and the Borrower as to the amount of the Adjustment.

Section 3.2. Limitation on Types of Loans. Anything herein to the contrary notwithstanding, if the Bank determines (which determination shall be conclusive) that:

(a) quotations of interest rates for the relevant deposits referred to in the definition of "LIBO Rate" in Section 1.1 are not being provided in the relevant amounts or for the relevant maturities for purposes of determining the rate of interest for any LIBOR Loans as provided in this Agreement; or

(b) the relevant rates of interest referred to in the definition of "LIBO Rate" in Section 1.1 upon the basis of which the rate of interest for any LIBOR Loans is to be determined do not adequately cover the cost to the Bank of making or maintaining such Loans; then the Bank shall give the Borrower prompt notice thereof, and so long as such condition remains in effect, the Bank shall be under no obligation to make or renew Loans of such type or to convert Loans of any other type into Loans of such type and the Borrower shall, on the last day(s) of the then current Interest Period(s) for the outstanding Loans of the affected type, either prepay such Loans or convert such Loans into another type of Loans in accordance with Section 2.5.

Section 3.3. Illegality. Notwithstanding any other provision in this Agreement, in the event that it becomes unlawful for the Bank or its Lending Office to (a) honor its obligation to make or renew LIBOR Loans hereunder or convert Loans of any type into Loans of such type, or (b) maintain LIBOR Loans hereunder, then the Bank shall promptly notify the Borrower thereof and the Bank's obligation to make or renew LIBOR Loans and to convert other types of Loans into Loans of such type hereunder shall be suspended until such time as the Bank may again make, renew or convert and maintain such affected Loans and the Borrower shall, on the last day(s) of the then current Interest Period for the outstanding LIBOR Loans, as the case may be (or on such earlier date as the Bank may specify to the Borrower), either prepay such Loans or convert such Loans into another type of Loans in accordance with Section 2.5.

Section 3.4. Certain Compensation. The Borrower shall pay to the Bank, upon the request of the Bank, such amount or amounts as shall be sufficient (in the reasonable opinion of the Bank) to compensate it for any loss, cost or expense which the Bank determines is attributable to:

(a) any payment, prepayment, conversion or renewal of a LIBOR Loan on a date other than the last day of an Interest Period for such Loan (whether by reason of acceleration or otherwise); or

(b) any failure by the Borrower to borrow, convert into or renew a LIBOR Loan to be made, converted into or renewed by the Bank on the date specified therefor in the relevant notice under Section 2.4, 2.5 or 2.11, as the case may be.

Without limiting the foregoing, such compensation shall include an amount equal to the excess, if any, of: (i) the amount of interest which otherwise would have accrued on the principal amount so paid, prepaid, converted or renewed or not borrowed, converted or renewed for the period from and including the date of such payment, prepayment or conversion or failure to borrow, convert or renew to but excluding the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or renew, to but excluding the last day of the Interest Period for such Loan which would have commenced on the date specified therefor in the relevant notice) at the applicable rate of interest for such Loan provided for herein; over (ii) with respect to a LIBOR Loan, the amount of interest (as reasonably determined by the Bank) the Bank would have bid in the

London interbank market for Dollar deposits for amounts comparable to such principal amount and maturities comparable to such period. A determination of the Bank as to the amounts payable pursuant to this Section 3.4 shall be conclusive absent manifest error.

ARTICLE 4. CONDITIONS PRECEDENT

Section 4.1. Documentary Conditions Precedent. The obligation of the Bank to make the Loans is subject to the conditions precedent that the Bank shall have received on or before the date of such Borrowing each of the following, in form and substance satisfactory to the Bank and its counsel:

(a) the Note duly executed by the Borrower;

(b) the Security Agreement duly executed by the Borrower together with (i) acknowledgment copies of the financing statements (UCC-1) duly filed under the Uniform Commercial Code of all jurisdictions necessary or, in the opinion of the Bank, desirable to perfect the security interest created by the Security Agreement; (ii) certified copies of requests for information (Form UCC-11) identifying all of the financing statements on file with respect to the Borrower in all jurisdictions referred to under (i), including the financing statements filed by the Bank against the Borrower, indicating that no party claims an interest in any of the Collateral (as defined in the Security Agreement);

(c) the Guaranty duly executed by the Guarantors;

(d) a certificate of the Secretary or Assistant Secretary of the Borrower and each Guarantor, dated the Closing Date, attesting to all corporate action taken by the Borrower or such Guarantor, including resolutions of its Board of Directors authorizing the execution, delivery and performance of the Facility Documents to which it is a party and each other document to be delivered pursuant to this Agreement and certifying copies of the Certificate of Incorporation and by-laws of the Borrower or such Guarantor;

(e) a certificate of the Secretary or Assistant Secretary of the Borrower and each Guarantor, dated the Closing Date, certifying the names and true signatures of the officers of the Borrower or such Guarantor authorized to sign the Facility Documents to which it is a party and the other documents to be delivered by the Borrower or such Guarantor under this Agreement;

(f) a certificate of a duly authorized officer of the Borrower and each Guarantor, dated the Closing Date, stating that the representations and warranties in Article 5 of this Agreement, and Article 2 of the Security Agreement, and in each other Facility Document, are true and correct on such date as though made on and as of such date and that no event has occurred and is continuing which constitutes a Default or Event of Default;

(g) an Environmental Indemnification Agreement duly signed by the Borrower in form and substance satisfactory to the Bank;

(h) a certificate of good standing for the Borrower and each Guarantor from the Secretary of the State of the state in which the Borrower or such Guarantor is incorporated and each other jurisdiction in which the Borrower or such Guarantor is qualified to do business;

(i) payment by the Borrower to the Bank of the facility fee as required by Section 2.12(b), and all other expenses and fees incurred by the Bank;

(j) a favorable opinion of counsel for the Borrower, dated the Closing Date, in form and substance reasonably satisfactory to the Bank;

(k) copies of all instruments evidencing any Subordinated Debt of the Borrower and a satisfactory review of the same;

(l) evidence of liability and property insurance coverage satisfactory to the Bank and naming the Bank as a loss payee and an additional insured;

(m) evidence of no material adverse change in the business, management, operations, properties, prospects or condition (financial or otherwise) of the Borrower or any of their respective Subsidiaries since the date of the commitment letter; and

(n) evidence of the absence of any change in market conditions which, in the Bank's opinion, would materially impair a financial institution's ability to fund Loans of this type.

Section 4.2. Additional Conditions Precedent. The obligation of the Bank to make the Loans pursuant to a Borrowing which increases the amount outstanding hereunder (including the initial Borrowing) shall be subject to the further conditions precedent that on the date of such Borrowing:

(a) the following statements shall be true:

(i) the representations and warranties contained in Article 5 herein, and in Article 2 of the Security Agreement, and in each other Facility Document, are true and correct on and as of the date of such Loan as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing, or would result from such Loan; and

(iii) there has been no material adverse change in the business, management, operations, properties, prospects or condition (financial or otherwise) of any Borrower or any of their respective Subsidiaries since the Closing Date;

(b) the Bank shall have received such approvals, opinions or documents as the Bank may reasonably request.

Section 4.3. Deemed Representations. Each Notice of Borrowing hereunder and acceptance by the Borrower of the proceeds of such Borrowing shall constitute a representation and warranty that the statements contained in Section 4.2(a) are true and correct both on the date of such notice and, unless the Borrower otherwise notifies the Bank prior to such Borrowing, as of the date of such Borrowing.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants that:

Section 5.1. Incorporation, Good Standing and Due Qualification. Each of the Borrower and its Subsidiaries is duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its assets and to transact the business in which it is now engaged or proposed to be engaged, and is duly qualified as a foreign corporation and in good standing under the laws of each other jurisdiction in which such qualification is required.

Section 5.2. Corporate Power and Authority; No Conflicts. The execution, delivery and performance by the Borrower of the Facility Documents to which it is a party have been duly authorized by all necessary corporate action and do not and will not: (a) require any consent or approval of its stockholders; (b) contravene its charter or by-laws; (c) violate any provision of, or require any filing (other than the filing of the financing statements contemplated by the Security Agreement), registration, consent or approval under, any law, rule, regulation (including, without limitation, Regulation U), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Borrower or any of its Subsidiaries or Affiliates; (d) result in a breach of or constitute a default or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Borrower is a party or by which it or its properties may be bound or affected; (e) result in, or require, the creation or imposition of any Lien (other than as created under the Security Agreement), upon or with respect to any of the properties now owned or hereafter acquired by the Borrower; or (f) cause the Borrower (or any Subsidiary or Affiliate, as the case may be) to be in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument.

Section 5.3. Legally Enforceable Agreements. Each Facility Document to which the Borrower is a party is, or when delivered under this Agreement will be, a legal, valid and binding obligation of the Borrower enforceable against the Borrower in

accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

Section 5.4. Litigation. There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened, against or affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator, which may, in any one case or in the aggregate, materially adversely affect the financial condition, operations, properties or business of the Borrower or any such Subsidiary or of the ability of the Borrower to perform its obligation under the Facility Documents to which it is a party.

Section 5.5. Financial Statements. The consolidated and consolidating balance sheet of the Borrower and its Consolidated Subsidiaries as at December 31, 1998, and the related consolidated and consolidating income statement and statements of cash flows and changes in stockholders' equity of the Borrower and its Consolidated Subsidiaries for the fiscal year then ended, and the accompanying footnotes, together with the opinion thereon as to the consolidated statements, of Pricewaterhouse Coopers, independent certified public accountants, and the interim consolidated and consolidating balance sheet of the Borrower and its Consolidated Subsidiaries as at September 25, 1999, and the related consolidated and consolidating income statement and statements of cash flows and changes in stockholders' equity for the nine-month period then ended, copies of which have been furnished to the Bank, are complete and correct and fairly present the financial condition of the Borrower and its Consolidated Subsidiaries as at such dates and the results of the operations of the Borrower and its Consolidated Subsidiaries for the periods covered by such statements, all in accordance with GAAP consistently applied (subject to year-end adjustments in the case of the interim financial statements). There are no liabilities of the Borrower or any of its Consolidated Subsidiaries, fixed or contingent, which are material but are not reflected in the financial statements or in the notes thereto, other than liabilities arising in the ordinary course of business since September 25, 1999. No information, exhibit or report furnished by the Borrower to the Bank in connection with the negotiation of this Agreement contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statement contained therein not materially misleading. Since September 25, 1999, there has been no material adverse change in the condition (financial or otherwise), business, operations or prospects of the Borrower or any of its Subsidiaries.

Section 5.6. Ownership and Liens. The Borrower and each of its Consolidated Subsidiaries has title to, or valid leasehold interests in, all of its properties and assets, real and personal, including the properties and assets, and leasehold interests reflected in the financial statements referred to in Section 5.5 (other than any properties or assets disposed of in the ordinary course of business), and none of the properties and assets owned by the Borrower or any of its Subsidiaries and none of its leasehold interests is subject to any Lien, except as disclosed in such financial statements or as may be permitted hereunder and except for the Lien created by the Security Agreement.

Section 5.7. Taxes. The Borrower and each of its Subsidiaries has filed all tax returns (federal, state and local) required to be filed and has paid all taxes, assessments and governmental charges and levies thereon to be due, including interests and penalties.

Section 5.8. ERISA. Each Plan, and, to the best knowledge of the Borrower, each Multiemployer Plan, is in compliance in all material respects with, and has been administered in all material respects in compliance with, the applicable provisions of ERISA, the Code and any other applicable federal or state law, and no event or condition is occurring or exists concerning which the Borrower would be under an obligation to furnish a report to the Bank in accordance with Section 6.8(k) hereof. As of the most recent valuation date for each Plan, each Plan was "fully funded," which for purposes of this Section 5.8 shall mean that the fair market value of the assets of the Plan is not less than the present value of the accrued benefits of all participants in the Plan, computed on a Plan termination basis. To the best knowledge of the Borrower, no Plan has ceased being fully funded as of the date these representations are made with respect to any Loan under this Agreement.

Section 5.9. Subsidiaries and Ownership of Stock. Schedule 5.9 is a complete and accurate list of the Subsidiaries of the Borrower, showing the jurisdiction of incorporation or organization of each Subsidiary and showing the percentage of the Borrower's ownership of the outstanding stock or other interest of each the Subsidiary. All of the outstanding capital stock or other interest of each such Subsidiary has been validly issued, is fully paid and nonassessable and is owned by the Borrower free and clear of all Liens.

Section 5.10. Credit Arrangements. Schedule 5.10 is a complete and correct list of all credit agreements, indentures, purchase agreements, guaranties, Capital Leases and other investments, agreements and arrangements presently in effect providing for or relating to extensions of credit (including agreements and arrangements for the issuance of letters of credit or for acceptance financing) in respect of which the Borrower or any of its Subsidiaries is in any manner directly or contingently obligated; and the maximum principal or face amounts of the credit in question, outstanding and which can be outstanding, are correctly stated, and all Liens of any nature given or agreed to be given as security therefor are correctly described or indicated in such Schedule.

Section 5.11. Operation of Business. The Borrower and each of its Subsidiaries possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, or rights thereto, to conduct its business substantially as now conducted and as presently proposed to be conducted, and neither the Borrower nor any of its Subsidiaries is in violation of any valid rights of others with respect to any of the foregoing.

Section 5.12. Hazardous Materials. The Borrower and each of its Subsidiaries have obtained all permits, licenses and other authorizations which are required under all Environmental Laws, except to the extent failure to have any such permit, license

or authorization would not have a material adverse effect on the consolidated financial condition, operations, business or prospects of the Borrower and its Consolidated Subsidiaries. The Borrower and each of its Subsidiaries are in compliance with the terms and conditions of all such permits, licenses and authorizations, and are also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply would not have a material adverse effect on the consolidated financial condition, operations, business or prospects of the Borrower and its Consolidated Subsidiaries.

In addition, except as set forth in Schedule 5.12 hereto:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the Borrower or any of its Subsidiaries to have any permit, license or authorization required in connection with the conduct of the business of the Borrower or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, release or disposal, or any release as defined in 42 U.S.C. s/s 9601(22) ("Release") of any substance regulated under Environmental Laws ("Hazardous Materials") generated by the Borrower or any of its Subsidiaries.

(b) Neither the Borrower nor any of its Subsidiaries has handled any Hazardous Material, other than as a generator, on any property now or previously owned or leased by the Borrower or any of its Subsidiaries to an extent that it has, or may reasonably be expected to have, a material adverse effect on the consolidated financial condition, operations, business or prospects taken as a whole of the Borrower and their Consolidated Subsidiaries; and

(i) to the best of its knowledge, no PCB is or has been present at any property now or previously owned or leased by the Borrower or any of its Subsidiaries;

(ii) to the best of its knowledge, no asbestos is or has been present at any property now or previously owned or leased by the Borrower or any of its Subsidiaries;

(iii) there are no underground storage tanks for Hazardous Materials, active or abandoned, at any property now or previously owned or leased by the Borrower or any of its Subsidiaries;

(iv) no Hazardous Materials have been Released, in a reportable quantity, where the a quantity has been established by statute, ordinance, rule,

regulation or order, at, on or under any property now or previously owned by the Borrower or any of its Subsidiaries.

(c) Neither the Borrower nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Material to any location which is listed on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), listed for possible inclusion on the National Priorities List by the Environmental Protection Agency in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLIS") or on any similar state or foreign list or which is the subject of federal, state, foreign or local enforcement actions or other investigations which may lead to claims against the Borrower or any of its Subsidiaries for clean-up costs, remedial work, damages to natural resources or for personal injury claims, including, but not limited to, claims under CERCLA.

(d) No Hazardous Material generated by the Borrower or any of its Subsidiaries has been recycled, treated, stored, disposed of or Released by the Borrower or any of its Subsidiaries at any location other than those listed in Schedule 5.12 hereto.

(e) No oral or written notification of a Release of a Hazardous Material has been filed by or on behalf of the Borrower or any of its Subsidiaries and no property now or previously owned or leased by the Borrower or any of its Subsidiaries is listed or proposed for listing on the National Priority List promulgated pursuant to CERCLA, on CERCLIS or on any similar state or foreign list of sites requiring investigation or clean-up.

(f) There are no Liens arising under or pursuant to any Environmental Laws on any of the real property or properties owned or leased by the Borrower or any of its Subsidiaries, and no government actions have been taken or are in process which could subject any of such properties to such Liens and neither the Borrower nor any of its Subsidiaries would be required to place any notice or restriction relating to the presence of Hazardous Materials at any property owned by it in any deed to such property.

(g) There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or which are in the possession of the Borrower or any of its Subsidiaries in relation to any property or facility now or previously owned or leased by the Borrower or any of its Subsidiaries which have not been made available to the Bank.

Section 5.13. No Default on Outstanding Judgments or Orders. The Borrower and each of its Subsidiaries has satisfied all judgments and neither such Borrower nor any of its Subsidiaries is in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court, arbitrator or federal, state, municipal or

other governmental authority, commission, board, bureau, agency or instrumentality, domestic or foreign.

Section 5.14. No Defaults on Other Agreements. Neither the Borrower nor any of its Subsidiaries is a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any charter or corporate restriction which could have a material adverse effect on the business, properties, assets, operations or conditions, financial or otherwise, of such Borrower or any of its Subsidiaries, or the ability of the Borrower to carry out its obligations under the Facility Documents to which it is a party. Neither the Borrower nor any of its Subsidiaries is in default in any respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument material to its business to which it is a party.

Section 5.15. Labor Disputes and Acts of God. Neither the business nor the properties of the Borrower or of any of its Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), materially and adversely affecting such business or properties or the operation of the Borrower or such Subsidiary.

Section 5.16. Governmental Regulation. Neither the Borrower nor any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940, the Interstate Commerce Act, the Federal Power Act or any statute or regulation limiting its ability to incur indebtedness for money borrowed as contemplated hereby.

Section 5.17. Partnerships. Neither the Borrower nor any of its Subsidiaries is a partner in any partnership.

Section 5.18. No Forfeiture. Neither the Borrower nor any of its Subsidiaries or Affiliates is engaged in or proposes to be engaged in the conduct of any business or activity which could result in a Forfeiture Proceeding and no Forfeiture Proceeding against any of them is pending or threatened.

Section 5.19. Solvency.

(a) The present fair salable value of the assets of the Borrower after giving effect to all the transactions contemplated by the Facility Documents and the funding of all Commitment hereunder exceeds the amount that will be required to be paid on or in respect of the existing debts and other liabilities (including contingent liabilities) of the Borrower and its Subsidiaries as they mature.

(b) The property of the Borrower does not constitute unreasonably small capital for the Borrower to carry out its business as now conducted and as proposed to be conducted, including the capital needs of the Borrower.

(c) The Borrower does not intend to, nor does it believe that it will, incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be received by the Borrower, and of amounts to be payable on or in respect of debt of the Borrower). The cash available to the Borrower, after taking into account all other anticipated uses of the cash of the Borrower, is anticipated to be sufficient to pay all such amounts on or in respect of debt of the Borrower when such amounts are required to be paid.

(d) The Borrower does not believe that final judgments against it in actions for money damages will be rendered at a time when, or in an amount such that, the Borrower will be unable to satisfy any such judgments promptly in accordance with their terms (taking into account the maximum reasonable amount of such judgments in any such actions and the earliest reasonable time at which such judgments might be rendered). The cash available to the Borrower after taking into account all other anticipated uses of the cash of the Borrower (including the payments on or in respect of debt referred to in paragraph (c) of this Section 5.19), is anticipated to be sufficient to pay all such judgments promptly in accordance with their terms.

ARTICLE 6. AFFIRMATIVE COVENANTS

So long as the Note shall remain unpaid or the Bank shall have the Commitment under this Agreement, the Borrower shall:

Section 6.1. Maintenance of Existence. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, their corporate existence and good standing in the jurisdiction of their incorporation, and qualify and remain qualified, and cause each of its Subsidiaries to qualify and remain qualified, as a foreign corporation in each jurisdiction in which such qualification is required.

Section 6.2. Conduct of Business. Continue, and cause each of its Subsidiaries to continue, to engage in an efficient and economical manner in a business of the same general type as conducted by it on the date of this Agreement.

Section 6.3. Maintenance of Properties. Maintain, keep and preserve, and cause each of its Subsidiaries to maintain, keep and preserve, all of their properties (tangible and intangible), necessary or useful in the proper conduct of their business in good working order and condition, ordinary wear and tear excepted.

Section 6.4. Maintenance of Records. Keep, and cause each of its Subsidiaries to keep, adequate records and books of account, in which complete entries will be made in accordance with GAAP, reflecting all financial transactions of the Borrower and its Subsidiaries.

Section 6.5. Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, which insurance may provide for reasonable deductibility from coverage thereof.

Section 6.6. Compliance with Laws. Comply, and cause each of its Subsidiaries to comply, in all respects with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon its property.

Section 6.7. Right of Inspection. At any reasonable time and from time to time, permit the Bank or any agent or representative thereof, to examine and make copies and abstracts from the records and books of account of, and visit the properties of, the Borrower and any of its respective Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and any such Subsidiary with any of its officers and directors and the Borrower's independent accountants. The Bank shall have the right to perform an annual field audit of the Borrower and the Borrower shall reimburse the Bank for the reasonable costs of such annual field audit.

Section 6.8. Reporting Requirements. Furnish to the Bank:

(a) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, a consolidated and consolidating balance sheet of the Borrower and their respective Consolidated Subsidiaries as of the end of such fiscal year and a consolidated and consolidating income statement and statements of cash flows and changes in stockholders' equity and working capital of the Borrower and their respective Consolidated Subsidiaries for such fiscal year, all in reasonable detail and stating in comparative form the respective consolidated and consolidating figures for the corresponding date and period in the prior fiscal year and all prepared in accordance with GAAP and as to the consolidated statements accompanied by an opinion thereon acceptable to the Bank by Pricewaterhouse Coopers or other independent accountants of national standing selected by the Borrower;

(b) as soon as available and in any event within 45 days after the end of each fiscal quarter of the Borrower, a true and complete copy of TransAct's Report on Form 10-Q;

(c) as soon as available and in any event within 45 days after the end of each fiscal quarter, a consolidating balance sheet of the Borrower and their respective Consolidated Subsidiaries as of the end of such month and a consolidating income statement and statements of cash flows and changes in stockholders' equity and working capital, of the Borrower and its respective Consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such month, all in reasonable detail and stating in comparative form the consolidating figures for the corresponding date and period in the previous fiscal year and all prepared in accordance with GAAP and certified by the Chief Accounting Officer or Chief Financial Officer of the Borrower (subject to year-end adjustments);

(d) promptly upon receipt thereof, copies of any reports, inclusive of any management letters, submitted to any Borrower or any of its Subsidiaries by independent certified public accountants in connection with examination of the financial statements of the Borrower or any such Subsidiary made by such accountants;

(e) promptly at the end of each fiscal quarter, a certificate of the Chief Accounting Officer or Chief Financial Officer of the Borrower (i) certifying that to the best of his knowledge no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto, and (ii) with computations demonstrating compliance with the covenants contained in Articles 7 and 8;

(f) as soon as available and in any event within 90 days after the end of each fiscal year of TransAct, a true and complete copy of TransAct's Report on Form 10-K;

(g) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, management's projected financial statements inclusive of a balance sheet, an income statement and a statement of cash flow (supported by key assumptions) for each upcoming fiscal year, prepared on a quarter-by-quarter basis;

(h) simultaneously with the delivery of the projected financial statements referred to in Section 6.8(g), a copy of the Borrower's business plan for each upcoming fiscal year;

(i) simultaneously with the delivery of the annual financial statements referred to in Section 6.8(a), a certificate of the independent public accountants who audited such statements to the effect that, in making the examination necessary for the audit of such statements, they have obtained no knowledge of any condition or event which constitutes a Default or Event of Default, or if such accountants shall have obtained

knowledge of any such condition or event, specifying in such certificate each such condition or event of which they have knowledge and the nature and status thereof;

(j) promptly after the commencement thereof, notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Borrower or any of its Subsidiaries which, if determined adversely to the Borrower or such Subsidiary, could have a material adverse effect on the financial condition, properties or operations of the Borrower or such Subsidiary;

(k) as soon as possible and in any event within five days after the occurrence of each Default or Event of Default a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken by the Borrower with respect thereto;

(l) as soon as possible, and in any event within ten days after the Borrower knows or has reason to know that any of the events or conditions specified below with respect to any Plan or Multiemployer Plan have occurred or exist, a statement signed by a senior financial officer of the Borrower setting forth details respecting such event or condition and the action, if any, which the Borrower or its ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be filed with or given to PBGC by the Borrower or an ERISA Affiliate with respect to such event or condition):

(i) any reportable event, as defined in section 4043(b) of ERISA, with respect to a Plan, as to which PBGC has not by regulation waived the requirement of section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (provided that a failure to meet the minimum funding standard of section 412 of the Code or section 302 of ERISA including, without limitation, the failure to make on or before its due date a required installment under section 412(m) of the Code or section 302(e) of ERISA, shall be a reportable event regardless of the issuance of any waivers in accordance with section 412(d) of the Code) and any request for a waiver under section 412(d) of the Code for any Plan;

(ii) the distribution under section 4041 of ERISA of a notice of intent to terminate any Plan or any action taken by the Borrower or an ERISA Affiliate to terminate any Plan;

(iii) the institution by PBGC of proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Borrower or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

(iv) the complete or partial withdrawal from a Multiemployer Plan by the Borrower or any ERISA Affiliate that results in liability under section 4201 or 4204 of ERISA (including the obligation to satisfy secondary liability as a result of a purchaser default) or the receipt of the Borrower or any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency pursuant to section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under section 4041A of ERISA;

(v) the institution of a proceeding by a fiduciary of any Multiemployer Plan against the Borrower or any ERISA Affiliate to enforce section 515 of ERISA, which proceeding is not dismissed within 30 days;

(vi) the adoption of an amendment to any Plan that pursuant to section 401(a)(29) of the Code or section 307 of ERISA would result in the loss of tax-exempt status of the trust of which such Plan is a part if the Borrower or an ERISA Affiliate fails to timely provide security to the Plan in accordance with the provisions of said Sections;

(vii) any event or circumstance exists which may reasonably be expected to constitute grounds for the Borrower or any ERISA Affiliate to incur liability under Title IV of ERISA or under sections 412(c)(11) or 412(n) of the Code with respect to any Plan; and

(viii) the Unfunded Benefit Liabilities of one or more Plans increase after the date of this Agreement in an amount which is material in relation to the financial condition of the Borrower and its Subsidiaries, on a consolidated basis; provided, however, that such increase shall not be deemed to be material so long as it does not exceed during any consecutive 2-year period \$200,000;

(m) promptly after the request of the Bank, copies of each annual report filed pursuant to section 104 of ERISA with respect to each Plan (including, to the extent required by section 104 of ERISA, the related financial and actuarial statements and opinions and other supporting statements, certifications, schedules and information referred to in section 103) and each annual report filed with respect to each Plan under section 4065 of ERISA; provided, however, that in the case of a Multiemployer Plan, such annual reports shall be furnished only if they are available to the Borrower or an ERISA Affiliate;

(n) promptly after the furnishing thereof, copies of any statement or report furnished to any other party pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Bank pursuant to any other clause of this Section 6.8;

(o) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports which the Borrower or any of its Subsidiaries

sends to its stockholders, and copies of all regular, periodic and special reports, and all registration statements which the Borrower or any of its Subsidiary files with the Securities and Exchange Commission or any governmental authority which may be substituted therefor, or with any national securities exchange;

(p) as soon as available, and in any event within 15 days of the end of each fiscal month, a Borrowing Base Certificate and an aging schedule with respect to Receivables of the Borrower with names of all account debtors and an aging schedule with respect to payables of the Borrower, all as of the end of such calendar month and certified by the Chief Accounting Officer or Chief Financial Officer of the Borrower. In addition to the foregoing, for the period commencing on the date hereof and ending on the date on which the Overadvance is either terminated, cancelled or repaid in full, the Borrower shall furnish a Borrowing Base Certificate to the Bank within 5 business days of the end of each week;

(q) promptly after the commencement thereof or promptly after the Borrower knows of the commencement or threat thereof, notice of any Forfeiture Proceeding; and

(r) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as the Bank may from time to time reasonably request.

Section 6.9. Operating Accounts. Maintain, and cause each of its Subsidiaries to maintain, all United States operating accounts at the Bank.

ARTICLE 7. NEGATIVE COVENANTS

So long as the Note shall remain unpaid or the Bank shall have the Commitment under this Agreement, the Borrower shall not:

Section 7.1. Debt. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist any Debt, except:

(a) Debt of the Borrower under this Agreement or the Note;

(b) Debt described in Schedule 5.10, including renewals, extensions or refinancings thereof, provided that the principal amount thereof does not increase; and

(c) Debt of the Borrower or any of its Subsidiaries secured by purchase money Liens permitted by Section 7.3.

Section 7.2. Guaranties, Etc. Assume, guaranty, endorse or otherwise be or become directly or contingently responsible or liable, or permit any of its Subsidiaries to assume, guarantee, endorse or otherwise be or become directly or indirectly responsible or

liable (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods or services or to supply or advance any funds, assets, goods or services, or an agreement to maintain or cause such Person to maintain a minimum working capital or net worth or otherwise to assure the creditors of any Person against loss) for the obligations of any Person, except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

Section 7.3. Liens. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Lien, upon or with respect to any of its properties, now owned or hereafter acquired, except:

(a) Liens for taxes or assessments or other government charges or levies if not yet due and payable or if due and payable if they are being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained;

(b) Liens imposed by law, such as mechanic's, materialmen's, landlord's, warehousemen's and carrier's Liens, and other similar Liens, securing obligations incurred in the ordinary course of business which are not past due for more than 30 days, or which are being contested in good faith by appropriate proceedings and for which appropriate reserves have been established;

(c) Liens under workers' compensation, unemployment insurance, social security or similar legislation (other than ERISA);

(d) Liens, deposits or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases (permitted under the terms of this Agreement), public or statutory obligations, surety, stay, appeal, indemnity, performance or other similar bonds, or other similar obligations arising in the ordinary course of business;

(e) judgment and other similar Liens arising in connection with court proceedings; provided that the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(f) easements, rights-of-way, restrictions and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use and enjoyment by the Borrower or any such Subsidiary of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto;

(g) Liens securing obligations of such a Subsidiary to the Borrower or another such Subsidiary;

(h) Liens set forth on Schedule 7.3, provided the Debt secured by such Liens is permitted by Section 7.1;

(i) purchase money Liens on any property hereafter acquired or the assumption of any Lien on property existing at the time of such acquisition, or a Lien incurred in connection with any conditional sale or other title retention agreement or a Capital Lease; provided that:

(i) any property subject to any of the foregoing is acquired by the Borrower or any such Subsidiary in the ordinary course of its business and the Lien on any such property is created contemporaneously with such acquisition or such property is acquired pursuant to an Acceptable Acquisition and is subject to a pre-existing purchase money Lien;

(ii) the obligation secured by any Lien so created, assumed or existing shall not exceed 80 percent of the lesser of cost or fair market value as of the time of acquisition of the property covered thereby to the Borrower or any such Subsidiary acquiring the same;

(iii) each such Lien shall attach only to the property so acquired and fixed improvements thereon; and

(iv) the obligations secured by such Lien are permitted by the provisions of Section 7.1; and

Section 7.4. Leases. Create, incur, assume or suffer to exist, or permit its Subsidiaries to create, incur, assume or suffer to exist, any obligation as lessee for the rental or hire of any real or personal property, except: (a) leases existing on the date of this Agreement and any extensions or renewals thereof; (b) leases (other than Capital Leases) which do not in the aggregate require the Borrower and its Subsidiaries on a consolidated basis to make payments (including taxes, insurance, maintenance and similar expense which the Borrower or any Subsidiary is required to pay under the terms of any lease) in any fiscal year of the Borrower in excess of \$250,000; (c) Capital Leases permitted by Section 7.3.

Section 7.5. Investments. Make, or permit any of its Subsidiaries to make, any loan or advance to any Person or purchase or otherwise acquire, or permit any such Subsidiary to purchase or otherwise acquire, any capital stock, assets, obligations or other securities of, make any capital contribution to, or otherwise invest in, or acquire any interest in, any Person, except: (a) direct obligations of the United States of America or any agency thereof with maturities of one year or less from the date of acquisition; (b) commercial paper of a domestic issuer rated at least "A-1" by Standard & Poor's Corporation or "P-1" by Moody's Investors Service, Inc.; (c) certificates of deposit with maturities of one year or less from the date of acquisition issued by any commercial bank operating within the United States of America having capital and surplus in excess of \$500,000,000; (d) for stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to the Borrower or any such Subsidiary and (e) Acceptable Acquisitions.

Section 7.6. Dividends. Declare or pay any dividends, purchase, redeem, retire or otherwise acquire for value any of its capital stock now or hereafter outstanding, or make any distribution of assets to its stockholders as such whether in cash, assets or in obligations of the Borrower, or allocate or otherwise set apart any sum for the payment of any dividend or distribution on, or for the purchase, redemption or retirement of any shares of its capital stock, or make any other distribution by reduction of capital or otherwise in respect of any shares of its capital stock or permit any of its Subsidiaries to purchase or otherwise acquire for value any stock of any Borrower or another such Subsidiary, except that: (a) the Borrower may declare and deliver dividends and make distributions payable solely in common stock of the Borrower; (b) the Borrower may purchase or otherwise acquire shares of its capital stock by exchange for or out of the proceeds received from a substantially concurrent issue of new shares of its capital stock; (c) any Subsidiary may declare and deliver dividends and make distributions to the Borrower; and (d) the Borrower may make cash dividends in respect of preferred stock so long as such dividends do not exceed a maximum of \$280,000 per year.

Section 7.7. Sale of Assets. Sell, lease, assign, transfer or otherwise dispose of, or permit any of its Subsidiaries to sell, lease, assign, transfer or otherwise dispose of, any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and indebtedness of such Subsidiaries, receivables and leasehold interests); except: (a) for inventory disposed of in the ordinary course of business; (b) the sale or other disposition of assets no longer used or useful in the conduct of its business; and (c) that any such Subsidiary may sell, lease, assign or otherwise transfer its assets to the Borrower.

Section 7.8. Stock of Subsidiaries, Etc. Sell or otherwise dispose of any shares of capital stock of any of its Subsidiaries or permit any such Subsidiary to issue any additional shares of its capital stock, except directors' qualifying shares.

Section 7.9. Transactions with Affiliates. Enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate or permit any of their respective Subsidiaries to enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arms' length transaction with a Person not an Affiliate, and except as set forth on Schedule 7.9.

Section 7.10. Mergers, Etc. Merge or consolidate with, or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or acquire all or substantially all of the assets or the business of any Person (or enter into any agreement to do any of the foregoing), or permit any of their respective Subsidiaries to

do so except that any such Subsidiary may merge into or transfer assets to the Borrower, and except for Acceptable Acquisitions.

Section 7.11. No Activities Leading to Forfeiture. Neither the Borrower nor any of its Subsidiaries or Affiliates shall engage in or propose to be engaged in the conduct of any business or activity which could result in a Forfeiture Proceeding.

Section 7.12. Capital Expenditures. Make Capital Expenditures, on a consolidated basis, in excess of \$4,000,000 in any fiscal year.

Section 7.13. New Subsidiaries. Form any new Subsidiary, unless such Subsidiary executes a guaranty agreement substantially in the form of the Guaranty.

ARTICLE 8. FINANCIAL COVENANTS

So long as the Note shall remain unpaid or the Bank shall have the Commitment under this Agreement:

Section 8.1. Minimum Net Worth. The Borrower, on a consolidated basis, shall maintain at all times, as measured at the end of each fiscal quarter, commencing December 31, 1999, a Net Worth of not less than the sum of (i) \$11,500,000 plus (ii) 100% of the net cash proceeds of any new equity investment in the Borrower.

Section 8.2. Maximum Leverage Ratio. The Borrower, on a consolidated basis, shall maintain at all times, as measured at the end of each fiscal quarter, commencing December 31, 1999, a ratio of Total Liabilities to Tangible Net Worth of not greater than 2.75 to 1.0.

Section 8.3. Maximum Debt to Cash Flow Ratio. The Borrower, on a consolidated basis, shall maintain a ratio of total Funded Debt to EBITDA, of not more than 3.5 to 1.0 in respect of the twelve month period ending March 25, 2000 and the twelve month period ending June 24, 2000, and thereafter such ratio shall be not more than 2.75 to 1.0 at all times, as measured at the end of each fiscal quarter, commencing on September 23, 2000 for the twelve month period then ended (a rolling-twelve month calculation measured as of the end of each successive quarter).

Section 8.4. Minimum Interest Coverage Ratio. The Borrower, on a consolidated basis, shall maintain Interest Coverage Ratio of not less than 3.0 to 1.0 as measured at the end of each quarter, commencing September 23, 2000, on a cumulative basis (i.e. year-to-date) for the period January 1, 2000 through September 23, 2000, and the measurement of this covenant will return to a rolling-four quarters calculation (measured as of the end of each successive quarter) commencing with the determination as of December 31, 2000 for the twelve month period then ending and for each quarter thereafter.

Section 8.5. EBITDA. The Borrower, on a consolidated basis, shall maintain EBITDA of not less than \$1,200,000 in respect of the six month period ending June 24, 2000.

All financial covenants set forth in this Article 8 shall be determined or measured based on the financial statements of the Borrower and its Consolidated Subsidiaries described in Section 6.8 hereof.

ARTICLE 9. EVENTS OF DEFAULT

Section 9.1. Events of Default. Any of the following events shall be an "Event of Default":

(a) the Borrower shall: (i) fail to pay the principal of the Note as and when due and payable; or (ii) fail to pay interest on the Note or any fee or other amount due hereunder as and when due and payable;

(b) any representation or warranty made or deemed made by the Borrower in this Agreement or in any other Facility Document or which is contained in any certificate, document, opinion, financial or other statement furnished at any time under or in connection with any Facility Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made;

(c) the Borrower shall: (i) fail to perform or observe any term, covenant or agreement contained in Section 2.3 or Articles 7 or 8; or (ii) fail to perform or observe any term, covenant or agreement on its part to be performed or observed (other than the obligations specifically referred to elsewhere in this Section 9.1) in any Facility Document and such failure shall continue for 20 consecutive days;

(d) the Borrower, or any of its respective Subsidiaries: (i) shall generally not, or be unable to, or shall admit in writing its inability to, pay its debts as such debts become due; or (ii) shall make an assignment for the benefit of creditors, petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (iii) shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (iv) shall have had any such petition or application filed or any such proceeding shall have been commenced against it, in which an adjudication or appointment is made or order for relief is entered, or which petition, application or proceeding remains undismissed for a period of 30 days or more; or shall be the subject of any proceeding under which its assets may be subject to seizure, forfeiture or divestiture (other than a proceeding in respect of a Lien permitted under Section 7.3(b)); or (v) by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of its property;

or (vi) shall suffer any such custodianship, receivership or trusteeship to continue undischarged for a period of 30 days or more;

(e) one or more judgments, decrees or orders for the payment of money in excess of \$100,000 in the aggregate shall be rendered against the Borrower, or any of its respective Subsidiaries and such judgments, decrees or orders shall continue unsatisfied and in effect for a period of 30 consecutive days without being vacated, discharged, satisfied or stayed or bonded pending appeal;

(f) any event or condition shall occur or exist with respect to any Plan or Multiemployer Plan concerning which the Borrower is under an obligation to furnish a report to the Bank in accordance with Section 6.8(h) hereof and as a result of such event or condition, together with all other such events or conditions, the Borrower or any ERISA Affiliate has incurred or in the opinion of the Bank is reasonably likely to incur a liability to a Plan, a Multiemployer Plan, the PBGC or a section 4042 Trustee (or any combination of the foregoing) which is material in relation to the financial position of the Borrower and its Subsidiaries, on a consolidated basis; provided, however, that any such amount shall not be deemed to be material so long as all such amounts do not exceed in the aggregate during any consecutive 2-year period \$200,000;

(g) the Unfunded Benefit Liabilities of one or more Plans have increased after the date of this Agreement in an amount which is material (as specified in Section 9.1(g) hereof);

(h) (A) any Forfeiture Proceeding shall have been commenced or the Borrower shall have given the Bank written notice of the commencement of any Forfeiture Proceeding as provided in Section 6.8 or (B) the Bank has a good faith basis to believe that a Forfeiture Proceeding has been threatened or commenced;

(i) there shall be any material adverse change in the condition (financial or otherwise), business, management, operations, properties or prospects of the Borrower and its respective Subsidiaries since the Closing Date; or

(j) the Security Agreement shall at any time after its execution and delivery and for any reason cease: (A) to create a valid and perfected first priority security interest in and to the property purported to be subject to such agreement; or (B) to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by the party thereto, or such party shall deny it has further liability or obligation thereunder or such party shall fail to perform any of its obligations thereunder.

Section 9.2. Remedies. If any Event of Default shall occur and be continuing, the Bank shall have the right, by notice to the Borrower, (a) to declare the Commitment to be terminated, whereupon the same shall forthwith terminate, and (b) to declare the outstanding principal of the Note, all interest thereon and all other amounts

payable under this Agreement and the Note or any one of them to be forthwith due and payable, whereupon the Note, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided that, in the case of an Event of Default referred to in Section 9.1(d) or Section 9.1(i)(A) above, the Commitment shall be immediately terminated, and the Note, all interest thereon and all other amounts payable under this Agreement shall be immediately due and payable without notice, presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE 10. MISCELLANEOUS

Section 10.1. Amendments and Waivers. Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be amended or modified only by an instrument in writing signed by the Borrower and the Bank, and any provision of this Agreement may be waived by the Borrower and the Bank. No failure on the part of the Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof or preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 10.2. Usury. All agreements between the Borrower, the Guarantors and the Bank are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the indebtedness evidenced by the Note or otherwise, shall the amount paid or agreed to be paid to the Bank for the use or the forbearance of the indebtedness evidenced by the Note exceed the maximum permissible under applicable law. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof provided, however that in the event there is a change in the law which results in a higher permissible rate of interest, then the Note shall be governed by such new law as of its effective date. In this regard, it is expressly agreed that it is the intent of the Borrower and the Bank in the execution, delivery and acceptance of the Note to contract in strict compliance with the laws of the State of Connecticut from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof or of any of the Facility Documents at the time of performance of such provision shall be due, shall involve transcending the limit of such validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limits of such validity, and if under or from circumstances whatsoever the Bank should ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal balance evidenced hereby and not to the payment of interest. This provision shall control every other provision of all agreements between the Borrower, the Guarantors and the Bank.

Section 10.3. Expenses. The Borrower shall reimburse the Bank on demand for all reasonable costs, expenses and charges (including, without limitation,

telephone, telex, courier expenses, printing costs, reasonable fees and charges of external legal counsel for the Bank and reasonable costs allocated after the Closing Date by its internal legal department) incurred by the Bank in connection with the preparation, negotiation, execution, delivery, filing, recording, performance, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Note or any Facility Document (subject to a limit of \$10,000, plus disbursements, for the fees of external counsel in preparing the Facility Documents). The Borrower agrees to indemnify the Bank and its directors, officers, employees and agents from, and hold each of them harmless against, any and all losses, liabilities, claims, damages or expenses incurred by any of them arising out of or by reason of any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings) relating to any actual or proposed use by the Borrower or any of its respective Subsidiaries of the proceeds of the Loans, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation or litigation or other proceedings (but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified).

Section 10.4. Survival. The obligations of the Borrower under Section 10.3 shall survive the repayment of the Loans and the termination of the Commitment.

Section 10.5. Assignment; Participations. This Agreement shall be binding upon, and shall inure to the benefit of, the Borrower, the Bank and their respective successors and assigns, except that the Borrower may not assign or transfer its rights or obligations hereunder. The Bank may assign, or sell participations in, all or any part of any Loan to another bank or other entity, in minimum amounts of \$5,000,000, in which event (a) in the case of an assignment, upon notice thereof by the Bank to the Borrower, the assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights, benefits and obligations as it would have if it were the Bank hereunder; and (b) in the case of a participation, the participant shall have no rights under the Facility Documents. The agreement executed by the Bank in favor of the participant shall not give the participant the right to require the Bank to take or omit to take any action hereunder except action directly relating to (i) the extension of a payment date with respect to any portion of the principal of or interest on any amount outstanding hereunder allocated to such participant, (ii) the reduction of the principal amount outstanding hereunder or (iii) the reduction of the rate of interest payable on such amount or any amount of fees payable hereunder to a rate or amount, as the case may be, below that which the participant is entitled to receive under its agreement with the Bank. The Bank may furnish any information concerning the Borrower in the possession of the Bank from time to time to assignees and participants (including prospective assignees and participants); provided that the Bank shall require any such prospective assignee or such participant (prospective or otherwise) to agree in writing to maintain the confidentiality of such information. The Bank shall have the right at any time to pledge all or any portion of its rights under the Loans or this Agreement or the Note to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such

pledge or enforcement thereof shall release the Bank from its obligations under any of the Facility Documents.

Section 10.6. Notices. Unless the party to be notified otherwise notifies the other party in writing as provided in this Section, and except as otherwise provided in this Agreement, notices shall be delivered in person or sent by overnight courier, facsimile, ordinary mail, cable or telex addressed to such party at its "Address for Notices" on the signature page of this Agreement. Notices shall be effective: (a) on the day on which delivered to such party in person, (b) on the first Banking Day after the day on which sent to such party by overnight courier, (c) if given by mail, 48 hours after deposit in the mails with first-class postage prepaid, addressed as aforesaid, and (d) if given by facsimile, cable or telex, when the facsimile, cable or telex is transmitted to the facsimile, cable or telex number as aforesaid; provided that notices to the Bank shall be effective upon receipt.

Section 10.7. Setoff. The Borrower hereby grants to the Bank, a lien, security interest and right of setoff as security for all liabilities and obligations to the Bank, whether now existing or hereafter in the possession, custody, safekeeping or control of the Bank or any entity under the control of Fleet Boston Corporation, or in transit to any of them. At any time, without demand or notice, the Bank may set off the same or any part thereof and apply the same to any liability or obligation of the Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Loans. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE LOANS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER OR ANY GUARANTOR, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

SECTION 10.8. JURISDICTION; IMMUNITIES. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY CONNECTICUT STATE OR UNITED STATES FEDERAL COURT SITTING IN CONNECTICUT OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTE, AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH CONNECTICUT STATE OR FEDERAL COURT. THE BORROWER IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO THE BORROWER AT ITS ADDRESS SPECIFIED IN SECTION 10.6. THE BORROWER AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. THE BORROWER FURTHER WAIVES ANY OBJECTION TO VENUE IN SUCH STATE AND ANY OBJECTION TO AN ACTION OR PROCEEDING IN SUCH STATE ON THE BASIS OF FORUM NON CONVENIENS.

THE BORROWER FURTHER AGREES THAT ANY ACTION OR PROCEEDING BROUGHT AGAINST THE BANK SHALL BE BROUGHT ONLY IN CONNECTICUT STATE OR UNITED STATES FEDERAL COURT SITTING IN CONNECTICUT. THE BORROWER WAIVES ANY RIGHT IT MAY HAVE TO JURY TRIAL.

(a) Nothing in this Section 10.8 shall affect the right of the Bank to serve legal process in any other manner permitted by law or affect the right of the Bank to bring any action or proceeding against the Borrower or its property in the courts of any other jurisdictions.

(b) To the extent that the Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Borrower hereby irrevocably waives such immunity in respect of its obligations under this Agreement and the Note.

Section 10.9. Table of Contents; Headings. Any table of contents and the headings and captions hereunder are for convenience only and shall not affect the interpretation or construction of this Agreement.

Section 10.10. Severability. The provisions of this Agreement are intended to be severable. If for any reason any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

Section 10.11. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

Section 10.12. Integration. The Facility Documents set forth the entire agreement between the parties hereto relating to the transactions contemplated thereby and supersede any prior oral or written statements or agreements with respect to such transactions.

SECTION 10.13. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND INTERPRETED AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CONNECTICUT.

Section 10.14. Confidentiality. The Bank agrees (on behalf of itself and each of its affiliates, directors, officers, employees and representatives) to use reasonable precautions to keep confidential, in accordance with safe and sound banking practices, any nonpublic information supplied to it by the Borrower pursuant to this Agreement which is

identified by the Borrower as being confidential at the time the same is delivered to the Bank, provided that nothing herein shall limit the disclosure of any such information (i) to the extent required by statute, rule, regulation or judicial process, (ii) to counsel for the Bank, (iii) to bank examiners, auditors or accountants, (iv) in connection with any litigation to which the Bank is a party or (v) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant) agrees to maintain the confidentiality of such information; and provided finally that in no event shall the Bank be obligated or required to return any materials furnished by the Borrower.

Section 10.15. Treatment of Certain Information. The Borrower (a) acknowledges that services may be offered or provided to it (in connection with this Agreement or otherwise) by the Bank or by one or more of its subsidiaries or affiliates and (b) acknowledges that information delivered to the Bank by the Borrower may be provided to each such subsidiary and affiliate.

SECTION 10.16. COMMERCIAL WAIVER. THE BORROWER ACKNOWLEDGES THAT THE LOANS EVIDENCED BY THE NOTE ARE FOR COMMERCIAL PURPOSES AND WAIVES ANY RIGHT TO NOTICE AND HEARING UNDER SECTIONS 52-278a THROUGH 52-278n OF THE CONNECTICUT GENERAL STATUTES AS NOW OR HEREAFTER AMENDED AND AUTHORIZES THE ATTORNEY OF THE BANK, OR ANY SUCCESSOR THERETO, TO ISSUE A WRIT OF PREJUDGMENT REMEDY WITHOUT COURT ORDER. FURTHER, THE BORROWER HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, THE BENEFITS OF ALL VALUATION, APPRAISEMENTS, HOMESTEAD, EXEMPTION, STAY, REDEMPTION AND MORATORIUM LAWS NOW IN FORCE OR WHICH MAY HEREAFTER BECOME LAWS. EACH BORROWER ACKNOWLEDGES THAT IT MAKES THESE WAIVERS AND THE WAIVERS CONTAINED IN SECTION 10.8 KNOWINGLY, VOLUNTARILY AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS OF THESE WAIVERS WITH ITS ATTORNEYS.

SECTION 10.17. WAIVER OF JURY TRIAL BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE BORROWER AND THE BANK WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE BORROWER AND THE BANK DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE BORROWER AND THE BANK HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER IN CONTRACT, TORT, OR OTHERWISE ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO, THIS

AGREEMENT OR ANY OF THE OTHER FACILITY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 10.18 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or Event of Default if such action is taken or condition exists.

Section 10.19 Time of the Essence. Time and punctuality shall be of the essence with respect to this instrument, but no delay or failure of the Bank to enforce any of the provisions herein contained and no conduct or statement of the Bank shall waive or affect any of the Bank's rights hereunder.

Section 10.20 Reference to and Effect on the Facility Documents.

(a) Upon the effectiveness of this Agreement, on and after the date hereof each reference in the Facility Documents to the Credit Agreement or the Note, shall mean and be a reference to this Credit Agreement as amended and restated hereby or the Note as amended and restated in connection with the execution and delivery of this Agreement.

(b) The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Bank under any of the Facility Documents, nor constitute a waiver of any provision of any of the Facility Documents.

Section 10.21 Replacement Promissory Note. Upon receipt of an affidavit of an officer of the Bank as to the loss, theft, destruction or mutilation of the Note or any other security document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon surrender and cancellation of the Note or other security document, the Borrower will issue, in lieu thereof, a replacement Note or other security document in the same principal amount thereof and otherwise of like tenor.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

TRANSACT TECHNOLOGIES INCORPORATED

By /s/ Richard L. Cote

Richard L. Cote
Title: Executive Vice President and
Chief Financial Officer

Address for Notices to Borrower:
7 Laser Lane
Wallingford, Connecticut 06492

FLEET NATIONAL BANK

By /s/ W. Lincoln Schoff, Jr.

W. Lincoln Schoff, Jr.
Director

Address for Notices and Lending Office:
One Landmark Square
Stamford, Connecticut 06901
Attn: W. Lincoln Schoff, Jr.
Director
Facsimile No.: (203) 964-4850

TRANSACT TECHNOLOGIES INCORPORATED
PREFERRED STOCK PURCHASE AGREEMENT
DATED AS OF MARCH 20, 2000

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PREFERRED STOCK PURCHASE AGREEMENT

PREFERRED STOCK PURCHASE AGREEMENT (this "AGREEMENT") dated as of March 20, 2000 between TransAct Technologies Incorporated, a Delaware corporation (the "COMPANY"), Advance Capital Partners, L.P., a Delaware limited partnership, Advance Capital Offshore Partners, L.P., a Cayman Islands limited partnership (each a "Purchaser" and together, the "Purchasers" or "Advance").

The Purchasers desire to purchase from the Company, and the Company desires to issue to the Purchasers, shares of Series B Cumulative Convertible Preferred Stock \$0.01 par value per share of the Company (the "SERIES B PREFERRED") and Warrants to purchase shares of Common Stock (the "WARRANTS").

In consideration of the mutual promises, representations, warranties, covenants and conditions set forth in this Agreement, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS

I.1 DEFINITIONS; INTERPRETATION.

(a) For purposes of this Agreement, the following terms have the indicated meanings:

"ADVANCE" has the meaning set forth in the recitals hereof.

"AFFILIATE" of a person means any other person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with such person.

"CERTIFICATE OF DESIGNATION" means the Certificate of Designation designating the rights and preferences of the Series B Preferred adopted by the Board of Directors of the Company and set forth as EXHIBIT A hereto.

"CLOSING" has the meaning set forth in Section 3.1.

"CLOSING DATE" has the meaning set forth in Section 3.1.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMMON STOCK" means the common stock of the Company, par value \$0.01 per share.

"COMPANY" has the meaning set forth in the recitals hereof.

"CONFIDENTIAL INFORMATION" means any information concerning the Company's business other than information that (i) was already known to the Person having a duty to keep confidential such information on a nonconfidential basis prior to the time of disclosure, (ii) is or becomes generally available to the public through no act or omission of such Person or (iii) becomes available to such Person on a nonconfidential basis from a source other than any party hereto (or any agent or representative thereof) if such source was not under a prohibition against disclosing the information to such Person.

"CONVERSION PRICE" has the meaning set forth in the Certificate of Designation attached hereto as Exhibit A.

"CONVERSION SHARES" means shares of Common Stock issued or issuable upon conversion of Preferred Shares.

"CREDIT AGREEMENT" means the Credit Agreement, dated as of March 14, 2000, between the Company and Fleet National Bank.

"CURRENT BALANCE SHEET" means the audited balance sheet of the Company dated December 31, 1999.

"ENVIRONMENTAL AND SAFETY REQUIREMENTS" means all federal, state, local and foreign statutes, regulations, ordinances and other provisions having the force or effect of law, all judicial and administrative orders and determinations and all common law concerning public health and safety, worker health and safety, and pollution or protection of the environment, including without limitation all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any hazardous materials, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or by-products, asbestos, polychlorinated biphenyls, noise or radiation.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXERCISE PRICE" has the meaning set forth in the Warrants.

"FINANCIAL STATEMENTS" means (i) the unaudited balance sheets of the Company for the quarterly periods ended March 27, 1999, June 26, 1999 and September 25, 1999, each as included in a quarterly report of the Company on Form 10-Q as filed with the SEC pursuant to the Exchange Act, (ii) the audited balance sheet of the Company as included in the annual report of the Company on Form 10-K for the fiscal year ended December 31, 1998, as filed with the SEC pursuant to the Exchange Act and (iii) the related unaudited and audited, as applicable, statements of income and consolidated cash flow for the quarterly and fiscal year-to-date periods then ended, each as included in the Company's applicable quarterly report or annual report on Form 10-Q and Form 10-

K, as applicable, as filed with the SEC pursuant to the Exchange Act, and (iv) the Current Balance Sheet, all of which are attached as EXHIBIT C hereto.

"GAAP" means United States generally accepted accounting principles as in effect from time to time, consistently applied.

"GOVERNMENTAL AGENCY" means any federal, state, local, foreign or other governmental agency, instrumentality, commission, authority, board or body and Nasdaq.

"INCLUDES" and "INCLUDING" mean includes and including, without limitation.

"INTELLECTUAL PROPERTY" means all patents, patent applications and inventions; all trademarks, service marks, trade dress, trade names and corporate names and all goodwill associated therewith; all registered copyrights; all registrations, applications and renewals for any of the foregoing; all trade secrets, Confidential Information, know-how, technical and computer data, documentation and software, financial, business and marketing plans, customer and supplier lists and all other intellectual property rights; and all copies and tangible embodiments of the foregoing.

"IRS" means the Internal Revenue Service.

"KNOWLEDGE" or "KNOW" when used with respect to the Company means the knowledge of (i) Bart Shuldman; (ii) Richard Cote; (iii) Lucy Staley; (iv) John Cygielnick; (v) Michael Kumpf; (vi) Mark Goebel; (vii) Steve DeMartino; (viii) Catherine Dawson; or (ix) James Stetson, which the Company represents are the only "executive officers" as defined in the Exchange Act.

"LIABILITY" means any liability or obligation (whether absolute or contingent, liquidated or unliquidated or due or to become due).

"LIEN" means any lien, mortgage, pledge, security interest, restriction, charge or other encumbrance.

"MATERIAL ADVERSE CHANGE" means any material adverse change in the business, condition (financial or otherwise), prospects or results of operations of the Company and its Subsidiaries taken as a whole.

"MATERIAL ADVERSE EFFECT" means any material adverse effect on (i) the business, condition (financial or otherwise), prospects or results of operations of the Company and its Subsidiaries taken as a whole, or (ii) the transactions contemplated hereby or by the Related Documents.

"ORDINARY COURSE OF BUSINESS" means the ordinary course of business consistent with past practice (including with respect to quantity, quality and frequency).

"PERMITTED LIENS" means (i) liens for taxes not yet due and taxes for which adequate provision is made in the Current Balance Sheet, (ii) purchase money security interests in

supplies and equipment, (iii) precautionary liens filed by lessors with respect to leased equipment, and (iv) encumbrances which are not substantial in amount, do not materially detract from the value of the property subject thereto, and do not materially impair the use of the property subject thereto or the operation of the Company's business.

"PERSON" means any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization or other entity.

"PUBLIC SALE" means any sale pursuant to a registration under Section 5 of the Securities Act or any sale pursuant to Rule 144 of the Securities Act.

"PLAN" means any employee benefit plan (as defined in Section 3(3) of ERISA), subject to Title IV of ERISA or the minimum funding requirements of Section 412 of the Code, maintained or contributed to by the Company, its predecessor or any Subsidiary at any time during the 5-calendar years immediately preceding the date of this Agreement.

"PREFERRED SHARES" has the meaning set forth in Section 2.1.

"REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement between the Company and the Purchasers in the form of EXHIBIT D hereto.

"RELATED DOCUMENTS" means all documents and instruments to be executed or adopted by the Company in connection herewith, including the Certificate of Designation, the Preferred Shares, the Warrants and the Registration Rights Agreement.

"SEC" means the Securities and Exchange Commission.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SERIES B PREFERRED" has the meaning set forth in the recitals hereof.

"SUBSIDIARY" means any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by the Company or (ii) if a partnership, limited liability company, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by the Company. For purposes hereof, the Company shall be deemed to have a majority ownership interest in a partnership, limited liability company, association or other business entity if the Company, directly or indirectly, is allocated a majority of partnership, limited liability company, association or other business entity gains or losses, or is or controls the managing director or general partner of such partnership, limited liability company, association or other business entity.

"TAX" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

"TAX RETURNS" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"WARRANTS" shall mean the common stock purchase warrants issued and delivered by the Company on the Closing Date, in substantially the form of Exhibit B hereto, and each common stock warrant issued and delivered in substitution or exchange for any such warrant.

(b) The words "HEREIN", "HEREOF" and "HEREUNDER" refer to this Agreement as a whole and not to any particular article, section or other subdivision of this Agreement.

ARTICLE II.

ISSUANCE AND SALE OF PREFERRED STOCK AND WARRANTS

II.1 NUMBER OF SHARES AND PRICE. On the terms and subject to the conditions of this Agreement, at the Closing, the Company shall issue to the Purchasers, 4,000 shares of Series B Preferred (the "PREFERRED SHARES") and Warrants to purchase 44,444 shares of Common Stock for an aggregate purchase price of \$4 million.

ARTICLE III.

CLOSING; CLOSING DELIVERIES

III.1 CLOSING. The closing of the transactions contemplated hereby (the "CLOSING") shall take place at 10:00 a.m. on April 7, 2000, at the offices of Kirkland & Ellis, New York, New York or at such other time, place and/or date as shall be agreed upon by the parties hereto. The date upon which the Closing occurs is referred to herein as the "CLOSING DATE".

III.2 PAYMENT FOR AND DELIVERY OF PREFERRED SHARES. At the Closing, the Company shall issue and deliver to the Purchasers stock certificates for the Preferred Shares duly registered in the name of each Purchaser, and duly executed Warrants executed in favor of each Purchaser exercisable for the Purchaser's pro rata share of 44,444 shares of Common Stock, against payment by such Purchaser, by wire transfer of immediately-available funds to the account designated by the Company, of the Purchaser's pro rata share of the purchase price set forth in Section 2.1.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to each Purchaser as follows:

IV.1 EXISTENCE; QUALIFICATION; SUBSIDIARIES. The Company and each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and has full corporate power and authority to conduct its business and own and operate its properties as now conducted, owned and operated. The copies of the Certificate of Incorporation and By-Laws of the Company and all amendments thereto previously delivered to the Purchasers are true, correct and complete copies of such documents. The Company and each Subsidiary is licensed or qualified as a foreign corporation and is in good standing in all jurisdictions where such Person is required to be so licensed or qualified, except where the failure to be so licensed, qualified or in good standing would not have a Material Adverse Effect. Except as set forth on SCHEDULE 4.1, the Company has no Subsidiaries and owns no capital stock or other securities of, and has not made any other investment in, any other entity. All of the issued shares of capital stock of each Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or adverse claims other than liens securing the obligations under the Credit Agreement.

IV.2 AUTHORIZATION AND ENFORCEABILITY; ISSUANCE OF SHARES.

(a) The Company has full power and authority and has taken all required corporate and other action necessary to permit it to execute and deliver this Agreement and the Related Documents and to carry out the terms hereof and thereof and to issue and deliver the Preferred Shares, the Conversion Shares (including adoption of the Certificate of Designation), the Warrants and the shares of Common Stock issuable upon exercise of the Warrants, and none of such actions will violate any provision of the Certificate of Incorporation of the Company, the By-Laws of the Company or of any applicable law, regulation, order, judgment or decree or rule of the stock exchange where the Company's Common Stock is listed, or, except as set forth on SCHEDULE 4.2, result in the breach of or constitute a default (or an event which, with notice or lapse of time or both would constitute a default) under any material agreement, instrument or understanding to which the Company is a party or by which it is bound or by which it will become bound as a result of the transaction contemplated by this Agreement. This Agreement and each of the Related Documents constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium and similar laws of general application related to the enforcement of creditor's rights generally and (ii) general principles of equity.

(b) The Preferred Shares and Warrants have been duly authorized and, when issued and delivered in accordance with this Agreement, will be validly issued and outstanding. The Preferred Shares and Warrants and, when issued, the Conversion Shares and the shares of Common Stock issuable upon exercise of the Warrants, will be fully paid and nonassessable. The Conversion Shares and the shares of Common Stock issuable upon exercise of the Warrants have been duly

reserved for issuance upon conversion of the Preferred Shares or exercise of the Warrants and, when so issued, will be duly authorized, validly issued and outstanding, fully paid and nonassessable shares of Common Stock. Neither the issuance and delivery of the Preferred Shares or Warrants nor the issuance and delivery of any Conversion Shares upon conversion of any Preferred Shares or shares of Common Stock issuable upon exercise of the Warrants is subject to any preemptive right of any stockholder of the Company or to any right of first refusal or other similar right in favor of any Person which has not been waived.

IV.3 CAPITALIZATION. As of the Closing, and upon the acceptance for filing of the Certificate of Designation, the authorized capital stock of the Company shall consist of (i) 20,000,000 shares of Common Stock, par value \$0.01 per share, of which 5,580,600 shares are outstanding, 444,444 shares are reserved for issuance upon conversion of the Preferred Shares, 923,900 shares are reserved for issuance upon the exercise of certain stock options and warrants, and 44,444 shares are reserved for issuance upon the exercise of the Warrants and (ii) 5,000,000 shares of Preferred Stock, par value \$0.01 per share, of which 200,000 shares are designated as Series A Preferred Stock and 8,000 shares are designated Series B Preferred Stock. At the time of the Closing, all of the outstanding capital stock will be validly issued, fully paid and nonassessable and will have been issued in compliance with all applicable securities laws (including the provisions of the Securities Act and the rules and regulations promulgated thereunder). Except as set forth on SCHEDULE 4.3, as of the Closing, the Company has not granted or issued any options, convertible securities, warrants, calls, pledges, transfer restrictions (except restrictions imposed by federal and state securities laws), liens, rights of first offer, rights of first refusal, antidilution provisions or commitments of any character relating to any issued or unissued shares of capital stock of the Company other than as contemplated in the Related Documents. Except as contemplated by this Agreement and the Related Documents or as set forth in SCHEDULE 4.3, there are no preemptive or other preferential rights applicable to the issuance and sale of securities of the Company, including the Preferred Shares.

IV.4 PRIVATE SALE; VOTING AGREEMENTS. Assuming the accuracy of the representations and warranties made by recipients of the Company's capital stock made in connection with the acquisition of such capital stock, the Company has not violated any applicable federal or state securities laws in connection with the offer, sale and issuance of any of its capital stock. Subject to the accuracy of the Purchaser's representations contained herein, neither the offer, sale and issuance of the Preferred Shares and Warrants hereunder nor the issuance and delivery of any Preferred Shares, Warrants or Conversion Shares or shares of Common Stock issuable upon exercise of the Warrants upon conversion of any Preferred Shares or exercise of the Warrants requires registration under the Securities Act or any state securities laws.

IV.5 FINANCIAL STATEMENTS; DISCLOSURE.

(a) The Financial Statements (together with the notes thereto, as applicable), (i) are true, correct and complete in all material respects, (ii) are in accordance with the books and records of the Company and (iii) fairly present, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods indicated, in accordance with

GAAP except that the unaudited balance sheets and related financial statements do not contain an auditors' opinion and do not contain footnotes and are subject to normal year-end audit adjustments.

(b) As of its filing date, each document filed with the SEC by the Company, as amended or supplemented prior to the Closing Date, if applicable, pursuant to the Securities Act and/or the Exchange Act (i) complied in all material respects with the applicable requirements of the Securities Act and/or Exchange Act and (ii) did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each final registration statement filed with the SEC by the Company pursuant to the Securities Act, as of the date such statement became effective (i) complied in all material respects with the applicable requirements of the Securities Act and (ii) did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus, in light of the circumstances under which they were made).

IV.6 ABSENCE OF CERTAIN CHANGES.

(a) Except as set forth on SCHEDULE 4.6 since the date of the Current Balance Sheet, neither the Company nor any Subsidiary has:

(A) incurred any Liabilities other than current Liabilities incurred, or obligations under contracts entered into, in the Ordinary Course of Business and for individual amounts not greater than \$100,000;

(B) paid, discharged or satisfied any claim, Lien or Liability, other than any claim, Lien or Liability (A) reflected or reserved against on the Current Balance Sheet and paid, discharged or satisfied in the Ordinary Course of Business since the date of the Current Balance Sheet or (B) incurred and paid, discharged or satisfied since the date of the Current Balance Sheet, in each case in the Ordinary Course of Business;

(C) sold, leased, assigned or otherwise transferred any of its assets, tangible or intangible (other than sales of inventory in the Ordinary Course of Business and use of supplies in the Ordinary Course of Business);

(D) permitted any of its assets, tangible or intangible, to become subject to any Lien (other than any Permitted Lien);

(E) written off as uncollectible any accounts receivable other than (1) in the Ordinary Course of Business, or (2) for amounts not greater than \$50,000;

(F) terminated or amended or suffered the termination or amendment of, other than in the Ordinary Course of Business, or failed to perform in all material respects all of its obligations or suffered or permitted any material default to exist under, any material agreement, license or permit;

(G) suffered any damage, destruction or loss of tangible property (whether or not covered by insurance) which in the aggregate exceeds \$50,000;

(H) made any loan (other than intercompany advances) to any other Person (other than advances to employees in the Ordinary Course of Business which do not exceed \$5,000 individually or \$25,000 in the aggregate);

(I) canceled, waived or released any debt, claim or right in an amount or having a value exceeding \$50,000;

(J) paid any amount to or entered into any agreement, arrangement or transaction with any Affiliate (including its officers, directors and employees) outside the Ordinary Course of Business and which was not approved by a majority of the Company's disinterested directors;

(K) declared, set aside, or paid any dividend or distribution with respect to its capital stock or redeemed, purchased or otherwise acquired any of its capital stock;

(L) other than in the Ordinary Course of Business, granted any increase in the compensation of any officer or employee or made any other change in employment terms of any officer or employee;

(M) made any change in any method of accounting or accounting practice;

(N) to the Company's knowledge, suffered or caused any other occurrence, event or transaction outside the Ordinary Course of Business which has had or will have a Material Adverse Effect; or

(O) agreed, in writing or otherwise, to any of the foregoing.

(b) Since the date of the Current Balance Sheet there has been no Material Adverse Change.

IV.7 LITIGATION. Except as set forth in Schedule 4.7, as of the date hereof no claim, suit, proceeding or investigation is pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any officer or director thereof or the Company's and the Subsidiaries' business which if decided adversely to any such person could have a Material Adverse Effect.

IV.8 LICENSES, COMPLIANCE WITH LAW, OTHER AGREEMENTS, ETC. The Company and each Subsidiary have all material franchises, permits, licenses and other rights to allow it to conduct its business and is not in violation in any material respects of any order or decree of any court, or of any law, order or regulation of any Governmental Agency, or of the provisions of any material contract or agreement to which it is a party or by which it is bound, and neither this Agreement nor the Related Documents nor the transactions contemplated hereby or thereby will

result in any such violation, except where the failure to have any such franchise, permit or license or any such violation would not in the aggregate be expected to have a Material Adverse Effect. The Company's and the Subsidiaries' business has been conducted in all material respects in compliance with all federal, state and local laws, ordinances, rules and regulations, except where such violations, defaults or noncompliance would not in the aggregate have a Material Adverse Effect.

IV.9 THIRD-PARTY APPROVALS. Assuming the accuracy of the representations and warranties of the Purchasers contained in this Agreement, except as set forth on SCHEDULE 4.9, the Company is not required to obtain any order, consent, approval or authorization of, or to make any declaration or filing with, any Governmental Agency or other third party (including under any state securities or "blue sky" laws) in connection with the execution and delivery of this Agreement or the Related Documents, or the consummation of the transactions contemplated hereby or thereby to occur on the Closing Date, except for (i) filings on Form D under the Securities Act, and (ii) any consents, approvals or authorizations the failure to obtain which would not in the aggregate have a Material Adverse Effect.

IV.10 NO UNDISCLOSED LIABILITIES. To the Company's knowledge, neither the Company nor any of its Subsidiaries has any Liabilities except (i) as and to the extent of the amounts reflected or reserved against on the Current Balance Sheet (excluding the footnotes thereto), (ii) liabilities and obligations incurred in the Ordinary Course of Business since the date thereof, (iii) such other liabilities that in the aggregate will not result in a Material Adverse Effect, and (iv) Liabilities under the Credit Agreement (as defined therein).

IV.11 TANGIBLE ASSETS. The Company and its Subsidiaries own or lease all tangible assets used or reasonably necessary in connection with the conduct of its business. Other than the Liens imposed pursuant to the Credit Agreement, all material tangible assets are free from any Liens (other than Permitted Liens), are free from any material defects, have been maintained in accordance with normal industry practice and any regulatory standard or procedure to which such assets are subject, are in good operating condition and repair in all material respects (subject to normal wear and tear) and are suitable in all material respects for the purposes for which such assets are used or proposed to be used, other than Liens, defects and wear and tear which in the aggregate would not be expected to have a Material Adverse Effect.

IV.12 INVENTORY. All inventory of the Company and its Subsidiaries, whether reflected on the Current Balance Sheet or otherwise, consists of a quality and quantity usable or salable in the Ordinary Course of Business, subject to the reserves set forth on the Current Balance Sheet and subject to normal rates of defect or obsolescence not inconsistent with the Company's historical experience.

IV.13 OWNED REAL PROPERTY. The Company and its Subsidiaries own no real property.

IV.14 REAL PROPERTY LEASES. There exists no event of default (nor, to the Company's knowledge, any event which with notice or lapse of time would constitute an event of default) with respect to the Company, any Subsidiary and, to the Company's knowledge, with

respect to any other party thereto under any agreement pursuant to which the Company is the lessee or lessor of any real property, except for such defaults and defects in enforceability as would not in the aggregate be expected to have a Material Adverse Effect, and all such agreements are in full force and effect and enforceable against the lessor or lessee in accordance with their terms except for such defaults and defects in enforceability as would not in the aggregate be expected to have a Material Adverse Effect.

IV.15 AGREEMENTS. Neither the Company nor any Subsidiary is in default, nor to the knowledge of the Company is there any basis for a valid claim of default, and to the Company's knowledge no event has occurred which, with notice or lapse of time, would constitute a default, under any agreement, arrangement or understanding to which the Company or any Subsidiary is a party, and to the knowledge of the Company no other Person is in default under any such agreement, in each case other than defaults which in the aggregate would not be expected to have a Material Adverse Effect. Additionally, neither the Company nor any Subsidiary is party to any agreement the performance of which in accordance with its terms (including any termination provision thereof) would be expected to have a Material Adverse Effect (which term, for the purposes of this sentence only, shall not include the prospects of the Company and its Subsidiaries taken as a whole).

IV.16 INTELLECTUAL PROPERTY. SCHEDULE 4.16 sets forth a complete list of (i) all patented or registered Intellectual Property owned by the Company, and all applications to register or patent any such Company Intellectual Property; and (ii) all trade names and material unregistered trademarks used by the Company in connection with its business. The Company owns and possesses all right, title and interest in and to, or has a valid and enforceable license to use, the Intellectual Property necessary for the operation of its business as currently conducted and as currently proposed to be conducted, and no claim by any third party contesting the validity, enforceability, use or ownership of such Intellectual Property has been made or, to the knowledge of the Company, is threatened. To the Company's knowledge, the Company has not infringed or misappropriated the Intellectual Property of any third party.

IV.17 EMPLOYEES. Except as set forth on SCHEDULE 4.17, since the date of the Current Balance Sheet, no key employees and no group of employees has terminated, or to the knowledge of the Company plans to terminate, employment with the Company or any Subsidiary, as applicable. Except as set forth on SCHEDULE 4.17, the Company is not a party to or bound by any collective bargaining agreement, nor has it experienced any strike, material grievance, material claim of unfair labor practice or other collective bargaining dispute. Except as set forth on Schedule 4.17, to the knowledge of the Company there is no organizational effort being made or threatened by or on behalf of any labor union with respect to its employees. To the Company's knowledge, the Company has not committed any unfair labor practice or materially violated any federal, state or local law or regulation regulating employers or the terms and conditions of its employees' employment, including laws regulating employee wages and hours, employment discrimination, employee civil rights, equal employment opportunity and employment of foreign nationals, except for such violations as would not in the aggregate be expected to have a Material Adverse Effect.

IV.18 ERISA; EMPLOYEE BENEFITS. Each Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal

Revenue Service or has timely filed for a favorable determination letter from the Internal Revenue Service and no event has occurred since the date of the last determination letter that could reasonably be expected to materially adversely affect the qualified status of such Plan. Each Plan is in full force and effect and has been administered in all material respects in accordance with its terms and is and has been, and each plan administrator and fiduciary of a Plan is acting and has been acting, in compliance in all material respects with all applicable requirements of the Code and ERISA (including the funding, reporting and disclosure and prohibited transaction provisions thereof) and other applicable laws, regulations and rulings in connection with each such Plan. No Plan has been terminated or partially terminated. The Company has no Plan which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA. The Company or one of its Subsidiaries has made, accrued or provided for all contributions required under each Plan. To the knowledge of the Company, no event has occurred or is reasonably expected to occur with respect to any employee pension benefit plan of the Company or any member of the Company's controlled group (within the meaning of Section 414 of the Code), which could reasonably be expected to directly or indirectly result in any material liability (other than liability arising in the ordinary course) to the Company or any member of its controlled group pursuant to Title IV of ERISA or Section 412 of the Code. No Plan has incurred an "accumulated funding deficiency" within the meaning of Section 412 of the Code or Section 302 of ERISA.

IV.19 ENVIRONMENT, HEALTH AND SAFETY.

Except as set forth on SCHEDULE 4.19,

(a) The Company (as used in this Section 4.19, Company shall include the Company's Subsidiaries) has complied and is in compliance in all material respects with all Environmental and Safety Requirements that are applicable to the Company's business.

(b) The Company has not received any written notice, report or other informationregarding any liabilities or potential liabilities (whether accrued, absolute, contingent, unliquidated or otherwise), including any investigatory, remedial or corrective obligations, relating to the Company or its facilities and arising under Environmental and Safety Requirements.

(c) The Company has not, either expressly or by operation of law, assumed or undertaken any liability, including without limitation any obligation for corrective or remedial action, of any other Person relating to Environmental and Safety Requirements.

IV.20 TRANSACTIONS WITH AFFILIATES. Except as disclosed in filings made by the Company with the SEC pursuant to the Securities Act and the Exchange Act, neither the Company nor any Subsidiary is party to any agreement, arrangement or transaction with any Affiliate which is material to the Company's and its Subsidiaries business, taken as a whole.

IV.21 TAXES.

Except as set forth on SCHEDULE 4.21,

(a) Each of the Company and its Subsidiaries has filed all Tax Returns that it was required to file, and has paid all Taxes shown thereon as owing, except where the failure to file Tax Returns or to pay Taxes would not in the aggregate have a Material Adverse Effect.

(b) None of the Company and its Subsidiaries (A) has been a member of an affiliated group filing a consolidated federal Tax Return (other than a group the common parent of which was the Company) or (B) has any Liability for the Taxes of any Person (other than any of the Company and its Subsidiaries) under Treas. Reg. Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

(c) Each of the Company and its Subsidiaries has withheld and paid in all material respects all taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(d) There is no dispute or claim concerning any Tax Liability of any of the Company and its Subsidiaries either (A) claimed or raised by any authority in writing or (B) as to which any of the directors and officers (and employees responsible for Tax matters) of the Company and its Subsidiaries has knowledge based upon personal contact with any agent of such authority and which is material to the Company and its Subsidiaries taken as a whole.

IV.22 OTHER INVESTORS. Set forth on SCHEDULE 4.22 is a list of all shareholders of the Company who as of the date hereof and to the Company's knowledge, based upon SEC filings of shareholders, after giving effect to the terms hereof, own more than 5% of the fully diluted common equity of the Company and sets forth such percentage ownership.

IV.23 YEAR 2000 REPRESENTATIONS.

(a) None of the computer software, computer firmware, computer hardware (whether general or special purpose) or other similar or related items of automated, computerized or software systems that are used or relied on by the Company or by any of its Subsidiaries in the conduct of their respective businesses has malfunctioned, ceased to function, generated incorrect data or produced incorrect results when processing, providing or receiving (i) date-related data from, into and between the twentieth and twenty-first centuries or (ii) date-related data in connection with any valid date in the twentieth and twenty-first centuries.

(b) None of the products and services sold, licensed, rendered, or otherwise provided by the Company or by any of its Subsidiaries in the conduct of their respective businesses has malfunctioned, ceased to function, generated incorrect data or produced incorrect results when processing, providing or receiving (i) date-related data from, into and between the twentieth and twenty-first centuries or (ii) date-related data in connection with any valid date in the twentieth and twenty-first centuries; and, accordingly, neither the Company nor any of its Subsidiaries is or has been subject to any claim, demand, action, suit, liability, damage, material loss, or material expense arising from, or related to, circumstances where such products and services malfunctioned, ceased to function, generated incorrect data, or produced incorrect results when processing, providing or

receiving (i) date-related data from, into and between the twentieth and twenty-first centuries or (ii) date-related data in connection with any valid date in the twentieth and twenty-first centuries.

IV.24 SENIORITY. No class of equity securities of the Company is senior or pari passu to the Preferred Shares in right of payment, whether upon liquidation, dissolution or otherwise.

IV.25 INVESTMENT COMPANY. The Company is not, and is not controlled by or under common control with an affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

IV.26 CERTAIN FEES. Other than fees and expenses due and payable to McFarland Dewey Securities Co. L.P. as listed on SCHEDULE 4.26, no fees or commissions will be payable by the Company to any broker, financial advisor, finder, investment banker, or bank with respect to the transactions contemplated by this Agreement. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of McFarland Dewey Securities Co. L.P. or other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by this Agreement. The Company shall indemnify and hold harmless each of the Purchasers, its employees, officers, directors, agents and partners, and their respective affiliates (as such term is defined under Rule 405 promulgated under the Securities Act), from and against all claims, losses, damages, costs (including the costs of preparation and attorney's fees) and expenses suffered in respect to any such claimed or existing fees.

IV.27 SOLICITATION MATERIALS. The Company has not (i) distributed any offering materials in connection with the offering and sale of the Preferred Shares other than the disclosure materials delivered to Purchasers (the "Disclosure Materials") or (ii) solicited any offer to buy or sell the Preferred Shares by means of any form of general solicitation or advertising.

IV.28 FORM S-3 ELIGIBILITY. As of the date hereof, the Company is eligible to register securities for resale with the SEC under Form S-3 promulgated under the Securities Act.

IV.29 LISTING AND MAINTENANCE REQUIREMENTS COMPLIANCE. (A) The Company has not received notice (written or oral) from the Nasdaq Stock Market's National Market that the Company is not in compliance with the listings or maintenance requirements of such Exchange.

(B) Upon conversion of the Preferred Shares into shares of Common Stock and upon exercise of the Warrants, all Conversion Shares and shares of Common Stock issuable upon exercise of the Warrants shall be listed on the Nasdaq Stock Market's National Market.

IV.30 REGISTRATION RIGHTS; RIGHTS OF PARTICIPATION. Except as described on Schedule 4.30 hereto, (A) the Company has not granted or agreed to grant to any Person any rights (including "piggy-back" registration rights) to have any securities of the Company registered with the SEC or any other governmental authority which has not been satisfied and (B) no Person, including, but not limited to, current or former shareholders of the Company, underwriters, brokers or agents, has any right of first refusal, preemptive right, right of participation, or any similar right

to participate in the transactions contemplated by this Agreement or any other related document which has not been waived.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

Each Purchaser hereby represents and warrants to the Company as follows:

V.1 AUTHORIZATION AND ENFORCEABILITY. Such Purchaser has taken all action necessary to permit it to execute and deliver this Agreement and the other documents and instruments to be executed by it pursuant hereto and to carry out the terms hereof and thereof. This Agreement and each such other document and instrument, when duly executed and delivered by such Purchaser, will constitute a valid and binding obligation of such Purchaser, enforceable against such Purchaser in accordance with its terms.

V.2 GOVERNMENT APPROVALS. Such Purchaser is not required to obtain any order, consent, approval or authorization of, or to make any declaration or filing with, any Governmental Agency in connection with the execution and delivery of this Agreement and the other documents and instruments to be executed by it pursuant hereto or the consummation of the transactions contemplated hereby and thereby, except for such order, consent, approval, authorization, declaration or filing as which has been or will be obtained or made.

ARTICLE VI.
COMPLIANCE WITH SECURITIES LAWS

VI.1 INVESTMENT INTENT OF PURCHASERS. Each Purchaser represents and warrants to the Company that it is acquiring the Preferred Shares and Warrants for its own account, with no present intention of selling or otherwise distributing the same to the public.

VI.2 STATUS OF PREFERRED SHARES AND WARRANTS. Each Purchaser has been informed by the Company that the Preferred Shares and Warrants have not been and will not be registered under the Securities Act or under any state securities laws and are being offered and sold in reliance upon federal and state exemptions for transactions not involving any public offering.

VI.3 SOPHISTICATION AND FINANCIAL CONDITION OF PURCHASER. Each Purchaser represents and warrants to the Company that it is an "Accredited Investor" as defined in Regulation D under the Securities Act and that it considers itself to be an experienced and sophisticated investor and to have such knowledge and experience in financial and business matters as are necessary to evaluate the merits and risks of an investment in the Preferred Shares and the Warrants.

VI.4 TRANSFER OF PREFERRED SHARES, WARRANTS AND CONVERSION SHARES.

(a) Preferred Shares, Warrants, Conversion Shares and shares of Common Stock issuable upon exercise of the Warrants may be transferred pursuant to (i) public offerings registered under the Securities Act, (ii) Rule 144 of the SEC (or any similar rule then in force), (iii) to an Affiliate of the transferor, or (iv) subject to the conditions set forth in Section 6.4(b), any other legally-available means of transfer.

(b) In connection with any transfer of any Preferred Shares, Warrants, Conversion Shares or shares of Common Stock issuable upon exercise of the Warrants (other than a transfer described in Section 6.4(a)(i), (ii) or (iii)), the holder of such shares shall deliver written notice to the Company describing in reasonable detail the proposed transfer, together with an opinion of counsel (Kirkland & Ellis or such other counsel which, to the Company's reasonable satisfaction, is knowledgeable in securities law matters) to the effect that such transfer may be effected without registration of such shares under the Securities Act. The holder of the shares being transferred shall not consummate the transfer until (i) the prospective transferee has confirmed to the Company in writing its agreement to be bound by the provisions of this Section 6.4 or (ii) such holder shall have delivered to the Company an opinion of such counsel that no subsequent transfer of such Preferred Shares or Conversion Shares shall require registration under the Securities Act. Promptly upon receipt of any opinion described in clause (ii) of the preceding sentence, the Company shall prepare and deliver in connection with the consummation of the proposed transfer, new certificates for the Preferred Shares or Conversion Shares being transferred that do not bear the legend set forth in Section 6.4(c).

(c) Except as provided in Section 6.4(b), until transferred pursuant to clauses (a)(i) or (a)(ii) above, each certificate for Preferred Shares, Warrants, Conversion Shares or shares of Common Stock issuable upon exercise of the Warrants shall be imprinted with a legend substantially in the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON APRIL 7, 2000 AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR ANY APPLICABLE STATE SECURITIES LAW. THE TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE CONDITIONS SET FORTH IN THE PREFERRED STOCK PURCHASE AGREEMENT DATED AS OF MARCH 20, 2000 BETWEEN THE ISSUER (THE "COMPANY"). THE COMPANY RESERVES THE RIGHT TO REFUSE ANY TRANSFER OF SUCH SECURITIES UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED WITH RESPECT TO SUCH TRANSFER. A COPY OF SUCH CONDITIONS SHALL BE FURNISHED WITHOUT CHARGE TO THE HOLDER HEREOF UPON WRITTEN REQUEST TO THE COMPANY.

ARTICLE VII.
CONDITIONS PRECEDENT

VII.1 CLOSING DELIVERIES TO THE PURCHASERS. The following documents and items shall be delivered to the Purchasers at or prior to the Closing:

(a) Evidence acceptable to the Purchasers of adoption by the Company of the Certificate of Designation;

(b) A fully executed and delivered counterpart of the Registration Rights Agreement;

(c) A fully executed and delivered Warrant in the form EXHIBIT B hereto dated as of the Closing Date;

(d) The written opinion of Shipman & Goodwin LLP, counsel for the Company, in the form of EXHIBIT E hereto dated as of the Closing Date;

(e) certificates of a duly authorized officer of the Company dated as of the Closing Date:

(A) stating that the following conditions have been satisfied as of the Closing Date,

(i) the representations and warranties of the Company contained herein and in any writing delivered pursuant hereto shall be true and correct when made and at and as of the time of the Closing;

(ii) no action, suit, investigation or proceeding shall be pending or threatened before any court or Governmental Agency to restrain, prohibit, collect damages as a result of or otherwise challenge this Agreement or any Related Document or any transaction contemplated hereby or thereby;

(iii) All acts or covenants required hereunder to be performed by the Company prior to the Closing shall have been fully performed by it;

(iv) No Material Adverse Change shall have occurred between the date of the Current Balance Sheet and the Closing Date; and

(B) setting forth the resolutions of the board of directors of the Company authorizing the execution and delivery of this Agreement and the Related Documents (including the Certificate of Designation) and the consummation of the transactions contemplated hereby and thereby and certifying that such resolutions were duly adopted and have not been rescinded or amended;

(f) such other documents relating to the transactions contemplated hereby as Purchasers may reasonably request.

VII.2 CLOSING DELIVERIES TO THE COMPANY. At Closing, each Purchaser will deliver to the Company the aggregate purchase price for the Preferred Shares purchased by it.

ARTICLE VIII.
COVENANTS OF THE COMPANY

VIII.1 RESTRICTED ACTIONS. Without the prior written consent of the holders of a majority of the then outstanding Preferred Shares, the Company shall not, and shall not permit any Subsidiary to:

(a) become subject to any agreement or instrument which by its terms would (under any circumstances) restrict the Company's right to comply with the terms of this Agreement or any of the Related Documents;

(b) use the proceeds from the sale of the Preferred Shares and Warrants other than (i) primarily for acquisitions of assets or businesses reasonably related to the Company's existing business, and repayment of indebtedness, and (ii) the remainder for other working capital purposes of the Company;

(c) enter into any transaction including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service, with any Affiliate, except for transactions (including any investments, loans or advances by or to any Affiliate) conducted in good faith, the terms of which are fair and reasonable to the Company. Any such transactions in excess of \$100,000 per occurrence or \$250,000 in the aggregate (\$250,000/\$500,000 in the case of transactions with a wholly owned subsidiary) must be approved by the Board of Directors, including, in the event the relevant Affiliate is an entity controlled by any director (although not a Subsidiary or a member of such director's immediate family (in either case, the "Interested Director) a majority of the directors other than the Interested Director;

(d) grant a stock option under any employee benefit plan or director stock plan at an exercise price below the fair market value on the date of grant of such option other than purchases for Common Stock, up to an aggregate of 50,000 shares, pursuant to the 2000 Employee Stock Purchase Plan; or

(e) expand the Company's Board of Directors to greater than six members.

VIII.2 REQUIRED ACTIONS. For so long as at least 25% of the Preferred Shares remain outstanding, the Company shall, and shall cause each Subsidiary to:

(a) use its best efforts to at all times file all reports (including annual reports, quarterly reports and the information, documentation and other reports) required to be filed by the Company under the Exchange Act and Sections 13 and 15 of the rules and regulations adopted by the SEC thereunder, and the Company shall use its best efforts to file each of such reports on a

timely basis, and take such further action as any holder or holders of Securities may reasonably request, all to the extent required to enable such holders to sell Securities pursuant to Rule 144 adopted by the SEC under the Securities Act (as such rule may be amended from time to time) or any similar rule or regulation hereafter adopted by the SEC and to enable the Company to register securities with the SEC on Form S-3 or any similar short-form registration statement and upon the filing of each such report deliver a copy thereof to each holder of the Preferred Shares (or, if the Company is no longer subject to the requirements of the Exchange Act, provide reports in substantially the same form and at the same times as would be required if it were subject to the Exchange Act);

(b) use its best efforts to maintain at all times a valid listing for the Common Stock on a national securities exchange or the Nasdaq Stock Market's National Market;

(c) within fifteen (15) days after the Closing Date (but not before) and at each subsequent election of directors (and each Purchaser agrees to use its best efforts to) elect to the Board of Directors of the Company pursuant to Section 6A of the Certificate of Designation (x) one individual designated by the holders of the Preferred Shares until such time as the shares of Common Stock into which the then-outstanding Preferred Shares held by Advance are convertible when added to the then-outstanding shares of Common Stock held by Advance that were issued upon conversions of Preferred Shares, in each case not including any such shares distributed to its partners, represent (a) fifty percent (50%) or less of the number of shares of Common Stock into which all of the Preferred Shares issued pursuant to the Purchase Agreement were convertible on the date they were issued, and (b) five percent (5%) or less of the number of shares of Common Stock then outstanding on a fully diluted basis. At any time after the holders of the Series B Preferred cease to have the right to elect a member of the Company's Board of Directors, promptly (and in any event not more than ten (10) business days) after a majority of the other directors request the resignation of the director elected by the holders of the Series B Preferred, such director shall resign from the Company's Board of Directors.

VIII.3 RESERVATION OF COMMON STOCK. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purposes of issuance upon conversion of the Preferred Shares or exercise of the Warrants, such number of shares of Common Stock as are issuable upon the conversion of all outstanding shares of the Preferred Shares or exercise of the Warrants. All shares of Common Stock which are so issuable shall, when issued, be duly and validly issued, fully paid and nonassessable and free from all Taxes, liens and charges. The Company shall take all such actions as may be necessary to assure that all such shares of Common Stock may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which shares of Common Stock may be listed (except for official notice of issuance which shall be immediately transmitted by the Company upon issuance).

ARTICLE IX.
SURVIVAL

IX.1 SURVIVAL. The representations and warranties of the parties hereto contained herein, shall survive the Closing and expire on September 30, 2001.

ARTICLE X.
INDEMNIFICATION

X.1 INDEMNIFICATION.

(a) In consideration of each Purchaser's execution and delivery of this Agreement and acquiring the Preferred Shares and Warrants hereunder and in addition to all of the Company's other obligations under this Agreement, the Company shall defend, protect, indemnify and hold harmless each Purchaser and all of its officers, directors, employees and agents (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses (including, without limitation, costs of suit and reasonable attorneys' fees and expenses) in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought) (the "Indemnified Liabilities"), incurred by the Indemnitees or any of them as a result of, or arising out of, or relating to (a) the breach of any representation or warranty contained in this Agreement or in any Related Document, or (b) the execution, delivery, performance or enforcement of this Agreement and any other instrument, document or agreement executed pursuant hereto by any of the Indemnitees. The Company shall reimburse the Indemnitees for the Indemnified Liabilities as such Indemnified Liabilities are incurred. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

(b) No claim may be made against the Company for indemnification pursuant to this Section 10.1 with respect to any individual item of liability or damage unless the aggregate of all such liabilities and damages of the Purchaser with respect to this Section 10.1 shall have exceeded \$40,000.00 (at which point the Company shall be liable for all claims including the first \$40,000.00). The Purchaser shall not be indemnified pursuant to this Section 10.1 with respect to any individual item of liability or damage if the aggregate of all liabilities and damages of the Purchaser for which the Purchaser has received indemnification pursuant to this Section 10.1 shall have exceeded an amount equal to \$4,000,000.00. For the purpose of this Section 10.1(b), in computing such individual or aggregate amounts of claims, the amount of each claim shall be deemed to be an amount (i) net of any Tax benefit to the Purchaser or any Affiliate thereof, (ii) net of any insurance proceeds and any indemnity, contribution or other similar payment recovered by the Purchaser or any Affiliate from any third party with respect thereto and (iii) net of any reserves provided for the item in question in the Current Balance Sheet.

(c) Payments by the Company pursuant to Section 10.1 (a) shall be limited to the amount of any liability or damage that remains after deducting therefrom (i) any Tax benefit to the Purchaser or any Affiliate thereof and (ii) any insurance proceeds and any indemnity, contribution

or other similar payment recovered by the Purchaser or any Affiliate from any third party with respect thereto and (iii) net of any reserves provided for the item in question in the Current Balance Sheet with respect to the subject matter in dispute.

(d) Notwithstanding anything to the contrary set forth herein, the Purchaser shall not be entitled to be indemnified for any liability or damage that arises out of (i) the Purchaser's gross negligence or willful misconduct, or (ii) any decline in the price of the Company's Common Stock due solely to a general market decline or events affecting the Company's lines of business generally.

ARTICLE XI.
GENERAL PROVISIONS

XI.1 RIGHT OF FIRST OFFER.

(a) At least 30 days prior to making any transfer of any Preferred Shares, Warrants, Conversion Shares or shares of Common Stock issuable upon exercise of the Warrants (other than a Public Sale or a transfer to Affiliates or partners of the holder of such shares) (a "Transfer"), the holder of such shares being transferred (the "Transferring Shareholder") shall deliver a written notice (an "Offer Notice") to the Company. The Offer Notice shall disclose in reasonable detail the proposed number of Preferred Shares, Warrants, Conversion Shares and shares of Common Stock to be transferred (the "Transfer Shares"), the proposed terms and conditions of the Transfer and the identity of the prospective transferee(s) (if known). The Company may elect to purchase all (but not less than all) of the Transfer Shares specified in the Offer Notice at the price and on the terms specified therein by delivering written notice of such election to the Transferring Shareholder as soon as practical but in any event within fourteen (14) days after the delivery of the Offer Notice (the "Election Period"). If the Company elects to purchase the Transfer Shares, the transfer of such shares shall be consummated as soon as practical after the delivery of the election notice(s) to the Transferring Shareholder, but in any event within 15 days after the expiration of the Election Period. To the extent that the Company has not elected to purchase all of the Transfer Shares being offered, the Transferring Shareholder may, within 90 days after the expiration of the Election Period and subject to the provisions of subparagraph (c) below, transfer such Transfer Shares to one or more third parties at a price no less than 95% of the price per share specified in the Offer Notice and on other terms no more favorable to the transferees thereof than offered to the Company in the Offer Notice. Any Transfer Shares not transferred within such 90-day period shall be reoffered to the Company under this paragraph 11.1(a) prior to any subsequent Transfer. The purchase price specified in any Offer Notice shall be payable solely in cash at the closing of the transaction.

(b) The restrictions set forth in this paragraph 11.1 shall not apply with respect to any Transfer by any Shareholder, among its Affiliates or partners; provided that the restrictions contained in this paragraph 5 shall continue to be applicable to the Transfer Shares after any such Transfer and provided further that the transferees of such Transfer Shares shall have agreed in writing to be bound by the provisions of this Agreement affecting the Transfer Shares so transferred.

XI.2 STANDSTILL. So long as the holders of Preferred Shares beneficially own 12.5% or more of the Common Stock then outstanding (on a fully-diluted basis), the holders of Preferred Shares shall be precluded from purchasing any other security of the Company (except by conversion of the Preferred Shares, the exercise of the Warrants, or purchases from Affiliates through Transfers permitted pursuant to Section 11.1 above) without the prior approval of the Board of Directors. For purposes of this provision, a Person will be deemed to be a beneficial owner of Common Stock whenever such Person has the right to acquire directly or indirectly such Common Stock (upon conversion or exercise in connection with a transfer of securities or otherwise, but disregarding any restrictions or limitations upon the exercise of such right), whether or not such acquisition has actually been effected.

XI.3 SUCCESSORS AND ASSIGNS. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, including each subsequent holder of Preferred Shares or Conversion Shares. Except as otherwise specifically provided herein, this Agreement shall not be assignable by any party without the prior written consent of the other parties hereto.

XI.4 ENTIRE AGREEMENT. This Agreement and the other writings referred to herein or delivered pursuant hereto constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior arrangements or understandings.

XI.5 NOTICES. All notices, requests, consents and other communications provided for herein shall be in writing and shall be (i) delivered in person, (ii) transmitted by telecopy, (iii) sent by first-class, registered or certified mail, postage prepaid, or (iv) sent by reputable overnight courier service, fees prepaid, to the recipient at the address or telecopy number set forth below, or such other address or telecopy number as may hereafter be designated in writing by such recipient. Notices shall be deemed given upon personal delivery, seven days following deposit in the mail as set forth above, upon acknowledgment by the receiving telecopier or one day following deposit with an overnight courier service.

(a) If to the Company:

TransAct Technologies Incorporated
7 Laser Lane
Wallingford, CT 06492
Attention: Bart C. Shuldman

with a copy to:

Shipman & Goodwin LLP
One American Row
Hartford, CT 06103
Telecopy: (860) 251-5900
Attention: John E. Kreitler, Esq.

(b) If to Advance:

Advance Capital Partners, L.P.
660 Madison Avenue
15th Floor
New York, New York 10021
Telecopy: (212) 835-2020
Attention: Jeffrey T. Leeds

with a copy to:

Kirkland & Ellis
153 East 53rd Street
New York, New York 10022
Telecopy: (212) 446-4900
Attention: Joshua N. Korff, Esq.

XI.6 PURCHASERS FEES AND EXPENSES. The Company shall reimburse the Purchasers for the reasonable fees and expenses of Kirkland & Ellis incurred in connection with the documentation, negotiation and consummation of the transactions contemplated by this Agreement and the Related Documents (including any future amendments or waivers thereto) and for reasonable fees and expenses related to the purchase of Preferred Stock and Warrants hereunder incurred by the Purchasers. Purchasers will use their best efforts to limit the fees/expenses for special counsel to \$50,000.

XI.7 AMENDMENT AND WAIVER. No amendment of any provision of this Agreement shall be effective, unless the same shall be in writing and signed by the Company and the holders of greater than 50% of the Preferred Shares. Any failure of the Company to comply with any provision hereof may only be waived in writing by the holders of greater than 50% of the Preferred Shares and any failure of any holder of Preferred Shares to comply with any provision hereof may only be waived in writing by the Company. No such waiver shall operate as a waiver of, or estoppel with respect to, any subsequent or other failure. No failure by any party to take any action against any breach of this Agreement or default by any other party shall constitute a waiver of such party's right to enforce any provision hereof or to take any such action.

XI.8 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement.

XI.9 HEADINGS. The headings of the various sections of this Agreement have been inserted for reference only and shall not be deemed to be a part of this Agreement.

XI.10 SPECIFIC PERFORMANCE. The Company, on the one hand, and the Purchasers, on the other hand, acknowledges that money damages would not be a sufficient remedy for any breach of this Agreement. It is accordingly agreed that the parties shall be entitled to specific

performance and injunctive relief as remedies for any such breach, these remedies being in addition to any of the remedies to which they may be entitled at law or equity.

XI.11 REMEDIES CUMULATIVE. Except as otherwise provided herein, the remedies provided herein shall be cumulative and shall not preclude the assertion by any party hereto of any other rights or the seeking of any other remedies against any other party hereto.

XI.12 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL SUBSTANTIVE LAWS OF THE STATE OF DELAWARE WITHOUT GIVING EFFECT TO THE LAWS OF CONFLICT OR CHOICE OF LAWS OF THE STATE OF DELAWARE OR OF ANY OTHER JURISDICTION THAT WOULD RESULT IN THE APPLICATION OF ANY LAWS OTHER THAN THOSE OF THE STATE OF DELAWARE.

XI.13 NO THIRD PARTY BENEFICIARIES. Except as specifically set forth or referred to herein, nothing herein is intended or shall be construed to confer upon any person or entity other than the parties hereto and their successors or assigns, any rights or remedies under or by reason of this Agreement.

XI.14 SEVERABILITY. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

* * * * *

IN WITNESS WHEREOF, the parties have caused their duly authorized officers to execute this Agreement as of the date first above written.

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ Bart C. Shuldman

Name: Bart C. Shuldman
Title: CEO and President

ADVANCE CAPITAL PARTNERS, L.P.

By: Advance Capital Associates, L.P.,
its General Partner
By: Advance Capital Management, LLC,
its General Partner

By: /s/ Jeffrey T. Leeds

Name: Jeffrey T. Leeds
Title: Principal

ADVANCE CAPITAL OFFSHORE PARTNERS, L.P.

By: Advance Capital Offshore Associates, LDC,
its General Partner
By: Advance Capital Associates, L.P.,
its Majority Shareholder
By: Advance Capital Management, LLC,
its General Partner

By: /s/ Jeffrey T. Leeds

Name: Jeffrey T. Leeds
Title: Principal

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM TRANSACT TECHNOLOGIES INCORPORATED QUARTERLY REPORT ON FORM 10-Q FOR THE THREE MONTHS ENDED MARCH 25, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS	DEC-31-2000	JAN-01-2000	MAR-25-2000
			233
		0	
		6,572	
		0	
		11,209	
	19,564		14,460
		7,553	
		28,496	
	6,515		
			0
	0		
		0	
		56	
		11,925	
28,496			
		11,238	
			8,225
		11,562	
		(17)	
		0	
		154	
		(461)	
		(161)	
	(300)		
		0	
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			0
		(300)	
		(0.05)	
		(0.05)	