

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: September 25, 1999

OR

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

For the transition period from: to:
Commission file number: 0-21121

TRANSACT TECHNOLOGIES INCORPORATED
(Exact name of registrant as specified in its charter)

DELAWARE 06-1456680
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

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 OCTOBER 29, 1999 -----
COMMON STOCK, \$.01 PAR VALUE	5,561,200

TRANSACT TECHNOLOGIES INCORPORATED

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TRANSACT TECHNOLOGIES INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands) -----	SEPTEMBER 25, 1999 ----	December 31, 1998 ----
	(UNAUDITED)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 694	\$ 546
Receivables, net	6,538	5,153
Inventories	9,211	8,744
Other current assets	1,472	1,651
	-----	-----
Total current assets	17,915	16,094
	-----	-----
Plant and equipment, net	6,149	5,664
Excess of cost over fair value of net assets acquired	1,939	1,900
Other assets	173	130
	-----	-----
	8,261	7,694
	-----	-----
	\$ 26,176	\$ 23,788
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Bank loans payable	\$ -	\$ 725
Accounts payable	5,055	2,188
Accrued liabilities	3,403	3,074
	-----	-----
Total current liabilities	8,458	5,987
	-----	-----
Long term debt	4,700	5,075
Other liabilities	510	549
	-----	-----
	5,210	5,624
	-----	-----
Shareholders' equity:		
Common stock	55	56
Additional paid-in capital	5,536	5,763
Retained earnings	7,972	7,268
Unamortized restricted stock compensation	(714)	(903)
Loan receivable from officer	(330)	-
Accumulated other comprehensive income	(11)	(7)
	-----	-----
Total shareholders' equity	12,508	12,177
	-----	-----
	\$ 26,176	\$ 23,788
	=====	=====

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		NINE MONTHS ENDED	
	SEPTEMBER 25, 1999	September 26, 1998	SEPTEMBER 25, 1999	September 26, 1998
Net sales	\$ 13,020	\$ 13,600	\$ 34,745	\$ 39,380
Cost of sales	9,685	9,822	25,744	28,421
Gross profit	3,335	3,778	9,001	10,959
Operating expenses:				
Engineering, design and product development costs	803	1,006	2,393	2,822
Selling and marketing expenses	975	723	2,831	2,339
General and administrative expenses	1,156	1,095	3,362	3,357
	2,934	2,824	8,586	8,518
Operating income	401	954	415	2,441
Other income (expense):				
Interest, net	(89)	(110)	(274)	(238)
Other, net	759	2	785	17
	670	(108)	511	(221)
Income before income taxes	1,071	846	926	2,220
Income taxes	234	313	222	822
Net income	\$ 837	\$ 533	\$ 704	\$ 1,398
Net income per share:				
Basic	\$ 0.15	\$ 0.09	\$ 0.13	\$ 0.22
Diluted	\$ 0.15	\$ 0.09	\$ 0.13	\$ 0.22
Weighted average common shares outstanding:				
Basic	5,559	6,164	5,565	6,285
Diluted	5,656	6,166	5,589	6,296

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW
(UNAUDITED)

	NINE MONTHS ENDED	
(In thousands)	SEPTEMBER 25, 1999 ----	September 26, 1998 ----
Cash flows from operating activities:		
Net income	\$ 704	\$ 1,398
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,676	1,609
Loss on disposal of equipment	8	9
Changes in operating assets and liabilities:		
Receivables	(1,304)	(1,131)
Inventories	(429)	(1,442)
Other current assets	179	(46)
Other assets	(96)	(101)
Accounts payable	2,857	329
Accrued liabilities and other liabilities	287	(228)
	-----	-----
Net cash provided by operating activities	3,882	397
	-----	-----
Cash flows from investing activities:		
Purchases of plant and equipment	(1,762)	(1,917)
Proceeds from sale of equipment	--	2
Loans to officers	(345)	--
Acquisition of Tridex Ribbon business	(295)	--
	-----	-----
Net cash used in investing activities	(2,402)	(1,915)
	-----	-----
Cash flows from financing activities:		
Bank line of credit borrowings	9,500	11,400
Bank line of credit repayments	(10,600)	(5,200)
Purchases of treasury stock	(229)	(4,801)
Proceeds from option exercises	1	2
	-----	-----
Net cash (used in) provided by financing activities	(1,328)	1,401
	-----	-----
Effect of exchange rate changes on cash	(4)	15
	-----	-----
Increase (decrease) in cash and cash equivalents	148	(102)
Cash and cash equivalents at beginning of period	546	391
	-----	-----
Cash and cash equivalents at end of period	\$ 694	\$ 289
	=====	=====

See notes to consolidated condensed financial statements.

TRANSACT 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 September 25, 1999, and the results of its operations and cash flows for the three and nine months ended September 25, 1999 and September 26, 1998. The December 31, 1998 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, 1998 included in the Company's Annual Report on Form 10-K.

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

The results of operations for the three and nine months ended September 25, 1999 and September 26, 1998 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 and nine months ended September 25, 1999 and September 26, 1998 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)	September 25, 1999 ----	December 31, 1998 ----
Raw materials and component parts	\$8,373	\$7,754
Work-in-process	252	495
Finished goods	586	495
	-----	-----
	\$9,211	\$8,744
	=====	=====

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.

5. Significant transactions

On June 25, 1999, the Company and its wholly-owned subsidiary, Magnetec Corporation ("Magnetec"), commenced a lawsuit in the United States District Court for the District of Rhode Island against GTECH Corporation ("GTECH") for misappropriation of trade secrets, breach of contract and related claims, seeking injunctive relief and compensatory and punitive damages. Magnetec has manufactured and sold printers to GTECH for use in the GTECH Isys(R) on-line terminal system under various OEM agreements since 1994. The lawsuit asserted that GTECH attempted to use proprietary Magnetec information in violation of Magnetec's rights under the OEM agreements and applicable law. The lawsuit was subsequently refiled in the Rhode Island Superior Court. On June 30, 1999, the Rhode Island Superior Court issued a temporary

restraining order against GTECH, which among other things, prohibited GTECH from working with or giving information to third parties about the design or manufacture of a printer to replace the printer designed and produced by Magnetec for the GTECH Isys(R) on-line lottery system. On July 15, 1999, GTECH and the Company signed a new five-year agreement under which Magnetec will be the exclusive manufacturer and supplier to GTECH of an impact printer for use in GTECH's Isys(R) on-line lottery terminal. As part of the agreement, GTECH agreed to pay the Company \$1 million for past design efforts, development costs and manufacturing interruption costs and agreed to place a non-cancelable order for delivery of a minimum of approximately \$8 million of printers in the year 2000. In connection with the execution of this agreement, the parties agreed to have all claims under the lawsuits dismissed and filed dismissal stipulations to terminate the federal and state lawsuits.

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.

IMPACT OF THE YEAR 2000 ISSUE.

General.

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Program.

The Company has begun a program to resolve its Year 2000 issue. This program consists of four phases; assessment, remediation, testing and contingency planning. The Company completed the assessment phase in December 1998 and is currently in the remediation and contingency planning stages. During the assessment phase, the Company assessed its products, key financial and operating systems and other systems for Year 2000 compliance. The assessment included identifying all critical information management systems and other critical systems on which the Company relies, testing Year 2000 compliance of such systems, and recommending steps for replacing/making corrective fixes to non-compliant systems. Additionally, as part of the assessment phase, the Company obtained compliance verification from third party vendors supplying critical parts or services to the Company in order to determine their plans to address their own Year 2000 issues.

Upon completion of the detailed assessment, the Company concluded that substantially all its critical financial operating systems and other systems are Year 2000 compliant. However, certain software and hardware components were identified as noncompliant. As of September 25, 1999, substantially all critical noncompliant software and hardware have been replaced. Also, the Company believes that its products will be unaffected by the Year 2000 Issue, as none of its products contain embedded date information.

The Company's testing phase is virtually 100% completed as of September 25, 1999. Additionally, the Company has developed a contingency plan to address third party factors which are out of its control. The contingency plan includes, among other things, increasing levels of safety stock of critical vendor parts, securing alternative vendor sources for critical parts, and developing specific procedures to follow in case of failure of key systems. The contingency plan is also virtually completed as of September 25, 1999.

Costs.

The Company plans completion of the remaining portions of the testing and contingency planning phases of the Year 2000 program by December 1999. All costs associated with the Company's Year 2000 program are being expensed as incurred. The Company's total cost associated with the Year 2000 program has not been, and based on results of its detailed assessment, is not expected to be, material to the Company's business, financial position, results of operations or cash flows. The estimated total cost of the Year 2000 Program is approximately \$20,000, which primarily includes the cost of replacing/upgrading noncompliant software identified during the assessment phase with compliant software. The Company incurred costs of approximately \$15,000 through September 25, 1999.

Risks.

The Company presently believes that with modifications to existing software and conversions to new software, the Year 2000 Issue can be mitigated. However, the Company may not timely identify and remediate all significant Year 2000 problems and remedial efforts may involve significant time and expense. If such modifications and conversions are not made, or are not completed timely, the Year 2000 Issue could have a material impact on the results of operations, financial position or cash flows of the Company.

The Company has identified and analyzed the most reasonably likely worst case scenarios for third party relationships affected by the Year 2000 Issue. These scenarios include the inability of certain suppliers to supply critical parts on a timely basis or the inability of customers to place orders. Either of these scenarios, which is outside of the Company's control, could result in a delay or an inability to ship product in the year 2000, depending on the nature and severity of the problems. Furthermore, there can be no assurance that any Year 2000 compliance problems of the Company or its customers or suppliers will not have a material adverse effect on the results of operations, financial position or cash flows of the Company.

The estimates and conclusions herein contain forward-looking statements and are based on management's best estimates of future events. Risks to completing the remaining portions of the program include the availability of outside resources, the Company's ability to discover and correct potential Year 2000 problems which could have an impact on the Company's operations and the ability of suppliers or customers to bring their systems into Year 2000 compliance.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 25, 1999 COMPARED TO THREE MONTHS ENDED SEPTEMBER 26, 1998

NET SALES. Net sales into the Company's vertical markets for the current and prior year's quarter were as follows:

(In thousands, except %)	Three months ended September 25, 1999		Three months ended September 26, 1998	
	-----		-----	
Point of sale	\$9,111	70.0 %	\$ 7,025	51.7 %
Gaming and lottery	1,557	12.0	5,210	38.3
Other	2,352	18.0	1,365	10.0
	-----		-----	
	\$13,020	100.0 %	\$ 13,600	100.0 %
	=====		=====	

Net sales for the third quarter of 1999 decreased \$580,000, or 4%, to \$13,600,000 from \$13,020,000 in the prior year's third quarter. Increased shipments into the Company's POS and Other markets were more than offset by significantly decreased shipments into the gaming and lottery market.

Point of sale: Driven largely by increased domestic demand for the Company's POS printers, particularly its thermal receipt printer, sales of the Company's POS printers increased approximately \$2,086,000, or 30%, from the third quarter of 1998. Domestic sales accounted for approximately \$2,035,000 of the total increase in POS sales for the quarter. In addition, despite \$1,400,000 of printer shipments for the British Post Office project in the third quarter of 1998 that did not repeat in the third quarter of 1999, international sales increased by \$51,000. (The Company does not anticipate making any printer shipments related to this project during 1999, however, printer shipments are expected to resume in the second quarter of 2000.) The absence of printer shipments for the British Post Office project was more than offset by increased shipments to Europe and Latin America through the Company's distribution partner, Okidata.

Gaming and lottery: Sales of the Company's gaming and lottery printers decreased approximately \$3,653,000, or 70%, from the third quarter a year ago. The overall decrease primarily reflects the absence of approximately \$4,100,000 in shipments of the Company's on-line lottery printers and spare parts to one customer in the third quarter of 1998 that did not repeat. The Company does not anticipate making any shipments of on-line lottery printers, other than spares, to this customer for the remainder of 1999. However, shipments of these printers will resume in January 2000. Additionally, sales of in-lane and other lottery printers to this same customer decreased approximately \$200,000. No shipments of in-lane lottery printers are expected for the remainder of 1999. The decrease in sales of printers for use in on-line and in-lane lottery terminals was somewhat offset by an increase of approximately \$600,000 in shipments of printers for use in video lottery terminals.

Other: Sales of the Company's printers into other markets increased \$987,000, or 72%, to \$2,352,000 from \$1,365,000. Sales for the third quarter of 1999 included resumed shipments of approximately \$300,000 of the Company's thermal kiosk printers for use in a Canadian government application. No shipments of these printers were made in the third quarter of 1998. Additionally, sales in the Company's other markets increased due to significantly increased shipments of printers to one customer for use in automated teller machines.

GROSS PROFIT. Gross profit decreased \$443,000, or 12%, to \$3,335,000 from \$3,778,000 in the prior year's quarter. The gross margin also declined to 25.6% from 27.8%. Both gross profit and gross margin declined largely due to the impact of approximately \$350,000 of nonrecurring manufacturing disruption and other costs related to the GTECH product line (the "GTECH costs"). Excluding these nonrecurring costs, gross margin for the third quarter of 1999 would have been 28.3%. The Company expects its gross margin for the remainder of 1999 to be relatively consistent with that of the first nine months of the year (including the GTECH costs).

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses decreased \$203,000, or 20%, to \$803,000 from \$1,006,000 in the third quarter of 1998. This decrease is primarily due to (1) a reduction in engineering staff resulting from the downsizing and reorganization of the Company's manufacturing facility in Wallingford, Connecticut in December 1998 and (2) unusually high expenses related to development of certain of the Company's thermal printers in the third quarter of 1998. These reductions were somewhat offset by increased product development and design expenses, primarily for new products in the POS market, including expenses related to the development of printers utilizing inkjet printing technology. Engineering and product development expense decreased as a percentage of net sales to 6.1% from 7.4%.

SELLING AND MARKETING. Selling and marketing expenses increased \$252,000, or 35%, to \$975,000 from \$723,000 in the quarter ended September 26, 1998, and increased as a percentage of net sales to 7.5% from 5.3%. Such expenses increased due primarily to higher sales commissions resulting from an increase in sales eligible for commissions in the third quarter of 1999 compared to 1998. The Company expects selling and marketing expenses to increase in the fourth quarter of 1999, and significantly increase during 2000, as the Company accelerates its marketing activities in preparation for the launch of new products, particularly its new family of printers utilizing inkjet printing technology.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased \$61,000, or 6%, to \$1,156,000 from \$1,095,000 in the comparable prior year's quarter, due primarily to higher compensation related expenses. General and administrative expenses increased as a percentage of net sales to 8.9% from 8.1%, due to higher expenses and lower volume of sales in the third quarter of 1999 compared to same quarter of 1998.

OPERATING INCOME. Operating income decreased \$553,000, or 58%, to \$401,000 from \$954,000 in the third quarter of 1998. Operating income as a percentage of net sales declined to 3.1% from 7.0%, primarily due to lower gross margin resulting from the inclusion of \$350,000 of nonrecurring manufacturing disruption and other costs related to the GTECH product line. Excluding these nonrecurring costs, operating income would have been \$751,000, or 5.8% of net sales.

OTHER INCOME. Other income for the third quarter of 1999 includes a one-time gain of \$770,000 related to the favorable settlement of a lawsuit with GTECH. The gain includes a \$1,000,000 cash settlement, net of \$230,000 of legal and accounting expenses directly related to the lawsuit settlement.

INTEREST. The Company incurred net interest expense of \$89,000, compared to \$110,000 in the third quarter of 1998, due to lower average outstanding borrowings in the third quarter of 1999 compared to the same quarter a year ago, partially offset by a slightly higher average borrowing rate in the third quarter of 1999 compared to the same period in 1998. See "Liquidity and Capital Resources" below.

INCOME TAXES. The provision for income taxes for the current quarter reflects an effective tax rate of 21.8% compared to 37.0% in the prior year's period. The significant decline in the Company's effective tax rate largely results from the recognition of certain tax credits and benefit from the Company's foreign sales corporation.

NET INCOME. Net income for the third quarter of 1999 was \$837,000, or \$0.15 per share (basic and diluted) compared to \$533,000, or \$0.09 per share (basic and diluted) for the third quarter of 1998.

NINE MONTHS ENDED SEPTEMBER 25, 1999 COMPARED TO NINE MONTHS ENDED SEPTEMBER 26, 1998

NET SALES. Net sales into the Company's vertical markets for the current and prior nine-month periods were as follows:

(In thousands, except %)	Nine months ended September 25, 1999		Nine months ended September 26, 1998	
	-----		-----	
Point of sale	20,248	58.3 %	\$22,187	56.3 %
Gaming and lottery	7,688	22.1	13,996	35.6
Other	6,809	19.6	3,197	8.1
	-----		-----	
	34,745	100.0 %	\$39,380	100.0 %
	=====		=====	

Net sales for the first nine months of 1999 decreased \$4,635,000, or 12%, to \$39,380,000 from \$34,745,000 in the prior year's period, due to decreased shipments into the POS and gaming and lottery markets, offset by an increase in the Company's other markets.

Point of sale: Sales of the Company's POS printers decreased approximately \$1,939,000, or 9% from the first nine months of 1998. International POS printer shipments decreased approximately \$2,587,000 due largely to the absence of printer shipments for the British Post Office project. Shipments for this project totaled approximately \$4,600,000 in the first nine months of 1998. The Company does not anticipate making any printer shipments related to this project during 1999, however, printer shipments are expected to resume in the second quarter of 2000. The absence of printer shipments for the British Post Office project was partially offset by increased shipments to Europe and Latin America through the Company's distribution partner, Okidata. Domestic POS printer increased by approximately \$648,000 due largely to increased domestic demand for the Company's POS printers in the third quarter of 1999, particularly its thermal receipt printer.

Gaming and lottery: Sales of the Company's gaming and lottery printers decreased approximately \$6,308,000, or 45%, from the first nine months of 1998. The overall decrease primarily reflects a decrease of approximately \$11,600,000 in shipments of the Company's on-line lottery printers and spare parts to one customer. The Company does not anticipate making any shipments of on-line lottery printers, other than spares, to this customer for the remainder of 1999. However, shipments of these printers will resume in January 2000. The decrease in sales of printers for use in on-line lottery terminals was largely offset by (1) an increase of approximately \$600,000 of sales of in-lane and other lottery printers to this same customer and (2) an increase of approximately \$4,800,000 in shipments of printers for use in video lottery terminals, primarily for use in South Carolina's video poker industry. During the first nine months of 1998, shipments of these printers were significantly lower due to uncertainty in South Carolina's video poker industry concerning the industry's continued future in the state. In October 1999, the supreme court of South Carolina upheld legislation to prohibit the use of video poker machines beginning July 1, 2000. As a result, the Company does not expect any future sales of its printers for use in video lottery terminals 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.

Other: Sales of the Company's printers into other markets increased \$3,612,000, or 113%, to \$6,809,000 from \$3,197,000 in the first nine months of 1998 due primarily to resumed shipments of approximately \$1,400,000 of the Company's thermal kiosk printers for use in a Canadian government application. No shipments of these printers were made in the first nine months of 1998. Additionally, sales into the Company's other markets increased due to shipments of printers to a new customer for use in a bank teller application and increased shipments of printers used in automated teller machines.

GROSS PROFIT. Gross profit decreased \$1,958,000, or 18%, to \$9,001,000 from \$10,959,000 in first nine months of 1998 due primarily to lower volume of sales, and to a lesser extent, the inclusion of approximately \$350,000 of nonrecurring costs related to the GTECH product line. The gross margin also declined to 25.9% from 27.8% largely due to (1) the impact of fixed overhead costs on lower sales volume at the Company's Wallingford, Connecticut facility and (2) the inclusion of approximately \$350,000 of nonrecurring manufacturing disruption and other costs related to the GTECH product line. Excluding these nonrecurring costs, gross margin for the first nine months of 1999 would have been 26.9%. The Company expects its gross margin for the remainder of 1999 to be relatively consistent with that of the first nine months of the year (including the GTECH costs).

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses decreased \$429,000, or 15%, to \$2,393,000 from \$2,822,000 in the nine months ended September 26, 1998, and decreased as a percentage of net sales to 6.9% from 7.2%. This decrease is primarily due to (1) a reduction in engineering staff resulting from the downsizing and reorganization of the Company's manufacturing facility in Wallingford, Connecticut in December 1998 and (2) unusually high expenses related to development of certain of the Company's thermal printers in the third quarter of 1998. These reductions were somewhat offset by increased product development and design expenses, primarily for new products in the POS market, including expenses related to the development of printers utilizing inkjet printing technology.

SELLING AND MARKETING. Selling and marketing expenses increased \$492,000, or 21%, to \$2,831,000 from \$2,339,000 in the first nine of 1998, and increased as a percentage of net sales to 8.1% from 5.9%. Such expenses increased due to higher sales commissions resulting from an increase in sales eligible for commissions in the first nine months of 1999 compared to 1998, and additional marketing staff related to the establishment of a corporate marketing department in the second half of 1998. The Company expects selling and marketing expenses to increase in the fourth quarter of 1999, and significantly increase during 2000, as the Company accelerates its marketing activities in preparation for the launch of new products, particularly its new family of printers utilizing inkjet printing technology.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased slightly to \$3,362,000 from \$3,357,000 in the comparable prior year's period. General and administrative expenses increased as a percentage of net sales to 9.7% from 8.5%, primarily due to a lower volume of sales in the first nine months of 1999 compared to 1998.

OPERATING INCOME. Operating income decreased \$2,026,000, or 83%, to \$415,000 from \$2,441,000 in the first nine months of 1998. Operating income as a percentage of net sales declined to 1.2% from 6.2%, due primarily to lower gross margin on lower sales volume in the first nine months of 1999 and the inclusion of \$350,000 of nonrecurring costs related to the GTECH product line.

OTHER INCOME. Other income for the nine month period ended September 25, 1999 includes a one-time gain of \$770,000 related to the favorable settlement of a lawsuit with GTECH. The gain includes a \$1,000,000 settlement, net of \$230,000 of legal and accounting expenses directly related to the lawsuit settlement.

INTEREST. Net interest expense increased to \$274,000 from \$238,000 in the first nine months of 1998 due primarily to increased average outstanding borrowings on the Company's line of credit, and to a lesser extent, a slightly higher average borrowing rate in the first nine months of 1999 compared to the same period in 1998. See "Liquidity and Capital Resources" below.

INCOME TAXES. The provision for income taxes for the nine months ended September 25, 1999 reflects an effective tax rate of 24.0% compared to 37.0% in the prior year's period. The significant decline in the Company's effective tax rate largely results from the recognition of certain tax credits and benefit from the Company's foreign sales corporation.

NET INCOME. Net income for the first nine months of 1999 was \$704,000, or \$0.13 per share (basic and diluted) compared to \$1,398,000, or \$0.22 per share (basic and diluted) for the comparable 1998 period.

LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash from operations of \$3,882,000 during the nine months ended September 25, 1999, compared to \$397,000 during the nine months ended September 26, 1998. Cash from operations for the nine months ended September 25, 1999 includes the receipt of \$1,000,000, less \$230,000 of legal and accounting expenses, related to the favorable settlement of a lawsuit with GTECH. The Company's working capital declined to \$9,457,000 at September 25, 1999 from \$10,107,000 at December 31, 1998. The current ratio also decreased to 2.12 at September 25, 1999 from 2.69 at December 31, 1998.

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"). As of December 31, 1998, the Company had acquired 1,203,000 shares of its common stock for \$9,421,000. During the first nine months of 1999, the Company repurchased an additional 70,800 shares of its common stock for \$229,000. 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). 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 \$15,000,000 revolving credit facility (the "Credit Facility") with Fleet National Bank ("Fleet"). The Credit Facility provided the Company with a \$5,000,000 revolving working capital facility, and a \$10,000,000 revolving credit facility to be used for activities such as acquisitions and repurchases of the Company's common stock. Borrowings under the \$10,000,000 revolving credit facility could have been, at the Company's election, converted to a four-year term loan commencing on June 30, 1999, the expiration date of the Credit Facility. Any term loan borrowings would have matured on June 30, 2003. Borrowings under the Credit Facility bore interest at Fleet's prime rate and bore a commitment fee ranging from 0.25% to 0.50% on any unused portion of the Credit Facility.

On May 7, 1999, the Company replaced the Credit Facility with a new two-year \$10,000,000 revolving credit facility (the "New Credit Facility") with Fleet, expiring May 31, 2001. The New Credit Facility provides the Company with a \$10,000,000 credit facility that may be used to fund working capital. Borrowings under the New Credit Facility bear interest at Fleet's prime rate (8.25% at September 25, 1999) and bear a commitment fee ranging from 0.25% to 0.625% on any unused portion of the New Credit Facility (0.625% at September 25, 1999). The New Credit Facility also permits the Company to designate a LIBOR rate on outstanding borrowings with a margin ranging from 1.50 to 2.25 percentage points over the market rate, depending on the Company meeting certain ratios. Concurrent with the New Credit Facility, the Company entered into a swap agreement with Fleet which permits the Company to fix its interest rate on a portion, or all, of its outstanding borrowings under the New Credit Facility. 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 cash dividends and the creation of liens.

At December 31, 1998, the Company had outstanding borrowings of \$5,800,000 under the Credit Facility. In accordance with the Company's intent to convert the outstanding borrowings to a four-year term loan at the expiration of the Credit Facility, \$5,075,000 (\$5,800,000, less the current maturity of \$725,000) had been classified as long-term debt at December 31, 1998.

During the first nine months of 1999, the Company had net repayments of \$1,100,000, reducing outstanding borrowings to \$4,700,000 at September 25, 1999 from \$5,800,000 at December 31, 1998. In accordance with the New Credit Facility, these borrowings have been classified as long-term debt at September 25, 1999.

The Company's capital expenditures were approximately \$1,762,000 and \$1,917,000 for the nine months ended September 25, 1999 and September 26, 1998, respectively. These expenditures primarily included new product tooling, computer equipment, and factory machinery and equipment. The Company's total capital expenditures for fiscal 1999 are expected to be approximately \$2,800,000, a majority for new product tooling.

The Company believes that cash flows generated from operations 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 for the next twelve months.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable

PART II. OTHER INFORMATION

ITEM 5. Other Information

On June 25, 1999, the Company and its wholly-owned subsidiary, Magnetec Corporation ("Magnetec"), commenced a lawsuit in the United States District Court for the District of Rhode Island against GTECH Corporation ("GTECH") for misappropriation of trade secrets, breach of contract and related claims, seeking injunctive relief and compensatory and punitive damages. Magnetec has manufactured and sold printers to GTECH for use in the GTECH Isys(R) on-line terminal system under various OEM agreements since 1994. The lawsuit asserted that GTECH attempted to use proprietary Magnetec information in violation of Magnetec's rights under the OEM agreements and applicable law. The lawsuit was subsequently refiled in the Rhode Island Superior Court. On June 30, 1999, the Rhode Island Superior Court issued a temporary restraining order against GTECH, which among other things, prohibited GTECH from working with or giving information to third parties about the design or manufacture of a printer to replace the printer designed and produced by Magnetec for the GTECH Isys(R) on-line lottery system. On July 15, 1999, GTECH and the Company signed a new five-year agreement under which Magnetec will be the exclusive manufacturer and supplier to GTECH of an impact printer for use in GTECH's Isys(R) on-line lottery terminal. As part of the agreement, GTECH agreed to pay the Company \$1 million for past design efforts, development costs and manufacturing interruption costs and agreed to place a non-cancelable order for delivery of a minimum of approximately \$8 million of printers in the year 2000. In connection with the execution of this agreement, the parties agreed to have all claims under the lawsuits dismissed and subsequently filed dismissal stipulations to terminate the federal and state lawsuits.

ITEM 6. Exhibits and Reports on Form 8-K

a. Exhibits filed herein

Exhibit 10.37	OEM Purchase Agreement by and between GTECH Corporation, TransAct Technologies and Magnetec Corporation commencing July 14, 1999. (Pursuant to Rule 24b-2 under the Exchange Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.)
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)

November 9, 1999

/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
Corporate Controller
(Principal Accounting Officer)

EXHIBIT LIST

The following exhibits are filed herewith.

Exhibit

- | | |
|-------|--|
| 10.37 | OEM Purchase Agreement by and between GTECH Corporation, TransAct Technologies and Magnetec Corporation commencing July 14, 1999. (Pursuant to Rule 24b-2 under the Exchange Act, the Company has requested confidential treatment of portions of this exhibit deleted from the filed copy.) |
| 11.1 | Computation of earnings per share |
| 27.1 | Financial Data Schedule |

GTECH CORPORATION
AGREEMENT NO. 99240564004

BY AND BETWEEN

GTECH CORPORATION
55 TECHNOLOGY WAY
WEST GREENWICH, RI 02817

AND

TRANSACT TECHNOLOGIES INCORPORATED
AND
MAGNETEC CORPORATION

7 LASER LANE
WALLINGFORD, CONNECTICUT 06492

FOR THE PURCHASE OF
REFER TO SECTION 1

COMMENCEMENT DATE: JULY 14, 1999

TERM: Through December 31, 2004

GTECH REPRESENTATIVES

TRANSACT REPRESENTATIVES

William Middlebrook _____

Bart Shuldman _____

Corey Donnerstag _____

John Cygielnik _____

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AMENDED AND RESTATED GTECH OEM PURCHASE AGREEMENT

This Amended and Restated GTECH OEM PURCHASE AGREEMENT ("Agreement"), dated as of July 14, 1999 ("Effective Date"), is made by and between GTECH Corporation, Transact Technologies Incorporated and Magnetec Corporation. For the mutual promises set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby amend and restate that certain GTECH OEM PURCHASE AGREEMENT among the parties dated as of October 1, 1996, and amended and restated as of December 15, 1997, as follows:

This Agreement is made by and between GTECH CORPORATION, a Delaware corporation, with offices at 55 Technology Way, West Greenwich, RI 02817 ("GTECH") and TRANSACT TECHNOLOGIES INCORPORATED, a Delaware corporation, with offices at 7 Laser Lane, Wallingford, Connecticut 06492 and MAGNETEC CORPORATION, a Connecticut corporation, with offices at 7 Laser Lane, Wallingford, Connecticut 06492 ("Transact Technologies Incorporated and Magnetec Corporation are hereinafter referred to as "VENDOR"). This Agreement sets out the terms and conditions under which VENDOR will sell the Products and provide the Services described in this Agreement and Attachments to GTECH. Transact Technologies Incorporated and Magnetec Corporation are jointly and severally liable for all obligations of VENDOR hereunder.

1. TERMS AND CONDITIONS

1.1 Definitions

(a) Products. As used in this Agreement, "Products" means the products, as well as VENDOR's spare parts (including those provided pursuant to Section 11 of this Agreement), subassemblies, operating supplies, maintenance kits, and options, if any, produced in accordance with the specification attached hereto as Attachment 1 ("Specification") and any subsequent modifications authorized in accordance with the terms of this Agreement, including without limitation the Magnetec Printer, as defined in Section 1.1(d), and the Modified Printer, as defined in Section 1.1(e). Products include pre-approved VENDOR model numbers in conjunction with the specification.

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

(c) ISYS Terminal. As used in this Agreement, "ISYS Terminal" refers to GTECH's ISYS lottery terminal and any substantially identical successor or derivative terminals. [For example, for purposes of this paragraph, the modification of the Tiffany terminal to the Spiffany terminal would be considered a substantially identical successor or derivative terminal; whereas the change from the Tiffany terminal to the ISYS terminal would not be considered a substantially identical successor or derivative terminal.]

(d) Magnetec Printer. As used in this Agreement, "Magnetec Printer" refers to the existing 27-wire impact printer as produced and manufactured by VENDOR for GTECH under the

October 1, 1996 OEM Agreement, as amended and restated on December 15, 1997, including all modifications previously agreed to by GTECH and VENDOR.

(e) Modified Printer. As used in this Agreement, "Modified Printer" refers to the 27-wire impact printer with certain modifications to be designed by VENDOR in accordance with Section 7.4.

(f) Initial Order. As used in this Agreement, "Initial Order" refers to the order which GTECH must place on or before September 1, 1999, for a minimum of * Magnetec Printers, as set forth in Attachments 2 and 3.

(g) Memorandum of Understanding. As used in this Agreement, "Memorandum of Understanding" means the Memorandum of Understanding executed among GTECH and VENDOR, dated July 12, 1999.

- 1.2 OEM Purchases. GTECH represents that the Products purchased under this Agreement are intended primarily for resale, rental or lease directly and indirectly to GTECH's customers under trademarks and trade names selected by GTECH for use in conjunction with GTECH systems or with other value added by GTECH, its subsidiaries or its distributors. Products may also be used by GTECH and its subsidiaries for their internal use.
- 1.3 No Minimum Commitment. Except as set forth in Attachments 2 and 3, unless otherwise specified, there is no minimum quantity of purchases under this Agreement. VENDOR will furnish Products and Services on an as-ordered basis. Notwithstanding any other provision of this Agreement to the contrary, GTECH hereby agrees to purchase from VENDOR the minimum number of Products set forth on the schedule of firm fixed deliveries provided in Attachments 2 and 3 of this Agreement. GTECH's agreement to purchase such Products is a non-cancelable order for the total number of units set forth in Attachments 2 and 3, to be delivered on the same schedule as set forth thereon, subject only to GTECH's right to accelerate, all in accordance with the terms and conditions of this Agreement, unmodified by any purchase order issued hereunder.
- 1.4 Exclusivity. During the term of this Agreement,
(a) VENDOR shall be GTECH's exclusive supplier of a 27-wire impact printer for the ISYS Terminal, and for the Altura terminal to the extent GTECH elects to use a 27-wire impact printer in the Altura terminal;

(b) GTECH shall neither use the VENDOR's printer technology (except in connection with this Agreement) nor manufacture or alternate source any 27-wire impact printer for the terminals described in 1.4(a); and

(c) VENDOR shall not manufacture or supply 27-wire impact printers, directly or indirectly, to any competitor of GTECH in the lottery industry for their use in competition with GTECH in the lottery industry.

*Confidential treatment requested.

(d) It is expressly understood and agreed that, except as provided in Sections 1.4(a), 1.4(b), and 11, GTECH may itself manufacture any other products and services and/or procure any other products and services from other sources.

2. ORDERING

- 2.1 Purchase Orders. All purchases under this Agreement will be made under purchase orders referencing this Agreement issued by GTECH or by any subsidiary or affiliate of GTECH. Purchase Orders will be deemed accepted by VENDOR unless rejected in writing by VENDOR specifying the reasons for rejection within fourteen (14) calendar days after receipt of the Purchase Order. Purchase orders may be rejected by VENDOR only if a Purchase Order does not comply with the terms and conditions of this Agreement or proposes new or additional terms that are not acceptable to VENDOR. Any purchase order issued in connection with the non-cancelable order set forth in Attachment 3 shall not add any new or different terms or otherwise propose to modify or amend to this Agreement with respect to such order.
- 2.2 Priority Orders. GTECH Purchase Orders for spare parts identified as "Priority Orders" shall be shipped within twenty-four (24) hours after receipt by VENDOR's Customer Service Division. In the event that Products ordered within the Normal Lead Time are overdue for delivery to GTECH, VENDOR shall ship Product to GTECH at no additional cost to GTECH, and any premium freight charges shall be prepaid by, and borne by VENDOR. To the extent that VENDOR or its suppliers are not presently in possession of the tooling necessary to make a part or an assembly for the Product, VENDOR's obligations in this section will be suspended until that tooling is returned to VENDOR or its suppliers.
- 2.3 Provisioning Orders. GTECH Purchase Orders for spare parts identified as "Provisioning Orders" shall be shipped within twenty (20) days after receipt by VENDOR. Provisioning Orders shall not be decremented by placement of any Priority Orders, unless expressly requested by GTECH. To the extent that VENDOR or its suppliers are not presently in possession of the tooling necessary to make a part or an assembly for the Product, VENDOR's obligations in this section will be suspended until that tooling is returned to VENDOR or its suppliers.
- 2.4 Lead Time. Subject to GTECH's right to accelerate described in Attachment 3, unless otherwise agreed in writing, Products or Services will be delivered on the schedule set forth in Attachment 3. If GTECH requests delivery with less than Normal Lead Time to meet a special requirement, including the replacement of Products lost or damaged in shipment, VENDOR will use its best efforts to expedite delivery; including, without limitation, giving GTECH first priority with respect to all Products in stock or on order, provided however, that GTECH shall not pay any additional charges or costs for expediting unless such charges or costs have been accepted in writing by GTECH.
- 2.5 Rescheduling. GTECH may reschedule delivery of any Product or Service by written notice to VENDOR at any time before the delivery date specified in the applicable Purchase Order as specified in Attachments 2 and 3 only with approval of VENDOR, which approval shall not be unreasonably withheld.

- 2.6 Cancellation for Convenience. Except as provided in Attachments 2 and 3, GTECH may cancel any or all Purchase Orders or part thereof at any time prior to the scheduled delivery date. In the event of cancellation with respect to customized GTECH-specific Products which cannot be resold, GTECH and VENDOR will negotiate a reasonable cancellation charge based on VENDOR's cost, as supported by proper documentation, to be paid to VENDOR as liquidated damages as GTECH's sole obligation and VENDOR 's sole remedy. In no event shall such cancellation charges exceed the amount specified in Attachment 2, 2A1, 2A2, and 2A3, Pricing.
- 2.7 Forecast. Any forecast is provided as a good faith estimate of GTECH's anticipated requirements for Products for the periods indicated based on current market conditions and does not constitute a commitment to purchase any quantity of Products or Services.
3. SHIPPING, PACKAGING, AND DELIVERY
- 3.1 F.O.B., Title, Risk of Loss. Unless otherwise agreed, deliveries of Products will be made F.O.B. VENDOR's dock, continental U.S. facility. Subject to proper packaging, title and risk of loss shall pass to GTECH upon proper tender of the Products to the carrier. VENDOR will provide proof of delivery upon request, provided that such request is made within one hundred fifty (150) days of shipment by VENDOR, and will provide reasonable assistance to GTECH at no charge in any claim GTECH may make against a carrier or insurer for misdelivery, loss or damage to Products after title has passed to GTECH.
- 3.2 Shipment. VENDOR will ship Product in accordance with GTECH's instructions if a delivery date is specified in the purchase order. In the absence of any other instructions, Products will be shipped by common carrier commercial land freight for delivery in the continental United States and by ocean freight for deliveries elsewhere, insurance and shipping charges collect.
- 3.3 Packaging. VENDOR shall affix to the outside of each shipment a list of contents, including serial numbers, to allow for review of contents upon receipt. Products shall be packaged in accordance with any special instructions in Attachment 1. Where no special instructions for packaging is provided, GTECH's general packaging specification , Attachment 1, (or current version supplied to VENDOR) shall be used.
- 3.4 International Shipments. If GTECH specifies delivery for international shipment by GTECH or GTECH's freight forwarder, VENDOR will be responsible for obtaining any necessary U.S. Department of Commerce export licenses, permits or approvals. GTECH will be responsible for any licenses, permits or approvals of the country of import.
- 3.5 Early Arrival. GTECH reserves the right to reject Products arriving at GTECH's facilities more than five (5) days before the delivery date if one is specified in the Purchase Order.
4. PRICE
- 4.1 Unit Prices. The prices for Products, Services, (if separately priced) operating supplies, maintenance kits, and spare parts under this Agreement will be as specified in Attachment 2, 2A1, 2A2, and 2A3. Unless otherwise stated in Attachment 2, 2A1, 2A2, and 2A3, the prices

and pricing formulas in Attachment 2, 2A1, 2A2, and 2A3 will remain in effect for the Term of the Agreement and any extensions. GTECH international subsidiaries may purchase Products under the same conditions as in Attachment 2, 2A1, 2A2, and 2A3 in US Dollars.

4.2 Price Reductions on Spare Parts and Repairs. In the event of a price reduction on the Product covered under this Agreement, VENDOR agrees to reduce the list price of that component, the component as a spare part, and repairs as related to that component. The price reduction will apply to all Purchase Orders for spare parts and repairs which are scheduled for delivery no less than thirty (30) days after the effective date of the price reduction.

4.3 Cost Savings. As set forth in Attachment 2, GTECH and VENDOR shall seek ways to reduce the costs of producing the Magnetec Printer, the Modified Printer, and spare parts for those printers and will share equally the benefits generated by such efforts.

5. PAYMENT

VENDOR may issue invoices no earlier than the shipping date of the Products or Services. Payment will be made * in US dollars of receipt of proper invoices. Payment shall not constitute acceptance on non-conforming Products. For repair of Products at international locations, term of payment will be *.

6. TAXES AND DUTIES

GTECH will pay as a separately invoiced item only such sales, use, value-added or similar tax listed therein (all other taxes are excluded, including, without limitation, taxes based upon VENDOR's net income), lawfully imposed on the sale of the Products or provision of Services to GTECH. Taxes, duties or like charges imposed on the Products after title has passed to GTECH will be paid by GTECH unless such charges are the result of a trade sanction imposed on VENDOR's Products, as specified in Section 22.2, below. In lieu of taxes, GTECH may furnish to VENDOR a tax exemption certificate. VENDOR agrees to provide reasonable assistance to GTECH, without charge, in any proceeding for the refund or abatement of any taxes GTECH is required to pay under this Section 6.

7. CHANGES

7.1 Product Changes. VENDOR shall submit evaluation samples of all Product changes that affect form, fit, function, maintainability, reparability, reliability or appearance before such changes are implemented. VENDOR shall forward one (1) copy of all requests to make the changes generally described above to: GTECH CORPORATION, 55 Technology Way, West Greenwich, RI 02817, Attention: Purchasing Agent. GTECH may, at its option, decline to have such changes incorporated into the Products. Proposed changes will not be incorporated into the Products until accepted in writing by GTECH. In no event will GTECH ever be deemed to have accepted any change in the price or delivery schedule without its prior written consent.

7.2 GTECH Changes. GTECH may request changes in the Products at any time or times during

*Confidential treatment requested.

the term of this Agreement. If such changes in the Products will require changes in the prices and/or delivery schedule, VENDOR must respond promptly with a written change proposal setting forth the changes in prices and/or delivery schedule. Such proposal, when signed by an authorized representative of GTECH, will become part of this Agreement. Should VENDOR question the benefits of any such change requested by GTECH, VENDOR shall have the right to present its concerns to GTECH, and GTECH shall consider those concerns before such change is implemented by VENDOR. If VENDOR cannot respond within thirty (30) days, VENDOR must provide, within a thirty (30) day period written explanation to GTECH as to why they cannot and notify GTECH as to when they can. If VENDOR does not respond with a written communication within thirty (30) days after receipt of GTECH's request, such changes will be implemented without any alternation in the price and/or delivery schedule. Such changes, so long as they have not previously been implemented anywhere by VENDOR, are and shall remain the property of GTECH, and VENDOR may not use such changes or disclose them to others without the prior written consent of GTECH.

7.3 Enhancements, Successor Products. If during the term of this Agreement, VENDOR offers improvements, options, additional functionality or other enhancements to the Products not available at the time this Agreement is signed ("Enhancements") or other products which substantially replace the Products ("Successor Products"), VENDOR will offer such Enhancements and/or Successor Products to GTECH at prices that do not exceed those charged to any other customer of VENDOR purchasing * quantities of such Enhancements or Successor Products. If GTECH elects, in writing, to purchase such Successor Products or Enhancements, the Enhanced Products or Successor Products as the case may be, will be substituted to make up the balance of any committed quantity under this Agreement. In any event, GTECH may, at its option, elect to continue to purchase Products as originally specified for the balance of the then current ordering period.

7.4 Modified Printer Design. All changes relating to the design and manufacture of the Modified Printer are governed by this section and Sections 7.1, 7.2, and 7.3 are inapplicable to those changes. GTECH and VENDOR will work together to complete the design and production process for the Modified Printer. As soon as practicable after execution of this Agreement, GTECH will provide VENDOR with documentation and other information used by GTECH to manufacture the Modified Printer, and any other information which will assist VENDOR in the design of the Modified Printer. With the assistance and collaboration of GTECH, VENDOR will prepare full and complete schematic diagrams, assembly drawings, and structured Bills of Material for the Modified Printer. The parties will use their best efforts to produce the Modified Printer as soon as is reasonably practicable, after final approval by GTECH and VENDOR of the Modified Printer design and satisfactory completion of the full life test. VENDOR shall fill orders after the Initial Order with Modified Printers, provided that the modified design has been approved prior to the placement of such order and production of the modified design can be reasonably accomplished by January 1 of the following year. Any tooling necessary to manufacture the Modified Printer is to be paid for and will be owned by GTECH. In the event GTECH and VENDOR have finally approved and tested the modified design, and GTECH desires to place an order of Modified Printers for delivery starting before January 1 of the following year, GTECH and VENDOR agree that

*Confidential treatment requested.

such an order may be placed for level-loaded delivery over a fifty (50) week period beginning before January 1, so long as GTECH places such order in the minimum quantities contained in Attachment 2 at least ninety (90) days in advance of the first delivery of Modified Printers.

8. QUALITY AND RELIABILITY REQUIREMENTS

GTECH requires that the VENDOR have in place at its manufacturing facility or facilities, adequate quality and reliability safeguards to ensure that all Product shipped to GTECH meets or exceeds all parameters called forth in the product specification, Attachment 1, and that the Product is not subject to any infant mortality.

- 8.1 VENDOR Survey. The VENDOR will allow GTECH to perform a VENDOR survey at the VENDOR's facility or facilities. This survey will include, but is not limited to, an audit of the manufacturing process, inspect standing inventory, reviewing the inventory yielded at each inspection and test point in the manufacturing process, and review of the standing on-going reliability test data.
- 8.2 Final Test and Inspection Data. The VENDOR will make final test and inspection data (yield information), and on-going reliability test data available at the request of GTECH throughout the life of the Product.
- 8.3 Test Equipment and Procedure Correlation. The test equipment and procedures used in the VENDOR's final inspection and test, will correlate with the test equipment and procedures used by GTECH; if correlation is not achieved within thirty (30) days after notification of non correlation by GTECH, the VENDOR agrees to obtain additional test equipment and/or develop procedures at no cost to GTECH which are capable of correlation. Said test equipment and procedures will be mutually agreed upon by both the VENDOR and GTECH Test Engineering, Procurement Quality and Purchasing. GTECH remains responsible for all supplied software and VENDOR is responsible for implementing the updated software supplied by GTECH.
- 8.4 Source Inspection. The VENDOR will allow GTECH (or its representatives) to perform source inspection at their facility (or facilities), using mutually agreed upon test equipment and procedures. To do this in a timely fashion, the VENDOR will notify GTECH (or its representative) that source inspection is available at least one week prior to the requested source inspection date. Source inspection activity will continue, at the discretion of GTECH Procurement Quality Organization, throughout the life of the Product, or until such time as the product meets or exceeds all requirements of the GTECH Ship-To-Stock program.
- 8.5 Ship-To-Stock Program. The VENDOR will participate in the GTECH Ship-To-Stock program. This program requires that the VENDOR's product achieve a quality level sufficient for Ship-To-Stock status (minimum of 98% AQL) for a consecutive ninety (90) day period of shipment to GTECH. If, due to the VENDOR's inability to meet the Ship-To-Stock criteria, GTECH OEM Purchasing, with approval by VENDOR, said approval not unreasonably to be withheld, may recover all reasonable costs associated with continued unacceptable quality by taking a credit against the purchase price of the Products.
- 8.6 Failure Analysis and Corrective Actions. The VENDOR agrees to supply, within fifteen (15) calendar days, written failure analysis and corrective actions for any in warranty devices failing to meet any and all form, fit, function, quality or reliability requirements called out in the product specification.

- 8.7 GTECH's Rights with Respect to Non-Conforming Goods. The testing procedures available to GTECH are discretionary and not mandatory. In the event GTECH chooses not to perform any or some portion of such testing, or such testing would not reasonably reveal a non conformance in the Products, GTECH reserves its right under the, and subject to, Uniform Commercial Code to reject any shipment of Products and to have VENDOR repair such Products at GTECH's facility or to immediately ship such Products back to VENDOR for repair and reshipment to GTECH in timely fashion at VENDOR's expense.
9. INSURANCE
- 9.1 VENDOR Insurance Coverage. VENDOR shall purchase and maintain throughout the life of this agreement, such insurance as will protect it and GTECH from claims set forth below which may arise out of or result from the VENDOR's operations under this Agreement whether such operations be by it or by any subcontractor or by anyone for whose acts any of them may be liable. VENDOR shall cause GTECH to be an additional insured under all coverages except Worker's Compensation. Appropriate endorsements will be attached to state that the VENDOR's policy will be primary to any other policies that may be in effect.
- 9.2 Workers Compensation and Employers Liability. VENDOR shall obtain Workers Compensation Insurance as required by statute, and if applicable contractors liability under the Federal Longshoremen and Harbor Workers Act. Employers liability coverage shall be in an amount of no less than \$500,000. VENDOR shall provide to or require workers' compensation coverage, as required by statute, of any and all subcontractors who are associated with any work for GTECH.
- 9.3 Automobile Liability. Policies should provide a minimum combined single limit of \$1,000,000 for each occurrence of bodily injury and property damage.
- 9.4 Public Liability. Policies will provide a minimum of \$1,000,000 per occurrence for bodily injury and property damage, endorsed at a minimum with the following coverages:
- Products and completed operations to the policy limits;
 - Fire Legal Liability to policy limits;
 - Blanket Contractual Liability to policy limits;
 - Independent contractors inclusion to policy limits;
 - Personal injury or the equivalent as provided by a Broad form Comprehensive general Liability Policy.
- 9.5 Umbrella Policy. An umbrella policy with limits of no less than \$5,000,000 will be in place and will include all the above listed primary policies.
- 9.6 Crime Insurance. A Crime Insurance (Fidelity Bond) policy in the amount of \$500,000 that will pay on behalf of the contractor to GTECH for losses caused by the dishonest acts of the VENDOR or his employees, agents, or designees.
- 9.7 Proof of Insurance. Evidence of said insurance will be in the form of a certificate of insurance and will be provided within ten (10) days from the date of this agreement. Notification to

GTECH will occur within fifteen (15) days of any cancellation or material change in coverage. In the event of a failure to furnish such proof or the cancellation or material change of such insurance, without prejudice to any other remedy GTECH may have, GTECH may terminate this agreement, or at its option, charge the cost of required insurance to the VENDOR. Coverage will be in effect with Insurance carriers licensed to do business in any state that the VENDOR will perform its services and will be rated no less than A by the AM Best Company. All Certificates of Insurance are to be forwarded to: GTECH Corporation, 55 Technology Way, West Greenwich, RI 02817, ATTN: Risk Management Department.

10. INDEMNITY

In addition to, and not in limitation of, any other indemnifications, warranties and covenants set forth herein, VENDOR hereby agrees to indemnify and hold GTECH harmless with respect to any and all costs, expenses and liability, including without limitation reasonable Attorney's fees, arising out of any claim or action based on a failure of the Products or Services to meet the specifications set forth herein, or the failure of the VENDOR to meet any of its obligations hereunder. This indemnity does not include any components of the Products supplied by GTECH to VENDOR, including the docking slide, circuit boards, software and Axiohm printhead.

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

Notwithstanding the foregoing, VENDOR shall have no liability to GTECH for actual or claimed infringement arising out of: (a) compliance with detail designs, plans or specifications furnished by GTECH unless such infringement would arise independent of such designs, plans or specifications; (b) use of the Products in combination with other equipment or software not reasonably contemplated by VENDOR; or, (c) use of the Products in any process not reasonably contemplated by VENDOR. VENDOR acknowledges that the Specification attached to this Agreement is not a "specification" which excuses VENDOR from performing its obligations hereunder.

GTECH shall defend, indemnify and hold VENDOR, VENDOR's subsidiaries, affiliates, distributors and customers harmless from any and all costs, expenses and liability, including reasonable attorney's fees, arising out of any claim or action based on actual or alleged infringement by any component of the Products provided to VENDOR by GTECH under this Agreement or any patent, copyright, trade secret or other proprietary interest associated

therewith. VENDOR shall give GTECH prompt notice of any claim or action and shall provide reasonable assistance to GTECH, at GTECH's expense, in defending any such claim or action. If an injunction is issued which prohibits the use or sale of the Products by reason of any matter covered by this paragraph of Section 10, then GTECH shall, at its expense, either: (a) procure for VENDOR the right to continue using such components of the Products; (b) modify such components so they become non-infringing; or (c) substitute equivalent non-infringing components of the Products.

The terms and conditions of this Section 10 shall survive the expiration or termination of this Agreement for any reason whatsoever.

11. SPARE PARTS

11.1 Recommended Spare Parts.(see Attachment 2A1 and 2A2). VENDOR has provided a Recommended Spare Parts List ("RSL"), attached as Attachment 2A1 and 2A2 to this Agreement, for all Products, except the Modified Printer, covered by this Agreement. The RSL shall include all parts and assemblies necessary to repair and maintain the Products purchased under this Agreement. A separate RSL shall be supplied for each product model or configuration, identifying all common parts. Within a reasonable time after completion of the approved design of the Modified Printer, VENDOR shall provide GTECH a recommended spare parts list for the Modified Printer.

11.2 Non-Standard Parts. If the Product contains a part not readily available in the marketplace, VENDOR shall make such part available to GTECH in accordance with Section 11.4.

11.3 Emergency Stock. VENDOR shall maintain an adequate supply of the spare parts identified in Attachment 2A1 at its facility to support Priority Orders, as described in Section 2.2.

11.4 Spares Support. VENDOR shall make all spare parts including Non-Standard Parts as described in Section 11.2 above, available during the term of this Agreement and for a period of five (5) years thereafter. In the event VENDOR is unable to fill GTECH's Purchase Orders in a reasonable time, VENDOR shall make available, at no charge to GTECH, VENDOR 's manufacturing drawings and specifications, list of suppliers, and information necessary to purchase and/or manufacture all parts and/or assemblies or subassemblies for the parts which are not available from the VENDOR, and VENDOR shall be liable for the difference between GTECH's cost of manufacture and VENDOR's sales price.

11.5 Purchase of Spare Parts from Third Parties. GTECH may purchase spare parts from third parties except the cutter, the VENDOR's printhead, and those parts manufactured from the tooling identified in Attachment 7 to this Agreement.

12. REPAIR SUPPORT

12.1 Repair Orders. In addition to VENDOR's obligations under Section 14, VENDOR agrees to repair all out of warranty failures within * from the receipt of the Product,

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or else replace such Product within forty (40) calendar days with new Product which shall conform to the Product Specification, Attachment 1.

- 12.2 International Repair and Support. VENDOR shall identify international locations, as required, for the repair and support of the Product and subassemblies. In the event that these international locations are not available, GTECH may then be contracted to perform International Repair and Support.

If GTECH is contracted for International Repair and Support, VENDOR shall provide GTECH with the necessary training to certify a technician(s) to perform in-warranty repairs on the VENDOR's behalf during the warranty period. However, these charges will not extend past twelve (12) months after the printer is installed in an on-line application. VENDOR shall be responsible for all costs associated for the training of these technician(s). In addition, VENDOR agrees to reimburse GTECH for the technician's salary every three (3) months, based on the following formula:

*

The above formula may be renegotiated on or before December 31, 1999 based upon actual in-warranty repair failure data.

VENDOR shall maintain an adequate supply of spare parts at each of the GTECH location(s) contracted to support in-warranty repairs. VENDOR will also provide and maintain all necessary test fixtures, diagnostics and test procedures at each of these locations for the warranty period. At the end of the warranty period, GTECH may purchase the test fixtures and spare parts from the VENDOR per Attachments 2A1, 2A2 and 2A3.

In the event that the VENDOR's certified technician(s) is not able to repair or render the Product operational, defective units will be returned to VENDOR's Connecticut facility for repair, or replacement, at VENDOR's expense.

- 12.3 Failure Analysis. VENDOR shall provide a failure analysis on each Product which is returned for repair under warranty. On serialized Products repair data shall be provided for each serialized unit returned. VENDOR shall provide general failure data on out of warranty returns.
- 12.4 Repair Capabilities. GTECH reserves the right to repair any of the assemblies, subassemblies, or other items comprising the Product purchased under this Agreement. VENDOR will supply GTECH with the necessary support to repair the Product, including the information listed under Sections 12.4, 12.5, 12.6, 12.7 and 12.8.

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- 12.5 Test Equipment. VENDOR shall make available to GTECH (per Attachment 2A3), upon written request by GTECH, any test procedures, special tools, jigs, fixtures, diagnostics, programs, test equipment or supplies necessary to repair the unit, any of the assemblies, subassemblies, piece parts, components, or other items comprising the Product purchased under this Agreement to component level.
- 12.6 Qualified Vendor List. VENDOR shall supply GTECH a qualified Vendor list ("QVL") for standard components used in the Products purchased under this Agreement. This QVL shall include the manufacturers and vendors along with the corresponding part numbers for standard components used in the Product, any of the assemblies, subassemblies, piece parts, components, or other items comprising the Products purchased under this Agreement. Updates to this list shall be forwarded to GTECH CORPORATION, 55 Technology Way, West Greenwich, RI 02817, Attention: Procurement Agent Responsible for Commodity.
- 12.7 Diagnostics. VENDOR shall provide to GTECH all applicable diagnostics, test programs and test routines, necessary to repair to component level, the unit, any of the assemblies, subassemblies, piece parts, components, or other items comprising the Products purchased under this Agreement.
- 12.8 Documentation. In consideration of the purchase of Products under this Agreement, and at no additional cost, VENDOR hereby grants onto GTECH the right to use, reprint, and distribute VENDOR's Product manuals and documentation ("Documentation"), including but not limited to user's manuals, schematics, maintenance, theory of operation and troubleshooting guides, and any other Documentation that VENDOR shall make available during the Term of this Agreement. Upon request, VENDOR shall provide camera ready copies of the Documentation to GTECH at no additional charge. GTECH agrees to display copyright notices in accordance with VENDOR 's reasonable written instructions.
13. TRAINING
- GTECH may schedule five (5) students per quarter in VENDOR's training classes to be held at GTECH World Headquarters, 55 Technology Way, West Greenwich, RI, or at VENDOR's facility at 7 Laser Lane, Wallingford, CT, during the term of this agreement. A minimum of one (1) of the training classes will include component level training to enable GTECH to repair to a component level, the unit, any of the assemblies, subassemblies, or other items comprising the products purchased under this agreement. GTECH agrees to pay a \$65.00 per hour trainer charge.
14. WARRANTIES
- 14.1 Product Compliance. VENDOR represents and warrants that all Products delivered to GTECH under this Agreement, with the exception of components of the Products supplied by GTECH, will comply with applicable UL, CSA, TUV, CE and VDE standards and will comply with the applicable FCC and CISPR rules for the type of Product involved, including type acceptance or certification where required. VENDOR will obtain and maintain at its own expense all applicable listings, certifications and approvals in VENDOR's name. VENDOR will provide

all necessary information and assistance to GTECH with respect to listings, certifications and approvals that are required to be in GTECH's name.

- 14.2 Authority. VENDOR warrants that: (a) it has the right to enter into this Agreement; (b) all necessary actions, corporate and otherwise, have been taken to authorize the execution and delivery of this Agreement and the same is the valid and binding obligation of VENDOR; (c) all licenses, consents and approvals necessary to carry out all of the transactions contemplated in this Agreement have been obtained by VENDOR; and, (d) VENDOR's performance of this Agreement will not violate the terms of any license contract, note or other obligation to which VENDOR is a party.
- 14.3 Title; Infringement. (a) VENDOR warrants that: (i) it has and shall pass to GTECH good title to the Products free and clear of all liens and encumbrances; (ii) the Products do not infringe any patent, trademark or copyright or otherwise violate the rights of any third party; (iii) no claim or action is pending or threatened against VENDOR or, to VENDOR 's knowledge, against any licensor or supplier of VENDOR that would adversely affect the right of GTECH or any customer of GTECH to use the Products for their intended use.
- (b) GTECH warrants that: (i) it has and shall pass to VENDOR good title to any components of the Products that it provides to VENDOR under this Agreement free and clear of all liens and encumbrances; (ii) such components of the Products do not infringe any patent, trademark or copyright or otherwise violate the rights of any third party; and (iii) no claim or action is pending or threatened against GTECH as regards any such components or, to GTECH's knowledge, against any licensor or supplier of such components to GTECH that would adversely affect the right of VENDOR to use such components as required under this Agreement.
- 14.4 Conformance; Defects. Unless otherwise specified in Attachment 1, VENDOR warrants that the Products will: (a) be new; (b) conform to the Specification; (c) be free from defects in materials and workmanship for a period of fifteen (15) months from date GTECH ships to customer. Excluded for this warranty are components of the Products supplied by GTECH, including the docking slide, circuit boards, software and Axiohm printhead. Beginning January 1, 2000, GTECH will supply VENDOR on a quarterly basis with a list of the Products shipped to its customers, the date of shipment, and the corresponding serial numbers, of Products shipped during the previous quarter. In the event that GTECH's quarterly notice omits a Product shipped during the previous quarter, VENDOR's warranty obligation (as to the omitted Product) shall not extend beyond eighteen (18) months from the date of shipment from VENDOR's facility to GTECH. Upon written notice from GTECH of a Product or part that fails to meet the foregoing warranty, VENDOR will promptly repair or replace such Products(s) within ten (10) days of receipt by VENDOR of the failed or non-conforming Product or spare part.
- 14.5 *. All Products returned to VENDOR for repair under warranty shall be shipped, FOB GTECH's designated repair facility, * to VENDOR. VENDOR shall return all Product repaired under warranty, FOB GTECH's designated stocking facility *.

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- 14.6 Freight Charges on Non-Warranty Repairs. Freight charges directly associated with the repair of non-warranty products and/or spare parts shall be borne by GTECH provided VENDOR uses a GTECH designated carrier.
- 14.7 DISCLAIMER OF WARRANTIES. EXCEPT FOR THE WARRANTIES SET FORTH HEREIN, VENDOR DISCLAIMS ALL WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.
15. BAILMENT AGREEMENT
- Any tools, equipment, software, documentation or other materials supplied by GTECH to VENDOR whether separately listed or not, are made available pursuant to the terms and conditions of the GTECH Bailment Agreement attached hereto as Attachment 4 and are provided solely for use by VENDOR in its performance of this Agreement.
16. TOOLING
- 16.1 Ownership and Use. Any Tooling purchased by GTECH for the manufacture of the Product, whether kept at GTECH's, VENDOR's, or VENDOR's supplier's premises, shall remain the property of GTECH for GTECH's exclusive use. During the term of this Agreement, VENDOR shall have the right to use, or to have a third party use, the Tooling only for the purpose of performing VENDOR's obligations under this Agreement, and GTECH shall have the right to use, or to have a third party use, the Tooling only if one of more of the events described in Section 3 of the Manufacturing Rights Agreement (Attachment 6) occurs. GTECH shall be responsible for all costs associated with all repairs or replacements of the tooling. Upon the expiration of the term of this Agreement, VENDOR shall have no right to use, or to have a third party use, the Tooling for any purpose except as agreed by the parties in writing, and GTECH shall have the right to use, or to have a third party use, the Tooling for any reason whatsoever.
- 16.2 Storage; Notice of Ownership. The Tooling, purchased by GTECH as outlined in Attachment 7 and used by VENDOR in the manufacture of this Product, shall be stored and maintained by VENDOR or VENDOR's supplier but may be removed from such locations at any time by GTECH, without notice, and at no additional cost to GTECH. VENDOR shall take such steps to protect GTECH's title to the Tooling as GTECH may reasonably request. At a minimum, VENDOR shall cause a sign to be affixed to such tooling stating "Property of GTECH Corporation" and shall notify each third party using the Tooling in writing that the Tooling is owned by GTECH.
17. FORCE MAJEURE
- Either party shall be excused from its performance hereunder to the extent that its performance is prevented by fire, flood, acts of God, strikes or other causes beyond its reasonable control; provided that, the party claiming Force Majeure notifies the other in writing within five (5) days of the commencement of the condition preventing its performance and its intent to rely thereon to extend the time for its performance of this Agreement.

18. CONFIDENTIALITY

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

18.2 GTECH. GTECH acknowledges and agrees that all confidential, proprietary information and trade secrets of VENDOR provided to GTECH, including, without limitation the Manufacturing Package, as described in Attachment 6, and the printhead design and manufacture documents, tooling, data, software, the information provided by VENDOR pursuant to Sections 12.5, 12.6, 12.7 and 12.8 of this Agreement, or other information in any form which are provided by VENDOR (hereinafter "Confidential Information") is the property of VENDOR except that the tooling paid for by GTECH remains the property of GTECH. GTECH will receive and maintain all Confidential Information in the strictest confidence and, except as provided herein, shall not use Confidential Information for its own benefit or disclose it or otherwise make it available to third parties without the prior written consent of VENDOR. GTECH agrees to limit the use of Confidential Information to only those of its employees who need Confidential Information for the purpose of this Agreement and to advise all of its employees of VENDOR's rights in the Confidential Information. Nothing in this Agreement shall be construed as granting or conferring any rights by license or otherwise in any Confidential Information, trademarks, patents or copyrights of VENDOR, except for the limited purposes of GTECH 's performance hereunder. Confidential Information does not include information which is: (a) in the public domain; (b) already known to the party to whom

it is disclosed (hereinafter "Recipient") at the time of such disclosure; (c) subsequently received by Recipient in good faith from a third party having prior right to make such subsequent disclosure; (d) independently developed by Recipient without use of the information disclosed pursuant to this Agreement; (e) approved in writing for unrestricted release or unrestricted disclosure by the party owning or disclosing the information (hereinafter "Discloser"); or (f) produced or disclosed pursuant to applicable laws, regulations or court order, provided the Recipient has given the Discloser written notice of such request such that the Discloser has an opportunity to defend, limit or protect such production or disclosure. At the request of a Discloser, and in any event upon the expiration or other termination of this Agreement, each Recipient shall promptly deliver to Discloser all products, components and equipment provided by Discloser as well as all records or other things in any media containing or embodying Discloser's Confidential Information within its possession or control which were delivered or made available to each Recipient during or in connection with this Agreement, including any copies thereof.

18.3 Magnetec Printer and Modified Printer Designs. VENDOR owns the designs of the Magnetec Printer and the Modified Printer (except for any components of the Products supplied by GTECH, such as docking slides, circuit boards, software and Axiohm printhead), and GTECH shall not use the designs of the Magnetec Printer and the Modified Printer during the term of this Agreement for its own benefit except as contemplated in this Agreement. GTECH may not disclose or otherwise make available to third parties the designs without the prior written consent of VENDOR, provided, however, that VENDOR agrees that GTECH may sell, transfer or display Magnetec Printers or Modified Printers to third parties in the ordinary course of GTECH's business. Vendor further agrees that GTECH may have third parties repair Magnetec Printers or Modified Printers, or parts thereof, provided GTECH make a good faith effort to execute confidentiality agreements with such third parties. [For purposes of this Section, GTECH makes a good faith effort if it notifies the GTECH General Counsel and the Vice Presidents in charge of Facilities Management and Product Sales Contracts of the existence of this requirement.] At the conclusion of the term of this Agreement, GTECH and VENDOR shall each have the right to use any aspect of the design of the Magnetec Printer or the Modified Printer (except that GTECH may not use VENDOR's printhead and VENDOR may not use any docking slide, circuit boards, software, docking cable or the Axiohm printhead proprietary to GTECH), unless VENDOR exercises its right of first refusal contained in Section 22.5.

18.4 Reverse Engineering. GTECH agrees that, during the term of this Agreement, it will not attempt to reverse engineer the Magnetec Printer or the Modified Printer, whether undertaken directly by GTECH or by any third party acting on GTECH's behalf.

18.5 Equitable Remedies. The parties agree that a breach of the restrictions and obligations in Section 18 by one party will cause the other party substantial and continuing damage, the value of which will be difficult or impossible to ascertain, and other irreparable harm for which the payment of monetary damages alone will be inadequate. Therefore, in addition to any other remedy which the potentially aggrieved party may have under this Agreement or at law or in equity, in the event of such a breach or threatened breach by a party of the restrictions and obligations in Section 18, the potentially aggrieved party shall be entitled to seek both

temporary and permanent injunctive relief to cease/halt such breach or threatened breach, and to prevent further breaches of the restrictions and obligations in question.

19. PUBLIC ANNOUNCEMENTS

VENDOR and GTECH agree that the existence and terms of this Agreement are Confidential Information. VENDOR and GTECH further agree not to make any public announcements regarding this Agreement, it being understood that if either is advised by counsel that it is required by law or the rules of any stock exchange to make such announcement, it will immediately contact and consult with the other regarding the form and substance of such announcement prior thereto. Upon the execution of this Agreement, the parties shall forthwith issue a joint press release satisfactory to both parties and consistent with the regulations of the Securities and Exchange Commission concerning this Agreement and the Memorandum of Understanding.

20. NOTICES

All notices required or contemplated by this Agreement shall be deemed effective if written and delivered in person or if sent by registered mail, return receipt requested, to GTECH at the address shown above to the attention of GTECH's Representative or to VENDOR at the address shown above to the attention of VENDOR's Representative; or such other persons or addresses as may hereafter be designated by the respective parties. Notices to GTECH under Section 19 hereof shall not be effective unless a copy is delivered personally or sent by registered mail, return receipt requested to the Office of the General Counsel of GTECH at the address shown above.

21. ASSIGNMENT

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

22. TERM AND TERMINATION

22.1 Term. This Agreement commenced on July 14, 1999 and will continue from that date until December 31, 2004 unless terminated earlier as provided in this Agreement.

- 22.2 Termination; By GTECH. GTECH may terminate this Agreement at any time if (a) VENDOR fails or neglects to perform any of its obligations hereunder and such condition has not been cured within * of written notice thereof by GTECH (to the extent such default cannot be cured within * it shall not be default if VENDOR has commenced a cure within * and has actually cured such default within *); (b) VENDOR, or VENDOR's parent or a wholly owned subsidiary of VENDOR, is the subject of trade sanctions by the United States government, or any other government, or quasi-governmental agency which materially affects GTECH's ability to sell, lease, or maintain the Product; (c) VENDOR attempts to assign this Agreement or any obligation hereunder without GTECH's consent; (d) any assignment is made of VENDOR's business for the benefit of creditors, or if a petition in bankruptcy is filed by or against VENDOR and is not dismissed within ninety (90) days, or if a receiver or similar officer is appointed to take charge of all or part of VENDOR's property, or if VENDOR is adjudicated a bankrupt.
- 22.3 Termination; By VENDOR. VENDOR may terminate this Agreement if: (a) GTECH fails to perform any of its obligations hereunder and such condition has not been cured within thirty (30) days of written notice thereof by VENDOR; provided that, VENDOR may not terminate this Agreement for reason of non-payment by GTECH of any disputed amounts, or (b) if any assignment is made of GTECH's business for the benefit of creditors; or, (c) if a petition in bankruptcy is filed by or against GTECH and is not dismissed within ninety (90) days, or if a receiver or similar officer is appointed to take charge of all or part of GTECH's property, or if GTECH is adjudicated a bankrupt.
- 22.4 Obligations of Termination. Upon expiration or termination of this Agreement for any reason, VENDOR shall promptly deliver to GTECH all tools, equipment, software documentation and other materials furnished to VENDOR by GTECH hereunder. VENDOR's obligations under Sections 2, 9, 10, 11, 13, 14, 15, 17, 18, 19, 21 and 24 hereof shall survive expiration or Termination of this Agreement or its extensions regardless of the manner of Termination. GTECH's obligation under Section 10, 14, 18 and 19 hereof shall survive expiration or Termination of this Agreement or its extensions regardless of the manner of Termination.
- 22.5 Right of First Refusal. Should GTECH desire to purchase, manufacture, or alternate source 27-wire impact printers for the ISYS Terminal after the term of this Agreement, then it shall notify VENDOR in writing of this fact and the exact details of the commercially reasonable specifications, terms and prices no earlier than one year prior to the conclusion of the term of this Agreement. Upon such notification, VENDOR shall have sixty (60) days within which to exercise its right of first refusal to accept such specifications, terms and prices for such printer for periods after the conclusion of this Agreement. GTECH may not commit to purchase, manufacture, or alternate source the 27-wire impact printers until Magnetec refuses to accept such specifications, terms, and prices, or fails to respond in such sixty (60) day period.

23. CONFLICTING PROVISIONS

In the event of a conflict between the terms and conditions of this Agreement and the terms and conditions of any Purchase Order, the terms and conditions of this Agreement shall control the

* Confidential treatment requested.

terms and conditions on any Purchase Order, unless the parties otherwise agree in writing prior to the placement of the Purchase Order. The terms and conditions of this Agreement shall prevail over any inconsistent terms and conditions contained in paragraph 2 the Memorandum of Understanding.

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

24. MANUFACTURING RIGHTS

Manufacturing Rights will be governed by Attachment 6.

25. MISCELLANEOUS

This Agreement and Attachments and Purchase Orders issued and Accepted hereunder set forth the entire understanding of the parties with respect to the Products and merges all prior written and oral communications relating thereto, except the written Mutual Release between GTECH and VENDOR of even date and the Memorandum of Understanding. This Agreement can be modified or amended only in a writing signed by a duly authorized representative of each party. Section headings are provided for the convenience of reference only and shall not be construed otherwise.

No failure to exercise, or delay in exercising, on the part of either party, any right, power or privilege hereunder shall operate as a waiver thereof, nor will any single or partial exercise of any right, power or privilege hereunder preclude the further exercise of the same right or the exercise of any other right hereunder.

If any party to this Agreement breaches any term of this Agreement, then that party shall pay to the non-defaulting party all the non-defaulting party's costs and expenses, including reasonable attorneys' fees, incurred by that party to enforce the terms of this Agreement.

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

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

VENDOR:

TRANSACT TECHNOLOGIES INCORPORATED

GTECH CORPORATION

BY /s/ Bart C. Shuldman

BY /s/ William L. Middlebrook

Title President and CEO

Title VP of International Operations

Date July 14, 1999

Date July 14, 1999

MAGNETEC CORPORATION

BY /s/ Bart C. Shuldman

Title President and CEO

Date July 14, 1999

Attachment 1

Product Specification

1. Product Specifications and Services Description.
2. Product Unique Packaging Specifications, if any.
3. Certification, approvals.

Attachment 2

Pricing

TERMS AND CONDITIONS

1. On or before September 1, 1999, GTECH will place a firm, non-cancelable Initial Order for a minimum of * Magnetec Printers. Unit pricing for the non-RAP version of the Magnetec Printer is as follows: * per printer for an order of * printers; * per printer for an order of * printers; or * per printer for an order of * or more printers. VENDOR shall fill the Initial Order with Magnetec Printers.
2. VENDOR shall deliver the Initial Order on a level loaded weekly basis for fifty (50) weeks between January 1, 2000 and December 31, 2000 as stated in Attachment 3, and shall deliver all subsequent orders on a similar basis for the appropriate period of the order.
3. Assembly and/or test GTECH circuit boards, ribbon, docking slide, docking cable assembly and Axiohm printhead are not included in price.
4. Packaging will adhere to GTECH specifications 96-0321-01 and 96-0322-01, and is included in the price of product and spare parts.
5. Prices for spare parts and assembly fixtures will be determined by Attachment 2A1, 2A2, and 2A3 through January, 2001. Prices for spare parts after January 2001 will be re-negotiated on or before November 2000. The good faith re-negotiation of spare part prices will be based upon VENDOR's volume of purchased material and assemblies as required to support the requirements specified in Attachment 3, and those beyond the requirements specified in Attachment 3. If negotiations are not completed by November 2000, the prices will remain in effect.
6. After 2000, GTECH shall place its annual orders, if any, by October 1st for printers to be delivered on a level-loaded basis during the following year.
7. In the event that GTECH desires to place an order for Magnetec Printers for delivery after December 31, 2000, the parties will seek ways to reduce the costs of producing the Magnetec Printer, and the spare parts for that printer, and share equally the benefits generated by such efforts. To this end, VENDOR will provide a costed Bill Of Material for the Magnetec Printer to GTECH on or before January 1, 2000. The price for the Magnetec Printer will be calculated as set forth in Paragraph 1 of this Attachment, as adjusted in accordance with Paragraph 8(II) of this Attachment, and reduced only where a cost reduction related to a committed volume has been approved by GTECH and VENDOR as to both dollar amount and feasibility of design and only for the subsequent year's production. In that event, the price of each Magnetec Printer shall be reduced by one half of any such approved cost reduction.

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8. VENDOR's pricing for the Modified Printer will be based on the prices/volumes for the Initial Order set forth in Paragraph 1 of this Attachment and will be adjusted on an annual basis as follows:
- I. Prices will be adjusted as a result of any manufacturing, labor and/or component cost variances between the Magnetec Printer and the Modified Printer.
 - II. In connection with orders scheduled for delivery after January 1, 2001, the base pricing in effect for the previous year will be adjusted to reflect any change in the Consumer Price index for Urban Consumers/U.S. City Average ("CPI") during that year.
 - III. Prices also will be adjusted to reflect any cost saving achieved in accordance with Paragraph 9 of this Attachment.
9. The parties will seek ways to reduce the costs of producing the Modified Printer and the spare parts for that printer and share equally the benefits generated by such efforts. To this end, VENDOR will provide a costed Bill Of Material for the Modified Printer to GTECH within ten (10) days of final approval of the Modified Printer design by both GTECH and VENDOR after a full life test. The pricing for the Modified Printer will be reduced only where a cost reduction related to a committed volume has been approved by GTECH and VENDOR as to both dollar amount and feasibility of design and only for the subsequent year's production. The pricing shall be reduced by one half of any such approved cost reduction.
10. In the event GTECH and VENDOR approve the use of the Axiohm printhead in the Modified Printer, VENDOR will reduce the price of the Modified Printer by \$52 to cover the elimination of the Magnetec printhead, adjusted in accordance with Paragraph 8 of this Attachment, and GTECH will supply the Axiohm printhead to VENDOR at no charge to VENDOR. VENDOR will bill back to GTECH and GTECH shall pay any reasonable costs associated with quality control, warranty, and production issues caused by the Axiohm printhead. At the expiration of this Agreement, VENDOR shall have no right to use the Axiohm printhead.
11. Unit Pricing for the RAP version of either the Magnetec Printer or the Modified Printer shall be as set forth above, plus * per printer.

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Attachment 2A

RECOMMENDED SPARES LIST AND PRICING

- 2A1 Spare Parts Priority
- 2A2 Spare Parts Provision
- 2A3 Test Fixture and Tool List

Attachment 2A1
Spare Parts Priority

PART NUMBER	DESCRIPTION	GTECH PRICE
-----	-----	-----
M021243-04	ASSY, PRINthead	*
M021260-01	ASSY, RIBBON-MOTOR	*
M034348-07	ASSY, CUTTER	*
M034351-03	ASSY, P/H-CARRIAGE	*
M034352-01	ASSY, SHAFT & PULLEY	*
M034355-02	ASSY, CARRIAGE-MOTOR	*
M034356-02	ASSY, PAPER, FEED-MOTOR	*
M034357-04	SOLENOID	*
M034488-02	ASSY, PAPER OUT SENSOR	*

* Confidential treatment requested.

Attachment 2A2

Spare Parts Provision

PART NUMBER	DESCRIPTION	GTECH PRICE
069477-06C5	WASHER, #6 FLAT	\$ *
069477-08C5	#8 WASHER	\$ *
M034434-04	ASSY, SHAFT & ROLLER	\$ *
M034472-01	CABLE, FLEX	\$ *
M034477-01	ASSY, COVER & HANDLE	\$ *
M034554-03	ASSY, TRANSPORT	\$ *
R034575-01	CUTTER ASSY W/O TRANS	\$ *
M034510-01	ASSY, RAP	\$ *
M063521-10	RETAINING RING	\$ *
M063703-01	RING, RETAINER	\$ *
M064535-01	BEARING, BALL	\$ *
M064571-01	SPRING, COMPRESSION	\$ *
M065066-01	PIN, GROVE. 1/8 DIA	\$ *
M065197-08	#8 SQUARE NUT	\$ *
M065242-01	SCREW, #6-32	\$ *
M065244-01	SEM	\$ *
M065244-02	#6 SEMS	\$ *
M065244-04	SCREW, 6-32 SEMS	\$ *
M065553-02	MICROSWITCH	\$ *
M065812-01	NUT, NYLON (4-40)	\$ *
M066009-01	SPACER, SOLENOID	\$ *
M066154-01	#4 SEMS	\$ *
M066828-06	SHAFT, LOWER	\$ *
M066838-01	ROLLER, IDLER	\$ *
M066853-03	PLATEN BAR	\$ *
M067099-03	BELT, TIMING	\$ *
M067105-02	SPRING, CART.PLUNGER	\$ *
M067242-02	SPRING, LEVER RELEASE	\$ *
M067243-02	CABLE, DRIVE	\$ *
M067309-02	SIDE, PLATE	\$ *
M067315-01	CATCH, RIGHT	\$ *
M067315-02	CATCH, LEFT	\$ *
M067318-02	CLIP, SPRING	\$ *
M067321-01	ECCENTRIC, ADJ	\$ *
M067322-01	SHAFT, CARRIAGE LATCH	\$ *
M067323-01	PLUNGER, RIBBON SWITCH	\$ *
M067325-02	BRACKET, SOL.MOUNTING	\$ *
M067334-01	SPRING	\$ *
M067337-01	SCREW, #4	\$ *
M067364-01	GROUND STRAP	\$ *

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Attachment 2A2

Spare Parts Provision (continued)

PART NUMBER -----	DESCRIPTION -----	GTECH PRICE -----
M067365-03	GROUND STRAP BASE	\$ *
M067366-01	COVER, ACCESS	\$ *
M067486-02	CLIP, SPRING	\$ *
M067497-05	#8-32 SEMS	\$ *
M067497-08	#8-32 SEMS	\$ *
M067497-14	#8 SEMS	\$ *
M067523-01	COVER, CABLE	\$ *
M067524-01	COVER, RIGHT PIVOT	\$ *
M067525-01	COVER, LEFT PIVOT	\$ *
M067526-03	COVER, BELT	\$ *
M067532-01	PULLEY, 22 GROVE	\$ *
M067564-01	WASHER, B'VILLE SPRING	\$ *
M067564-02	WASHER, B'VILLE SPRING	\$ *
M067566-03	GROUND SYSTEM	\$ *
M067662-01	SHIELD	\$ *
M067665-01	STRAP	\$ *

* Confidential treatment requested

Attachment 2A3
Assembly Fixture List

PART NUMBER	DESCRIPTION	PRICE
TNM 1091	Set Gauge	\$*
TNM 1090	Check Gauge	\$*
TNM 1077	Carriage Alignment Fixture	\$*
TNM 1078	Cable & Belt Fixture	\$*
TNM 1112	Paper Feed Roller Removal Tool	\$*
TNM 1113	Paper Feed Roller Insertion Tool	\$*
TNM 1094	Cutter Adjustment Gauge	\$*
TNM 1095	Cutter Check Gauge	\$*

* Confidential treatment requested

Attachment 3

DELIVERY

The printers will be a mix of RAP and non-RAP versions with firm fixed deliveries (except for acceleration) for the Initial Order as follows:

Order -----	Quantity per Week -----	Duration -----
*	at least */wk	Fifty (50) weeks during calendar 2000
*	at least */wk	Fifty (50) weeks during calendar 2000
*	at least */wk	Fifty (50) weeks during calendar 2000

All orders after the Initial Order shall be filled in a similar level-loaded manner.

ACCELERATION OF SCHEDULE

Based on a sixty (60) calendar day lead time, GTECH may accelerate or decelerate delivery schedules so long as GTECH accepts delivery of the minimum quantities set forth above, subject to VENDOR's Agreement.

PRODUCT MIX RAP/NON RAP

Based on a thirty (30) calendar day lead time, GTECH may alter the mix of RAP and Non-RAP printers on orders.

* Confidential treatment requested.

Attachment 4
Bailment Agreement

Bailee Name and Address:	Date
Transact Technologies & Magnetec Corporation	Term of Use: Term of OEM Purchase Agreement
7 Laser Lane	Purpose of Bailment: Enable Bailee, as VENDOR
Wallingford, CT 06492	under OEM Agreement, to manufacture Products
Property Location (if different)	per specifications of GTECH.

The following terms shall govern the bailment of the property listed below ("Property") by GTECH CORPORATION, ("GTECH") to the BAILEE identified above.

1. Title. Title to the Property is and shall remain with GTECH at all times and Bailee shall not sell, lease or assign the Property or do anything inconsistent with GTECH 's title. BAILEE shall segregate the Property from all other property not owned by GTECH which is located on BAILEE's premises and shall take such additional steps as GTECH may reasonably request to protect GTECH's title to the Property, including the execution of appropriate filing statements.
2. Use; Location. The Property may be used by BAILEE only for the purpose described above. Unless otherwise agreed in writing, the Property shall remain at the Property Location specified above at all times. GTECH shall have the right to enter the Property Location during normal business hours to inspect the Property.
3. Term. The Term of Use of the Property will be as specified above unless extended by mutual agreement of the parties. BAILEE shall return the Property to GTECH upon expiration of the term of Use or earlier request of GTECH in the same condition as delivered, reasonable wear and tear excepted.
4. Transportation. Unless specifically listed below, BAILEE shall be responsible for all costs of freight to and from the site and for all drayage, set up, installation and deinstallation costs.

- 5. Software. If the Property includes software, such software, including any subsequent updates, is provided for use only on the designated CPU. BAILEE may make up to two (2) machine readable copies for backup purposes provided that GTECH's copyright or proprietary notice is reproduced on each copy. All copies remain the property of GTECH. BAILEE agrees to maintain all software and related documentation in strict confidence and will not disclose or otherwise make the software and documentation available to any third party without the prior written consent of GTECH. No rights or license to any patents, trademarks or copyrights of GTECH are granted to BAILEE hereby.
- 6. Loss, Insurance. BAILEE shall bear all risks of loss. BAILEE hereby agrees to compensate GTECH at the stated value for Property which is lost, damaged or destroyed. BAILEE shall insure the Property for such stated value and upon request, shall give GTECH a certificate of insurance.
- 7. No Warranty. The Property is provided to BAILEE without warranty of any kind, express, implied or statutory. In no event will GTECH be liable for any loss or damages whatsoever arising out of the use of or inability to use the Property. BAILEE is responsible for the backup and security of any data used with the Property.
- 8. Maintenance; Supplies. Unless specifically listed below, maintenance services for the Property and expendable supply items used in conjunction with the Property must be separately acquired by BAILEE.
- 9. General. Property shall be governed by this Bailment Agreement from the time at which BAILEE takes possession until the return of the Property to GTECH. This Agreement may be amended only in writing and shall be governed by Rhode Island law.

PROPERTY DESCRIPTION

() Property Description attached pages.

BAILEE	GTECH CORPORATION
By	By
Title	Title
Date	Date

Non-Warranty Repair Costs

At the end of the warranty period, all out of warranty repair charges will be charged at the rate of * per hour in increments of one-quarter (1/4) hour. Parts used in these repairs will be charged separately using the spare parts pricing in Attachment 2A1 and 2A2. Parts replaced will be returned with the repaired printer.

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Manufacturing Rights

1. Manufacturing Documentation Package

(a) Magnetec Printer. * VENDOR agrees to deliver to GTECH, or at VENDOR's option, or to a mutually agreed upon escrow agent, all of the documentation and other information used by VENDOR to manufacture, test, maintain and support the Magnetec Printer (herein, the "Magnetec Printer Manufacturing Package")(both the Magnetec Printer Manufacturing Package and the Modified Printer Manufacturing Package, as defined in section 1(b) below, are collectively referred to as the "Manufacturing Package") including, without limitation, the full and complete schematic diagrams, assembly drawings, tooling specifications and design, structured Bills of Materials, printed circuit board artwork, parts and vendor lists, test specifications, test fixtures, assembly aids and the information provided by the VENDOR pursuant to Sections 12.5, 12.6, 12.7, and 12.8 of this Agreement and software in both machine readable source and object forms. As a part of this package, VENDOR also agrees to provide access to and joint control of VENDOR tooling, agency approval files (FCC, UL, CE, CSA, VDE, etc.), a complete description of any special tools, fixtures and test equipment that are required but are not readily available in the marketplace. Neither GTECH nor escrow agent will have any right to use the Manufacturing Package except as set forth in section 3 below or as otherwise authorized by VENDOR.

(b) Modified Printer. * VENDOR agrees to deliver to GTECH, or at VENDOR's option, to a mutually agreed upon escrow agent, all of the documentation and other information used by VENDOR to manufacture, test, maintain and support the Modified Printer (herein, the "Modified Printer Manufacturing Package") including, without limitation, the full and complete schematic diagrams, assembly drawings, tooling specifications and design, structured Bills of Materials, printed circuit board artwork, parts and vendor lists, test specifications, test fixtures, assembly aids and the information provided by VENDOR pursuant to Sections 12.5, 12.6, 12.7, and 12.8 of this Agreement and software in both machine readable source and object forms. As a part of this package, VENDOR also agrees to provide access to and joint control of VENDOR tooling, agency approval files (FCC, UL, CE, CSA, VDE, etc.), a complete description of any special tools, fixtures and test equipment that are required but are not readily available in the marketplace. Neither GTECH nor escrow agent will have any right to use the Manufacturing Package except as set forth in section 3 below or as otherwise authorized by VENDOR.

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

* Confidential treatment requested.

3. Right to Manufacture. If any one or more of the following events occurs, GTECH shall have the right, including the rights under any of the VENDOR's applicable patents and copyrights, to use the Manufacturing Package to manufacture or have manufactured the Products:

- a.) VENDOR ceases doing business as an entity or is finally adjudicated a bankrupt under Chapter 7 of the Bankruptcy Act or any similar or successor provision for the liquidation or dissolution of VENDOR.
- b.) VENDOR admits in writing its inability to provide Products to GTECH strictly in accordance with the terms of this Agreement.
- c.) VENDOR assigns this Agreement in violation of section 25 of this Agreement to any person or organization that competes with GTECH in any market or whose interests are otherwise inimical to GTECH's.
- d.) A petition in bankruptcy is filed by or against VENDOR and is not dismissed within ninety (90) days thereafter or if a receiver, trustee in bankruptcy or similar officer is appointed to take charge of all or a substantial part of VENDOR's property.

Except as provided in this section or as otherwise authorized by VENDOR, neither GTECH nor any second source manufacturer shall have any right to use the Manufacturing Package for any purpose and shall hold such information confidential and shall not disclose such information to any party.

GTECH OWNED TOOLING LIST

Tool Description	Tool Number	Vendor	Vendor's Address	Vendor's Telephone #
------------------	-------------	--------	------------------	----------------------

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

(In thousands, except per share data)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 25, 1999 ----	September 26, 1998 ----	SEPTEMBER 25, 1999 ----	September 26, 1998 ----
Net income	\$ 837 =====	\$ 533 =====	\$ 704 =====	\$1,398 =====
Shares:				
Basic - Weighted average common shares Outstanding	5,559	6,164	5,565	6,285
Dilutive effect of outstanding options and warrants as determined by the treasury stock method	97 -----	2 -----	24 -----	11 -----
Dilutive - Weighted average common and Common equivalent shares outstanding	5,656 =====	6,166 =====	5,589 =====	6,296 =====
Net income per common and common equivalent share:				
Basic	\$ 0.15 =====	\$ 0.09 =====	\$ 0.13 =====	\$ 0.22 =====
Diluted	0.15 =====	0.09 =====	0.13 =====	0.22 =====

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM (A) TRANSACT TECHNOLOGIES INCORPORATED QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 25, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH (B) FINANCIAL STATEMENTS.

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9-MOS	DEC-31-1999	JAN-01-1999	SEP-25-1999
			694
		0	
		6,682	
		144	
		9,211	
	17,915		15,078
	8,929		
	26,176		
8,458			0
	0		0
		0	55
		12,453	
26,176			34,745
			25,744
	34,745		
			34,330
		(785)	
		0	
	274		
		926	
		222	
704			0
	0		0
			704
			0.13
			0.13