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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2017

or

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

For the transition period from to .

Commission file number: 0-21121

TRANSACT Technologies Incorporated

(Exact name of registrant as specified in its charter)

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

(203) 859-6800

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of July 31, 2017, the number of shares outstanding of the Company's common stock, $0.01 par value, was 7,363,927.

TRANSACT TECHNOLOGIES INCORPORATED

INDEX

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

TRANSACT TECHNOLOGIES INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2017	December 31, 2016
Assets:	*(In thousands, except share data)*	
Current assets:		
Cash and cash equivalents	$ 4,877	$ 2,503
Accounts receivable, net	7,404	10,585
Inventories, net	9,521	9,707
Prepaid income taxes	210	-
Other current assets	674	372
Total current assets	22,686	23,167
Fixed assets, net of accumulated depreciation of $19,404 and $19,215, respectively	2,262	2,241
Goodwill	2,621	2,621
Deferred tax assets	3,484	3,432
Intangible assets, net of accumulated amortization of $3,281, and $3,122, respectively	386	545
Other assets	35	36
	8,788	8,875
Total assets	$ 31,474	$ 32,042
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable	$ 3,421	$ 4,894
Accrued liabilities	2,380	2,394
Income taxes payable	-	19
Deferred revenue	215	117
Total current liabilities	6,016	7,424
Deferred revenue, net of current portion	74	67
Deferred rent, net of current portion	190	178
Other liabilities	254	264
	518	509
Total liabilities	6,534	7,933
Shareholders' equity:		
Common stock, $0.01 par value, 20,000,000 shares authorized; 11,215,894 and 11,185,331 shares issued, respectively; 7,363,927 and 7,333,364 shares outstanding, respectively	112	112
Additional paid-in capital	29,996	29,701
Retained earnings	24,686	24,157
Accumulated other comprehensive loss, net of tax	(102)	(109)
Treasury stock, at cost, 3,851,967 shares	(29,752)	(29,752)
Total shareholders' equity	24,940	24,109
Total liabilities and shareholders' equity	$ 31,474	$ 32,042

See notes to Condensed Consolidated Financial Statements.

TRANSACT TECHNOLOGIES INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	**2017**	2016
	(In thousands, except per share data)			
Net sales	$ 13,596	$ 14,801	$ 27,593	$ 29,158
Cost of sales	7,166	8,818	15,070	17,290
Gross profit	6,430	5,983	12,523	11,868
Operating expenses:				
Engineering, design and product development	1,020	1,089	2,013	2,325
Selling and marketing	2,034	1,859	3,706	3,652
General and administrative	2,070	1,935	4,082	3,852
	5,124	4,883	9,801	9,829
Operating income	1,306	1,100	2,722	2,039
Interest and other income (expense):				
Interest, net	(8)	(7)	(16)	(11)
Other, net	(2)	15	(8)	16
	(10)	8	(24)	5
Income before income taxes	1,296	1,108	2,698	2,044
Income tax provision	429	355	888	666
Net income	$ 867	$ 753	$ 1,810	$ 1,378
Net income per common share:				
Basic	$ 0.12	$ 0.10	$ 0.24	$ 0.18
Diluted	$ 0.12	$ 0.10	$ 0.24	$ 0.18
Shares used in per-share calculation:				
Basic	7,408	7,689	7,402	7,761
Diluted	7,514	7,743	7,469	7,813
Dividends declared and paid per common share:	$ 0.09	$ 0.08	$ 0.17	$ 0.16

See notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	**2017**	2016
	(In thousands)			
Net income	$ 867	$ 753	$ 1,810	$ 1,378
Foreign currency translation adjustment, net of tax	5	(14)	7	(18)
Comprehensive income	$ 872	$ 739	$ 1,817	$ 1,360

See notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30, 2017	2016
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 1,810	$ 1,378
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Share-based compensation expense	296	305
Depreciation and amortization	602	643
Deferred income tax provision	(56)	170
Gain on the sale of fixed assets	-	(5)
Foreign currency transaction losses (gains)	9	(12)
Changes in operating assets and liabilities:		
Accounts receivable	3,184	(3,203)
Inventories	189	2,273
Prepaid income taxes	(209)	(205)
Other current and long term assets	(299)	(45)
Accounts payable	(1,527)	1,871
Accrued liabilities and other liabilities	(28)	(1,272)
Net cash provided by operating activities	3,971	1,898
Cash flows from investing activities:		
Capital expenditures	(409)	(330)
Proceeds from sale of fixed assets	-	8
Net cash used in investing activities	(409)	(322)
Cash flows from financing activities:		
Payment of dividends on common stock	(1,250)	(1,232)
Purchases of common stock for treasury	-	(2,273)
Proceeds from stock option exercises	85	23
Withholding taxes paid on stock issuances	(18)	-
Net cash used in financing activities	(1,183)	(3,482)
Effect of exchange rate changes on cash and cash equivalents	(5)	(12)
Increase (decrease) in cash and cash equivalents	2,374	(1,918)
Cash and cash equivalents, beginning of period	2,503	4,473
Cash and cash equivalents, end of period	$ 4,877	$ 2,555
Supplemental schedule of non-cash investing activities:		
Capital expenditures included in accounts payable	$ 165	$ 86

See notes to Condensed Consolidated Financial Statements.

1. Basis of presentation

The accompanying unaudited financial statements of TransAct Technologies Incorporated ("the Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America to be included in full year financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the periods presented have been included and are of a normal recurring nature. The December 31, 2016 Condensed Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2016 included in our Annual Report on Form 10-K.

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

The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the full year.

2. Inventories, net

The components of inventories, net are:

	June 30, 2017	December 31, 2016
	(In thousands)	
Raw materials and purchased component parts	$ 7,010	$ 6,298
Work-in-process	7	8
Finished goods	2,504	3,401
	$ 9,521	$ 9,707

3. Accrued product warranty liability

We generally warrant our products for up to 24 months and record the estimated cost of such product warranties at the time the sale is recorded. Estimated warranty costs are based upon actual past experience of product repairs and the related estimated cost of labor and material to make the necessary repairs.

The following table summarizes the activity recorded in the accrued product warranty liability during the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
	2017	2016
	(In thousands)	
Balance, beginning of period	$ 267	$ 277
Warranties issued	105	131
Warranty settlements	(123)	(136)
Balance, end of period	$ 249	$ 272

As of June 30, 2017, $168,000 of the accrued product warranty liability is classified as current in "Accrued liabilities" in the Condensed Consolidated Balance Sheets and the remaining $81,000 is classified as long-term in "Other liabilities".

4. Earnings per share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	**2017**	2016
	(In thousands, except per share data)			
Net income	$ 867	$ 753	$ 1,810	$ 1,378
Shares:				
Basic: Weighted average common shares outstanding	7,408	7,689	7,402	7,761
Add: Dilutive effect of outstanding options and restricted stock units as determined by the treasury stock method	106	54	67	52
Diluted: Weighted average common and common equivalent shares outstanding	7,514	7,743	7,469	7,813
Net income per common share:				
Basic	$ 0.12	$ 0.10	$ 0.24	$ 0.18
Diluted	$ 0.12	$ 0.10	$ 0.24	$ 0.18

The computation of diluted earnings per share excludes the effect of the potential exercise of stock awards, including stock options and restricted stock units, when the average market price of the common stock is lower than the exercise price of the related stock award during the period. These outstanding stock awards are not included in the computation of diluted earnings per share because the effect would be anti-dilutive. For the three months ended June 30, 2017 and 2016, there were 407,000 and 827,000, respectively, of potentially dilutive shares consisting of stock awards that were excluded from the calculation of earnings per diluted share. For the six months ended June 30, 2017 and 2016, there were 732,000 and 827,000, respectively, of potentially dilutive shares consisting of stock awards that were excluded from the calculation of earnings per diluted share.

5. Shareholders' equity

Changes in shareholders' equity for the six months ended June 30, 2017 were as follows (in thousands):

Balance at December 31, 2016	$ 24,109
Net income	1,810
Share-based compensation expense	296
Issuance of shares from exercise of stock options	85
Foreign currency translation adjustment	7
Relinquishment of fully vested deferred stock units	(18)
Reversal of deferred tax asset in connection with stock options forfeited	(99)
Dividends declared and paid on common stock	(1,250)
Balance at June 30, 2017	$ 24,940

For the three months ended June 30, 2017, our Board of Directors declared a quarterly cash dividend of $0.09 per share, totaling $663,000, which was paid in June 2017 to common shareholders of record at the close of business on May 19, 2017. For the three months ended June 30, 2016, dividends declared and paid totaled $609,000, or $0.08 per share. For the six months ended June 30, 2017 and 2016, dividends declared and paid totaled $1,250,000, or $0.17 per share, and $1,232,000, or $0.16 per share, respectively.

6. Income taxes

We recorded an income tax provision for the second quarter of 2017 of $429,000 at an effective tax rate of 33.1%, compared to an income tax provision during the second quarter of 2016 of $355,000 at an effective tax rate of 32.0%. For the six months ended June 30, 2017, we recorded an income tax provision of $888,000 at an effective tax rate of 32.9%, compared to an income tax provision during the six months ended June 30, 2016 of $666,000 at an effective tax rate of 32.6%.

We are subject to U.S. federal income tax, as well as income tax in certain state and foreign jurisdictions. We have substantially concluded all U.S. federal income tax, state and local, and foreign tax regulatory examination matters through 2012. During 2013, an examination of our 2010 federal tax return was completed. However, our federal tax returns for the years 2013 through 2015 remain open to examination. Various state and foreign tax jurisdiction tax years remain open to examination as well, though we believe that any additional assessment would be immaterial to the Condensed Consolidated Financial Statements. No state or foreign tax jurisdiction income tax returns are currently under examination. As of June 30, 2017, we had $111,000 of total gross unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods. We expect $31,000 of our $111,000 of unrecognized tax benefits will reverse in 2017 upon expiration of the statute of limitations.

We recognize interest and penalties related to uncertain tax positions in the income tax provision. As of June 30, 2017, we have $25,000 of accrued interest and penalties related to uncertain tax positions.

7. Accounting pronouncements

The following accounting pronouncements will be adopted in future reporting periods:

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers." This ASU is intended to clarify the principles for recognizing revenue by removing inconsistencies in revenue requirements; providing a more robust framework for addressing revenue issues; improving comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; and providing more useful information to users of financial statements through improved revenue disclosure requirements. In applying the amended guidance, an entity will (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract's performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. Entities have the option of using either a full retrospective approach or modified retrospective approach to adopt the amended guidance. The amended guidance applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. We are currently evaluating the impact this ASU may have on our consolidated financial position, results of operations or cash flows. During the first quarter of 2017 we engaged a national accounting firm to assist management in implementing the new standard.

We have developed a project plan to review our revenue streams and determine the impact of the new standard, if any, to each revenue stream. We have made significant progress on our project plan but have not finalized our evaluation on whether the new standard will result in changes to our revenue recognition policies. During the remainder of the year we will continue to evaluate the potential impact, and if needed, establish policies, identify system impacts, integrate the standard into the financial reporting processes and systems, and develop an understanding of the financial impact of this standard on the Company's consolidated financial statements. The Company currently anticipates adopting the amended guidance using the modified retrospective transition approach, with any cumulative effect of initially adopting this standard recognized through retained earnings at the date of adoption. The provisions of this standard are effective for interim and annual periods beginning after December 15, 2017. We will adopt the amended guidance on January 1, 2018 at which time it becomes effective for the Company.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842*), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASU 2016-02 supersedes the previous leases standard, ASC 840, *Leases*, and is effective for public entities for annual periods beginning after December 15, 2018 and for interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This ASU eliminates Step 2 of the current goodwill impairment test, which requires a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment loss will instead be measured at the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the recorded amount of goodwill. The provisions of this standard are effective for years beginning after December 15, 2019, with early adoption permitted for any impairment test performed on testing dates after January 1, 2017. The Company is currently evaluating the impact that the adoption of ASU 2017-04 will have on its financial statements.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation-Stock Compensation: Scope of modification accounting". ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU No. 2017-09 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted, including during an interim period for which financial statements have not yet been made available for issuance. The amendments should be applied prospectively to an award modified on or after the adoption date. The Company is -currently evaluating the impact that the adoption of ASU 2017-09 will have on its financial statements.

The following accounting pronouncements were adopted during 2017:

In July 2015, FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." This ASU changes the measurement principle for inventory from the lower of cost or market to lower of cost or net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The provisions of this ASU became effective for years beginning after December 15, 2016. The Company adopted this guidance in the first quarter of 2017 and the adoption has not resulted in a change to the value of inventory.

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting." This ASU is intended to simplify several aspects of the accounting for share based payment transactions. The amended guidance requires that all tax effects related to share-based payments are recorded at settlement (or expiration) through the income statement, rather than through equity. Cash flows related to excess tax benefits will no longer be separately classified as a financing activity apart from other income tax cash flows. The amended guidance also allows for an employer to repurchase additional employee shares for tax withholding purposes without requiring liability accounting and clarifies that all cash payments made to tax authorities on an employee's behalf for withheld shares should be presented as a financing activity on the Consolidated Statements of Cash Flows. This ASU became effective for years beginning after December 15, 2016, and interim periods within those fiscal years, beginning after December 15, 2016.

The Company adopted ASU 2016-09 in the first quarter of 2017. This adoption required the Company to reflect any adjustments as of January 1, 2017, the beginning of the annual period that includes the interim period of adoption. There was no impact during the first six months of 2017 upon adopting the standard, as we had no stock options exercised that required us to recognize an excess tax benefit in the provision for income taxes. In the first six months of 2016, there were 3,750 options exercised that required $1,000 of excess tax benefits to be recorded in additional paid-in-capital, as was required pursuant to the prior accounting guidance.

In connection with the adoption of ASU 2016-09, in the first quarter of 2017, the Company made an accounting policy election to no longer estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized in each period. This election required the cumulative effect of the change to be recorded to retained earnings. As of January 1, 2017, we recorded $31,000 to decrease retained earnings and increase additional paid-in capital for the difference between the amount of compensation cost previously recorded and the amount that would have been recorded without assuming forfeitures.

The presentation requirements for cash flows related to excess tax benefits and employee taxes paid for withheld shares were applied retrospectively to all periods presented. This resulted in an increase in both net cash provided by operating activities and net cash used by financing activities of $18,000 for the first six months of 2017, respectively.

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

Forward Looking Statements

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

Overview

TransAct Technologies Incorporated ("TransAct") is a global leader in developing and selling software-driven technology and printing solutions for high growth markets including restaurant solutions, POS automation and banking, casino and gaming, lottery, mobile and oil and gas. Our world-class products are designed from the ground up based on market and customer requirements and are sold under the AccuDate™, Epic, EPICENTRAL™, Ithaca®, Printrex® and Responder® brand names. Known and respected worldwide for innovative designs and real-world service reliability, our thermal, inkjet and impact printers and terminals generate top-quality labels and transaction records such as receipts, tickets, coupons, register journals and other documents, as well as printed logging and plotting of data. We sell our products to original equipment manufacturers ("OEMs"), value-added resellers ("VARs"), select distributors, as well as directly to end-users. Our product distribution spans across the Americas, Europe, the Middle East, Africa, Asia, Australia, the Caribbean Islands and the South Pacific. TransAct also provides world-class service, spare parts, accessories and printing supplies to its growing worldwide installed base of products. Through our TransAct Services Group ("TSG"), we provide a complete range of supplies and consumables used in the printing and scanning activities of customers in the restaurant and hospitality, banking, retail, casino and gaming, government and oil and gas exploration markets. Through our webstore, www.transactsupplies.com, and our direct selling team, we address the demand for these products. We operate in one reportable segment, the design, development, and marketing of software-driven technology and printing solutions for high growth markets, and provide related services, supplies and spare parts.

Critical Accounting Judgments and Estimates

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

For a complete description of our accounting policies, see Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations, "Critical Accounting Policies and Estimates," included in our Annual Report on Form 10-K for the year ended December 31, 2016. We have reviewed those policies and determined that they remain our critical accounting policies for the six months ended June 30, 2017.

Results of Operations: Three months ended June 30, 2017 compared to three months ended June 30, 2016

Net Sales. Net sales, which include printer, terminal and software sales, as well as sales of replacement parts, consumables and maintenance and repair services, by market for the three months ended June 30, 2017 and 2016 were as follows (in thousands, except percentages):

	Three months ended June 30, 2017		Three months ended June 30, 2016		Change $	Change %
Restaurant solutions	$ 1,021	7.5%	$ 1,715	11.6%	$ (694)	(40.5%)
POS automation and banking	2,048	15.1%	3,203	21.6%	(1,155)	(36.1%)
Casino and gaming	3,985	29.3%	5,154	34.9%	(1,169)	(22.7%)
Lottery	2,787	20.5%	2,150	14.5%	637	29.6%
Printrex	282	2.1%	176	1.2%	106	60.2%
TSG	3,473	25.5%	2,403	16.2%	1,070	44.5%
	$ 13,596	100.0%	$ 14,801	100.0%	$ (1,205)	(8.1%)
International *	$ 1,060	7.8%	$ 3,497	23.6%	$ (2,437)	(69.7%)

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

Net sales for the second quarter of 2017 decreased $1,205,000, or 8%, from the same period in 2016. Printer and terminal sales volume decreased 21% to approximately 36,000 units driven by a 38% decrease in unit volume from the POS automation and banking market, a 29% decrease in unit volume in the casino and gaming market and, to a lesser extent, a 45% decrease in unit volume in the restaurant solutions market. These decreases were partially offset by a 23% increase in unit volume from the lottery market. The average selling price of our printers and terminals increased approximately 3% in the second quarter of 2017 compared to the second quarter of 2016 primarily due to the decreased volume of POS automation and banking printers sold during the second quarter of 2017, which carry a lower price than our other products.

International sales decreased $2,437,000, or 70%, due primarily to a 70% decrease in sales in the international casino and gaming market and, to a lesser extent, a 97% and 99% decrease in sales of our international POS automation and banking market and international lottery market, respectively.

Restaurant Solutions:

Revenue from the restaurant solutions market includes sales of terminals that combine hardware and software in a device that includes an operating system, touchscreen and one or two thermal print mechanisms that print easy-to-read food rotation labels, grab-and-go labels for prepared foods, and "enjoy by" date labels to help food service establishments and restaurants (including fine dining, casual dining, quick-serve and hospitality establishments) effectively manage food spoilage and automate and manage back-of-the-restaurant operations. A summary of sales of our worldwide restaurant solutions products for the three months ended June 30, 2017 and 2016 is as follows (in thousands, except percentages):

	Three months ended June 30, 2017		Three months ended June 30, 2016		Change $	Change %
Domestic	$ 941	92.2%	$ 1,562	91.1%	$ (621)	(39.8%)
International	80	7.8%	153	8.9%	(73)	(47.7%)
	$ 1,021	100.0%	$ 1,715	100.0%	$ (694)	(40.5%)

The decrease in domestic restaurant solutions revenue from the second quarter of 2016 was primarily driven by lower sales of our AccuDate 9700 terminal to our U.S. distributor. During the second quarter of 2017 we sold our first large scale order of the AccuDate XL terminal as we continue to see growth opportunities in the restaurant solutions market. We expect sales of our restaurant solutions terminals to increase in the second half of 2017 compared to 2016, as we start to see the initial benefits from the strategic selling and marketing investments we initiated in the first half of 2017.

International food safety sales decreased 48% in the second quarter of 2017 compared to the second quarter of 2016 due to lower sales to our Latin American distributor and McDonald's internationally.

POS automation and banking:
Revenue from the POS automation and banking market includes sales of thermal and impact printers used primarily by restaurants (including fine dining, casual dining, quick-serve and hospitality establishments) located either at the checkout counter or within self-service kiosks to print receipts for consumers or print on linerless labels. In addition, revenue includes sales of inkjet printers used by banks, credit unions and other financial institutions to print deposit or withdrawal receipts and/or validate checks at bank teller stations. A summary of sales of our worldwide POS automation and banking products for the three months ended June 30, 2017 and 2016 is as follows (in thousands, except percentages):

	Three months ended June 30, 2017		Three months ended June 30, 2016		Change $	Change %
Domestic	$ 2,037	99.5%	$ 2,893	90.3%	$ (856)	(29.6%)
International	11	0.5%	310	9.7%	(299)	(96.5%)
	$ 2,048	100.0%	$ 3,203	100.0%	$ (1,155)	(36.1%)

The decrease in domestic POS automation and banking product revenue from the second quarter of 2016 was primarily driven by a 27% decrease in sales of our Ithaca® 9000 printer largely to McDonalds as we started to see a slowing of new initiatives being rolled out by McDonalds during the second quarter of 2017 compared to the record pace in the second quarter of 2016. We expect sales to McDonalds to decrease for the full year 2017 compared to the full year 2016 as McDonalds nears completion of the implementation of their initiatives started in 2015. Additionally, we experienced 45% lower sales of our legacy banking and other POS printers for the second quarter of 2017 compared to the second quarter of 2016. We expect sales of these legacy products to continue to decline during 2017, as we continue to deemphasize these products and shift sales focus to our newer restaurant solution products.

International POS automation and banking sales decreased due to 96% lower international sales of our Ithaca® 9000 printer in the second quarter of 2017 compared to the second quarter of 2016 resulting from completion of a Canadian kiosk initiative for McDonald's that started in 2015.

Casino and gaming:
Revenue from the casino and gaming market includes sales of thermal ticket printers used in slot machines, video lottery terminals ("VLTs"), and other gaming machines that print tickets or receipts instead of issuing coins ("ticket-in, ticket-out" or "TITO") at casinos and racetracks ("racinos") and other gaming venues worldwide. Revenue from this market also includes sales of thermal roll-fed printers used in the international off-premise gaming market in gaming machines such as Amusement with Prizes, Skills with Prizes and Fixed Odds Betting Terminals at non-casino gaming establishments. Revenue from this market also includes royalties related to our patented casino and gaming technology. In addition, casino and gaming market revenue includes sales of our software solution (including annual software maintenance for) the EPICENTRAL™ print system, that enables casino operators to create promotional coupons and marketing messages and to print them in real-time at the slot machine. A summary of sales of our worldwide casino and gaming products for the three months ended June 30, 2017 and 2016 is as follows (in thousands, except percentages):

	Three months ended June 30, 2017		Three months ended June 30, 2016		Change $	Change %
Domestic	$ 3,194	80.2%	$ 2,530	49.1%	$ 664	26.2%
International	791	19.8%	2,624	50.9%	(1,833)	(69.9%)
	$ 3,985	100.0%	$ 5,154	100.0%	$ (1,169)	(22.7%)

The increase in domestic sales of our casino and gaming products was due largely to a 28% increase in domestic sales of our thermal casino printers in the second quarter of 2017 compared to the second quarter of 2016 due to strength in the overall domestic casino market, including increased sales to our OEMs to support a new casino opening in New York. Epicentral software sales were relatively consistent as we did not complete any new domestic installations in the second quarter 2016 or 2017. Sales of Epicentral are project based, and as a result, may fluctuate significantly quarter-to-quarter and year-to-year.

The decrease in international sales was primarily due to a 78% decrease in sales in the second quarter of 2017 compared to the same period 2016 of our thermal casino printers due mainly to lower sales to our European and Asian distributors and OEMs in Asia. We also experienced a 47% decrease in sales of our off-premise gaming printer in the second quarter of 2017 due to lower sales to our European and Australian distributors. Sales of our off-premise gaming printers are largely project-oriented and therefore may fluctuate significantly from quarter-to-quarter and year-to-year.

***Lottery*:**

Revenue from the lottery market includes sales of thermal on-line and other lottery printers to International Game Technology and its subsidiaries ("IGT") for various lottery applications. A summary of sales of our worldwide lottery printers for the three months ended June 30, 2017 and 2016 is as follows (in thousands, except percentages):

	Three months ended June 30, 2017		Three months ended June 30, 2016		Change $	Change %
Domestic	$ 2,786	100.0%	$ 1,989	92.5%	$ 797	40.1%
International	1	0.0%	161	7.5%	(160)	(99.4%)
	$ 2,787	100.0%	$ 2,150	100.0%	$ 637	29.6%

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

Printrex:

Printrex branded printers are sold into markets that include wide format, desktop and rack mounted and vehicle mounted black/white thermal printers used by customers to log and plot oil field, seismic and down hole well drilling data in the oil and gas exploration industry. It also includes high-speed color inkjet desktop printers used to print logs at the data centers of the oil and gas field service companies. Revenue in this market also includes sales of vehicle mounted printers used to print schematics and certain other critical information in emergency services vehicles and other mobile printing applications. A summary of sales of our worldwide Printrex printers for the three months ended June 30, 2017 and 2016 is as follows (in thousands, except percentages):

	Three months ended June 30, 2017		Three months ended June 30, 2016		Change $	Change %
Domestic	$ 236	83.7%	$ 126	71.6%	$ 110	87.3%
International	46	16.3%	50	28.4%	(4)	(8.0%)
	$ 282	100.0%	$ 176	100.0%	$ 106	60.2%

The increase in domestic sales of Printrex printers in the second quarter of 2017 compared to the second quarter of 2016 resulted from a 219% increase in sales of our mobile printer related to a one-time order and a 43% increase in sales of our oil and gas printers. Though we began to see improvement in demand from our oil and gas customers during the first six months of 2017, the industry continues to be impacted by low worldwide oil prices which could negatively impact our sales during the remainder of 2017.

International Printrex sales were relatively consistent in the second quarter of 2017 compared to the second quarter of 2016.

TSG:

Revenue from TSG includes sales of consumable products (including inkjet cartridges, ribbons, receipt paper, color thermal paper and other printing supplies), replacement parts, maintenance and repair services, testing services, refurbished printers, and shipping and handling charges. A summary of sales in our worldwide TSG market for the three months ended June 30, 2017 and 2016 is as follows (in thousands, except percentages):

	Three months ended June 30, 2017		Three months ended June 30, 2016		Change $	Change %
Domestic	$ 3,342	96.2%	$ 2,204	91.7%	$ 1,138	51.6%
International	131	3.8%	199	8.3%	(68)	(34.2%)
	$ 3,473	100.0%	$ 2,403	100.0%	$ 1,070	44.5%

The increase in domestic revenue from TSG for the second quarter of 2017 as compared to the prior year period was primarily due to 116% increased sales of replacement parts and accessories due mainly to IGT's purchase of a high volume of spare parts for their growing installed base of our thermal lottery printer in the second quarter of 2017. We also experienced a 7% increase in non-Printrex consumables due to higher sales of inkjet cartridges and the first revenue contribution from our new restaurant solutions label products. We expect TSG sales to be higher in the full year 2017 compared to 2016 due to increased orders from IGT for replacement parts for the lottery market.

Internationally, TSG revenue decreased primarily due to a 48% decrease in sales of replacement part and accessories in service revenue in the second quarter of 2017 compared to the second quarter of 2016.

Gross Profit. Gross profit information for the three months ended June 30, 2017 and 2016 is summarized below (in thousands, except percentages):

Three months ended June 30, 2017	Three months ended June 30, 2016	Percent Change	Percent of Total Sales – 2017	Percent of Total Sales - 2016
$ 6,430	$ 5,983	7.5%	47.3%	40.4%

Gross profit is measured as revenue less cost of sales, which includes primarily the cost of all raw materials and component parts, direct labor, manufacturing overhead expenses, cost of finished products purchased directly from our contract manufacturers and expenses associated with installations of our EPICENTRAL™ print system. In the second quarter of 2017, gross profit increased $447,000, or 8%, and our gross margin improved 690 basis points as we experienced a more favorable sales mix in the second quarter of 2017 compared to the second quarter of 2016, due primarily to a greater portion of our sales coming from sales of higher margin spare parts to IGT in the second quarter of 2017.

Operating Expenses - Engineering, Design and Product Development. Engineering, design and product development expense information for the three months ended June 30, 2017 and 2016 is summarized below (in thousands, except percentages):

Three months ended June 30, 2017	Three months ended June 30, 2016	Percent Change	Percent of Total Sales – 2017	Percent of Total Sales - 2016
$ 1,020	$ 1,089	(6.3%)	7.5%	7.4%

Engineering, design and product development expenses primarily include salary and payroll related expenses for our hardware and software engineering staff, depreciation and design expenses (including prototype printer expenses, outside design and testing services, and supplies). Such expenses decreased $69,000, or 6%, due primarily to higher product development costs in the second quarter of 2016 related to the substantial completion of certain software development projects for our Epicentral™ software and restaurant solutions terminals compared to the second quarter of 2017.

Operating Expenses - Selling and Marketing. Selling and marketing expense information for the three months ended June 30, 2017 and 2016 is summarized below (in thousands, except percentages):

Three months ended June 30, 2017	Three months ended June 30, 2016	Percent Change	Percent of Total Sales – 2017	Percent of Total Sales - 2016
$ 2,034	$ 1,859	9.4%	15.0%	12.6%

Selling and marketing expenses primarily include salaries and payroll related expenses for our sales and marketing staff, sales commissions, travel expenses, expenses associated with the lease of sales offices, advertising, trade show expenses, e-commerce and other promotional marketing expenses. Such expenses increased by $175,000, or 9%, in the second quarter of 2017 compared to the second quarter of 2016 as we have started to implement our plan to build our internal infrastructure, including the hiring of a direct sales force and implementation of a direct marketing campaign dedicated to the restaurant solutions market in 2017. We expect selling and marketing expenses to be higher in 2017 compared to 2016 as we continue to commit more resources for our internal infrastructure and continue direct marketing campaigns targeted to the restaurant solutions market to address significant market opportunities.

Operating Expenses - General and Administrative. General and administrative expense information for the three months ended June 30, 2017 and 2016 is summarized below (in thousands, except percentages):

Three months ended June 30, 2017	Three months ended June 30, 2016	Percent Change	Percent of Total Sales – 2017	Percent of Total Sales - 2016
$ 2,070	$ 1,935	7.0%	15.2%	13.1%

General and administrative expenses primarily include salaries and payroll related expenses for our executive, accounting, human resource and information technology staff, expenses for our corporate headquarters, professional and legal expenses, telecommunication expenses, and other expenses related to being a publicly-traded company. General and administrative expenses increased $135,000, or 7%, in second quarter of 2017 compared to the second quarter of 2016 due primarily to higher recruiting expenses in 2017 related to the planned expansion of sales staff for our restaurant solutions market. We expect general and administrative expenses for the full year 2017 to be higher than the full year 2016 due to the recruiting expenses for the restaurant solutions market explained above.

Operating Income. Operating income information for the three months ended June 30, 2017 and 2016 is summarized below (in thousands, except percentages):

Three months ended June 30, 2017	Three months ended June 30, 2016	Percent Change	Percent of Total Sales – 2017	Percent of Total Sales - 2016
$ 1,306	$ 1,100	18.7%	9.6%	7.4%

Our operating income increased by $206,000, or 19%, and our operating margin increased to 9.6% of net sales primarily due to higher gross margin on a more favorable sales mix, somewhat offset by 8% lower sales and 5% higher operating expenses, in the second quarter of 2017 compared to the second quarter of 2016.

Interest expense. We recorded net interest expense of $8,000 in the second quarter of 2017 compared to $7,000 in the second quarter of 2016. We do not expect significant changes in net interest expense for the remainder of 2017.

Other expense, net. We recorded other expense of $2,000 in the second quarter of 2017 compared to other income of $15,000 in the second quarter of 2016. The change was primarily due to foreign currency transaction exchange losses recorded in 2017 of $2,000 compared to foreign currency transaction exchange gains of $10,000 recorded by our U.K. subsidiary and a gain of $5,000 recorded on the disposal of a fixed asset in the second quarter of 2016.

Income Taxes. We recorded an income tax provision for the second quarter of 2017 of $429,000 at an effective tax rate of 33.1%, compared to an income tax provision during the second quarter of 2016 of $355,000 at an effective tax rate of 32.0%. We expect our effective tax rate to be between 32% and 33% for the full year 2017.

Net Income. We reported net income for the second quarter of 2017 of $867,000, or $0.12 per diluted share, compared to $753,000, or $0.10 per diluted share, for the second quarter of 2016.

Results of Operations: Six Months Ended June 30, 2017 compared to six months ended June 30, 2016

Net Sales. Net sales, which include printer, terminal and software sales as well as sales of replacement parts, consumables and maintenance and repair services, by market for the six months ended June 30, 2017 and 2016 were as follows (in thousands, except percentages):

	Six months ended June 30, 2017		Six months ended June 30, 2016		Change $	Change %
Restaurant solutions	$ 1,548	5.6%	$ 2,537	8.7%	$ (989)	(39.0%)
POS automation and banking	4,506	16.3%	5,518	18.9%	(1,012)	(18.3%)
Casino and gaming	9,102	33.0%	10,592	36.4%	(1,490)	(14.1%)
Lottery	5,768	20.9%	5,085	17.4%	683	13.4%
Printrex	460	1.7%	331	1.1%	129	39.0%
TSG	6,209	22.5%	5,095	17.5%	1,114	21.9%
	$ 27,593	100.0%	$ 29,158	100.0%	$ (1,565)	(5.4%)
International *	$ 4,546	16.5%	$ 6,028	20.7%	$ (1,482)	(24.6%)

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

Net sales for the first half of 2017 decreased $1,565,000, or 5%, from the same period in 2016. Printer sales volume decreased by 10% to approximately 80,000 units driven primarily by a 19% and 12% decrease in unit volume from the POS automation and banking market and casino and gaming market, respectively, and to a lesser extent a 43% decrease in the restaurant solutions market. These decreases were partially offset by a 7% increase in the lottery market. The average selling price of our printers remained relatively consistent during the first half of 2017 compared to the first half of 2016, increasing by 1%.

International sales decreased $1,482,000, or 25%, primarily driven by 41% and 88% lower international sales in the casino and gaming market and the POS automation and banking market, respectively. These decreases were partially offset approximately $1 million in higher sales in our international lottery market during the first half of 2017.

Restaurant solutions:
A summary of sales of our worldwide restaurant solutions products for the six months ended June 30, 2017 and 2016 is as follows (in thousands, except percentages):

	Six months ended June 30, 2017		Six months ended June 30, 2016		Change $	Change %
Domestic	$ 1,414	91.3%	$ 2,293	90.4%	$ (879)	(38.3%)
International	134	8.7%	244	9.6%	(110)	(45.1%)
	$ 1,548	100.0%	$ 2,537	100.0%	$ (989)	(39.0%)

The decrease in domestic restaurant solutions terminal sales in the first half of 2017 compared to the first half of 2016 was primarily driven by lower sales of our AccuDate 9700 terminal to our U.S. distributor. This decrease was partially offset by increased sales of our AccuDate Pro terminal and the initial sales of our AccuDate XL terminal in the first half of 2017.

International food safety terminal sales decreased in the first half of 2017 compared to the same period in 2016 due to decreased sales to our Latin American and Canadian distributors.

POS automation and banking:
A summary of sales of our worldwide POS automation and banking products for the six months ended June 30, 2017 and 2016 is as follows (in thousands, except percentages):

	Six months ended June 30, 2017		Six months ended June 30, 2016		Change $	Change %
Domestic	$ 4,453	98.8%	$ 5,080	92.1%	$ (627)	(12.3%)
International	53	1.2%	438	7.9%	(385)	(87.9%)
	$ 4,506	100.0%	$ 5,518	100.0%	$ (1,012)	(18.3%)

The decrease in both domestic and international POS automation and banking printer revenue as compared to the first six months of 2016 was primarily driven by a 16% decrease in sales of our Ithaca® 9000 printer as sales for the new initiatives by McDonald's began to slow during 2017 compared to the record pace experienced in 2016. Sales also decreased in the first half of 2017 compared to the first half of 2016 due to lower sales of our other legacy POS printers. These decreases were partially offset by a 37% increase in the sale of our legacy banking printers in the first half of 2017 compared to the same period in 2016 due to orders received from legacy bank customers.

Casino and gaming:
A summary of sales of our worldwide casino and gaming products for the six months ended June 30, 2017 and 2016 is as follows (in thousands, except percentages):

	Six months ended June 30, 2017		Six months ended June 30, 2016		Change $	Change %
Domestic	$ 6,279	69.0%	$ 5,833	55.1%	$ 446	7.6%
International	2,823	31.0%	4,759	44.9%	(1,936)	(40.7%)
	$ 9,102	100.0%	$ 10,592	100.0%	$ (1,490)	(14.1%)

The increase in domestic sales of our casino and gaming products in the first half of 2017 compared to the first half of 2016 was due primarily to 23% higher sales of our thermal casino printers due mainly to strength in the overall domestic casino market, including higher sales to our OEMs to support two new casino openings. This increase was partially offset by a decrease in domestic EPICENTRAL™ software sales of 82% as we completed no new installations during the first half of 2017 compared to two domestic installations in the first half of 2016. Sales of Epicentral™ are project based and as a result, may fluctuate significantly quarter-to-quarter and year-to-year.

International casino and gaming printer sales declined in the first half of 2017 compared to the first half of 2016 due to a 60% decrease in international sales of our thermal casino printers in Europe, Asia and Australia. This decrease was partially offset by a 16% increase in sales of our off-premise gaming printers, primarily to our European distributor for the sports betting market in Europe. Sales of our off-premise gaming printers are largely project-oriented and therefore may fluctuate significantly from quarter-to-quarter and year-to-year.

***Lottery*:**
A summary of sales of our worldwide lottery printers for the six months ended June 30, 2017 and 2016 is as follows (in thousands, except percentages):

	Six months ended June 30, 2017		Six months ended June 30, 2016		Change $	Change %
Domestic	$ 4,600	79.8%	$ 4,924	96.8%	$ (324)	(6.6%)
International	1,168	20.2%	161	3.2%	1,007	625.5%
	$ 5,768	100.0%	$ 5,085	100.0%	$ 683	13.4%

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

International lottery sales increased due to sales of lottery printers to IGT for the Canadian lottery in the first half 2017 and no comparable sales occurring in 2016.

Printrex:
A summary of sales of our worldwide Printrex printers for the six months ended June 30, 2017 and 2016 is as follows (in thousands, except percentages):

	Six months ended June 30, 2017		Six months ended June 30, 2016		Change $	Change %
Domestic	$ 370	80.4%	$ 262	79.2%	$ 108	41.2%
International	90	19.6%	69	20.8%	21	30.4%
	$ 460	100.0%	$ 331	100.0%	$ 129	39.0%

The increase in Printrex printers was due to a 122% increase in domestic and international sales in medical and mobile printers primarily due to a one-time order for our mobile printer and a 21% increase in domestic and international sales of our oil and gas printers due to improved demand in the first half of 2017 compared to the first half of 2016.

TSG:
A summary of sales in our worldwide TSG market for the six months ended June 30, 2017 and 2016 is as follows (in thousands, except percentages):

	Six months ended June 30, 2017		Six months ended June 30, 2016		Change $	Change %
Domestic	$ 5,931	95.5%	$ 4,738	93.0%	$ 1,193	25.2%
International	278	4.5%	357	7.0%	(79)	(22.1%)
	$ 6,209	100.0%	$ 5,095	100.0%	$ 1,114	21.9%

The increase in domestic revenue from TSG was due primarily to a 61% increase in replacement parts and accessories in the first half of 2017 compared to the same period in the prior year due to IGT's higher volume purchases of spare parts for the lottery market in the first half of 2017. This increase was partially offset by a 6% decrease in non-Printrex consumables, largely for legacy POS printers, in the first half of 2017 compared to the first half of 2016.

Internationally, TSG revenue decreased primarily due to 29% and 49% lower sales of replacement parts and accessories and services, respectively, in the first half of 2017 compared to the first half of 2016.

Gross Profit. Gross profit information for the six months ended June 30, 2017 and 2016 is summarized below (in thousands, except percentages):

Six months ended June 30, 2017	Six months ended June 30, 2016	Percent Change	Percent of Total Sales – 2017	Percent of Total Sales - 2016
$ 12,523	$ 11,868	5.5%	45.4%	40.7%

Gross profit increased $655,000, or 6%, due primarily to a more favorable sales mix in the first half of 2017 compared to the first half of 2016. Our 2017 sales included a greater proportion of higher margin spare part sales to IGT which largely led to a 470 basis point increase in our gross margin in the first half of 2017 compared the first half of 2016.

Operating Expenses - Engineering, Design and Product Development. Engineering, design and product development expense information for the six months ended June 30, 2017 and 2016 is summarized below (in thousands, except percentages):

Six months ended June 30, 2017	Six months ended June 30, 2016	Percent Change	Percent of Total Sales – 2017	Percent of Total Sales - 2016
$ 2,013	$ 2,325	(13.4%)	7.3%	8.0%

Engineering, design and product development expenses decreased $312,000, or 13%, due primarily to higher product development costs in the first half of 2016 related to the substantial completion of certain software development projects for our Epicentral™ software and restaurant solutions terminals compared to the second half of 2017.

Operating Expenses* - *Selling and Marketing. Selling and marketing expense information for the six months ended June 30, 2017 and 2016 is summarized below (in thousands, except percentages):

Six months ended June 30, 2017	Six months ended June 30, 2016	Percent Change	Percent of Total Sales – 2017	Percent of Total Sales - 2016
$ 3,706	$ 3,652	1.5%	13.4%	12.5%

Selling and marketing expenses increased by $54,000, or 2%, in the first half of 2017 compared to the first half of 2016 due to incurring increased expenditures related to the buildup of our internal sales infrastructure and direct marketing campaigns targeted to the restaurant solutions market. The increases from our restaurant solutions investments were partially offset by lower travel costs and sales commissions incurred in the first half of 2017 compared to the first half of 2016.

Operating Expenses* - *General and Administrative. General and administrative expense information for the six months ended June 30, 2017 and 2016 is summarized below (in thousands, except percentages):

Six months ended June 30, 2017	Six months ended June 30, 2016	Percent Change	Percent of Total Sales – 2017	Percent of Total Sales - 2016
$ 4,082	$ 3,852	6.0%	14.8%	13.2%

General and administrative expenses increased by $230,000, or 6%, in the first half of 2017 compared to the first half of 2016 primarily due to higher recruiting expenses related to the planned expansion of our sales staff for our restaurant solutions market as well as higher legal expenses incurred during the first half of 2017.

Operating Income. Operating income information for the six months ended June 30, 2017 and 2016 is summarized below (in thousands, except percentages):

Six months ended June 30, 2017	Six months ended June 30, 2016	Percent Change	Percent of Total Sales – 2017	Percent of Total Sales - 2016
$ 2,722	$ 2,039	33.5%	9.9%	7.0%

Our operating income increased by $683,000, or 34%, primarily due to improved gross margin, somewhat offset by 5% lower sales, in the first half of 2017 compared to the first half of 2016.

Interest expense. We recorded net interest expense of $16,000 in the first half of 2017 compared to $11,000 in the first half of 2016.

Other expense, net. We recorded other expense of $8,000 in the first half of 2017 compared to other income of $16,000 in the first half of 2016. The change was primarily due to foreign currency transaction exchange losses of $8,000 recorded in the first half of 2017 compared to foreign currency transaction exchange gains of $11,000 recorded in the first half of 2016 and, to a lesser extent, a gain of $5,000 recorded on the disposal of a fixed asset in the first half of 2016.

Income Taxes. We recorded an income tax provision for the first half of 2017 of $888,000 at an effective tax rate of 32.9%, compared to an income tax provision during the first half of 2016 of $666,000 at an effective tax rate of 32.6%.

Net Income. We reported net income during the first half of 2017 of $1,810,000, or $0.24 per diluted share, compared to $1,378,000, or $0.18 per diluted share, for the first half of 2016.

Impact of Inflation. We believe that inflation has not had a material impact on our results of operations for the six months ended June 30, 2017 or 2016. However, there can be no assurance that future inflation would not have an adverse impact upon our future operating results and financial condition.

Liquidity and Capital Resources

Cash Flow

In the first six months of 2017, our cash and cash equivalents balance increased $2,374,000, or 95%, from December 31, 2016 and we ended the second quarter of 2017 with $4,877,000 in cash and cash equivalents, of which $145,000 was held by our U.K. subsidiary, and no debt outstanding.

Operating activities: The following significant factors affected our cash provided by operating activities of $3,971,000 in the first six months of 2017 as compared to our cash provided by operating activities of $1,898,000 in the first six months of 2016:

During the first six months of 2017:

- We reported net income of $1,810,000.
- We recorded depreciation, amortization, and share-based compensation expense of $898,000.
- Accounts receivable decreased $3,184,000, or 30%, due to the collection of receivables related to sales made in the fourth quarter of 2016.
- Inventories decreased $189,000, or 2%, due to the sell through of inventory on hand at the end of 2016 largely offset by increased purchases of inventory in 2017 to support anticipated sales of our restaurant solutions terminals.
- Prepaid income taxes increased $210,000 due to the timing of estimated income tax payments made in the first half of 2017.
- Other current assets and long-term assets increased $299,000, or 73%, due largely to advance payments made in the first quarter of 2017 for annual ERP software maintenance expense and prepaid engineering expenses related to the development of our restaurant solutions terminals.
- Accounts payable decreased $1,527,000, or 31%, due primarily to increased inventory purchases towards the end of the fourth quarter of 2016 and subsequently paid in the first half of 2017.

During the first six months of 2016:

- We reported net income of $1,378,000.
- We recorded depreciation, amortization, and share-based compensation expense of $948,000.
- Accounts receivable increased $3,203,000, or 45%, due to the increase and timing of sales during the second quarter of 2016.
- Inventories decreased $2,273,000, or 20%, due to the sell through of inventory on hand during 2016.
- Accounts payable increased $1,871,000, or 71% due primarily to increased inventory purchases towards the end of second quarter 2016.
- Accrued liabilities and other liabilities decreased $1,272,000 due primarily to the payment of 2015 annual bonuses in March 2016.

Investing activities: Our capital expenditures were $409,000 and $330,000 in the first six months of 2017 and 2016, respectively. Expenditures in the 2017 period were primarily for computer and networking equipment and, to a lesser extent, new product tooling equipment and leasehold improvements at our Ithaca, NY facility to upgrade to LED lighting. Expenditures in the 2016 period were primarily for computer and networking equipment and, to a lesser extent, new product tooling equipment and purchases of furniture and fixtures.

Capital expenditures for full year 2017 are expected to be approximately $1,000,000 primarily for new product tooling and tooling enhancements for our existing products, as well as for new computer software and equipment purchases and leasehold improvements at our Ithaca facility.

Financing activities: We used $1,183,000 of cash from financing activities during the first six months of 2017 to pay dividends of $1,250,000 to common shareholders and $18,000 related to the relinquishment of shares to pay for withholding taxes on stock issued from our stock compensation plan, partially offset by proceeds from stock option exercises of $85,000. During the first six months of 2016, we used $3,482,000 of cash from financing activities to pay dividends of $1,232,000 to common shareholders and to purchase $2,273,000 of common stock for treasury, partially offset by proceeds from stock options exercises of $23,000.

Credit Facility and Borrowings
The TD Bank Credit Facility provides for a $20,000,000 revolving credit line. On November 26, 2014, we signed an amendment to renew the TD Bank Credit Facility through November 28, 2017. Borrowings under the revolving credit line bear a floating rate of interest at the prime rate minus one percent and are secured by a lien on all of our assets. We also pay a fee of 0.15% on unused borrowings under the revolving credit line. We may use up to $10,000,000 of revolving credit loans to fund future cash dividend payments or treasury share buybacks. We expect to renew our credit facility with TD Bank or replace it with a similar credit facility from another institution prior to its expiration on November 27, 2017.

The TD Bank Credit Facility imposes certain quarterly financial covenants on us and restricts, among other things, our ability to incur additional indebtedness and the creation of other liens. We were in compliance with all financial covenants of the TD Bank Credit Facility at June 30, 2017. The following table lists the financial covenants and the performance measurements at June 30, 2017:

Financial Covenant	Requirement/Restriction	Calculation at June 30, 2017
Operating cash flow / Total debt service	Minimum of 1.25 times	70.78
Funded Debt / EBITDA	Maximum of 3.0 times	0

As of June 30, 2017, borrowings available under the TD Bank Credit facility were $20,000,000.

Shareholder Dividend Payments
In 2012, our Board of Directors initiated a quarterly cash dividend program which is subject to the Board's approval each quarter. For the three months ended June 30, 2017, our Board of Directors declared a quarterly cash dividend of $0.09 per share, totaling approximately $663,000, which was paid in June 2017 to common shareholders of record at the close of business on May 19, 2017. For the six months ended June 30, 2017, dividends declared and paid totaled $1,250,000, or $0.17 per share. We expect to pay approximately $2,600,000 in cash dividends to our common shareholders during 2017.

Stock Repurchase Program
On February 25, 2016, our Board of Directors approved a new stock repurchase program (the "Stock Repurchase Program"). Under the Stock Repurchase Program, we are authorized to repurchase up to $5,000,000 of our outstanding shares of common stock from time to time in the open market through December 31, 2017 at prevailing market prices based on market conditions, share price and other factors. We use the cost method to account for treasury stock purchases, under which the price paid for the stock is charged to the treasury stock account. Repurchases of our common stock are accounted for as of the settlement date. During the six months ended June 30, 2017, we purchased no shares of our common stock. During the six months ended June 30, 2016 we repurchased 287,791 shares of our common stock for approximately $2,273,000 at an average price per share of $7.90.

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

Contractual Obligations / Off-Balance Sheet Arrangements
The disclosure of payments we have committed to make under our contractual obligations is set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

On January 3, 2017 we signed the First Amendment to the lease agreement for our facility in Hamden, CT with 2319 Hamden Center I, L.L.C. to extend our lease in Hamden to April 30, 2027.

Other than the items mentioned above, there have been no other material changes in our contractual obligations outside the ordinary course of business since December 31, 2016. We have no material off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The disclosure of our exposure to market risk is set forth under the heading "Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. There has been no material change in our exposure to market risk during the six months ended June 30, 2017.

Item 4. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2017. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

For a description of our previously reported legal proceedings refer to Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes from the legal proceedings previously disclosed in that Annual Report on Form 10-K.

Item 1A. RISK FACTORS

Information regarding risk factors appears in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes from the risk factors previously disclosed in that Annual Report on Form 10-K. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

On February 25, 2016, our Board of Directors approved the Stock Repurchase Program. Under the Stock Repurchase Program, we are authorized to repurchase up to $5,000,000 of our outstanding shares of common stock from time to time in the open market through December 31, 2017 at prevailing market prices based on market conditions, share price and other factors. During the six months ended June 30, 2017, we purchased no shares of our common stock. As of June 30, 2017, $1,429,000 remains authorized for future repurchase under the Stock Repurchase Program. The following table summarizes the repurchase of our common stock in the three months ended June 30, 2017:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Stock Repurchase Program
April 1, 2017 – April 30, 2017	-	$ -	-	$ 1,429,000
May 1, 2017 - May 31, 2017	-	-	-	$ 1,429,000
June 1, 2017 - June 30, 2017	-	-	-	$ 1,429,000
Total	-	$ -	-	

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibit 10.1	Amendment to 2014 Equity Incentive Plan approved by Shareholders on May 22, 2017.
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

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

TRANSACT TECHNOLOGIES INCORPORATED
(Registrant)

August 9, 2017

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

EXHIBIT LIST

The following exhibits are filed herewith.

Exhibit	
10.1	Amendment to 2014 Equity Incentive Plan approved by Shareholders on May 22, 2017.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

TRANSACT TECHNOLOGIES INCORPORATED
2014 EQUITY INCENTIVE PLAN

(Adopted by Directors April 1, 2014)
(Approved by Shareholders May 15, 2014)
(Amended by Directors March 1, 2017, Amendment Approved by Shareholders May 22, 2017)

1. DEFINED TERMS

Exhibit A, which is incorporated by reference, defines the terms used in the Plan and sets forth certain operational rules related to those terms.

2. PURPOSE

The Plan has been established to advance the interests of the Company by providing for the grant to Participants of Stock-based and other incentive Awards.

3. ADMINISTRATION

The Administrator has discretionary authority, subject only to the express provisions of the Plan, to interpret the Plan; determine eligibility for and grant Awards; determine, modify or waive the terms and conditions of any Award; prescribe forms, rules and procedures relating to the Plan; and otherwise do all things necessary or appropriate to carry out the purposes of the Plan. Determinations of the Administrator made under the Plan will be conclusive and will bind all parties.

4. LIMITS ON AWARDS UNDER THE PLAN

(a) Number of Shares. The maximum number of shares of Stock that may be delivered in satisfaction of Awards under the Plan is 1,400,000. Up to the total number of shares available for awards to employee Participants may be issued in satisfaction of ISOs, but nothing in this Section 4(a) will be construed as requiring that any, or any fixed number of, ISOs be awarded under the Plan. The number of shares of Stock delivered in satisfaction of Awards will, for purposes of this Section 4(a), be determined net of shares of Stock withheld by the Company in payment of the exercise price of the Award or in satisfaction of tax withholding requirements with respect to the Award. For the avoidance of doubt, shares of Stock underlying the portion of any Award that is settled in cash or the portion of any Award that expires, terminates or is forfeited prior to the issuance of Stock thereunder shall not be treated as having been delivered. The limit set forth in this Section 4(a) will be construed to comply with Section 422 and regulations thereunder. To the extent consistent with the requirements of Section 422 and regulations thereunder, and with other applicable legal requirements (including applicable stock exchange requirements), Stock issued under awards of an acquired company that are converted, replaced, or adjusted in connection with the acquisition will not reduce the number of shares available for Awards under the Plan.

(b) Type of Shares. Stock delivered by the Company under the Plan may be authorized but unissued Stock or previously issued Stock acquired by the Company. No fractional shares of Stock will be delivered under the Plan.

(c) Section 162(m) Limits. The following additional limits will apply to Awards of the specified type granted, or in the case of Cash Awards payable, to any person in any calendar year:

(1) Stock Options: 500,000 shares of Stock.

(2) SARs: 500,000 shares of Stock.

(3) Awards other than Stock Options, SARs or Cash Awards: 500,000 shares of Stock.

(4) Cash Awards: $750,000.

In applying the foregoing limits, (i) all Awards of the specified type granted to the same person in the same calendar year will be aggregated and made subject to one limit; (ii) the limits applicable to Stock Options and SARs refer to the number of shares of Stock subject to those Awards; (iii) the share limit under clause (3) refers to the maximum number of shares of Stock that may be delivered, or the value of which could be paid in cash or other property, under an Award or Awards of the type specified in clause (3) assuming a maximum payout; and (iv) the dollar limit under clause (4) refers to the maximum dollar amount payable under an Award or Awards of the type specified in clause (4) assuming a maximum payout. The foregoing provisions will be construed in a manner consistent with Section 162(m), including, without limitation, where applicable, the rules under Section 162(m) pertaining to permissible deferrals of exempt awards.

5. ELIGIBILITY AND PARTICIPATION

The Administrator will select Participants from among key Employees and directors of, and consultants and advisors to, the Company and its Affiliates. Eligibility for ISOs is limited to individuals described in the first sentence of this Section 5 who are employees of the Company or of a "parent corporation" or "subsidiary corporation" of the Company as those terms are defined in Section 424 of the Code. Eligibility for Stock Options other than ISOs is limited to individuals described in the first sentence of this Section 5 who are providing direct services on the date of grant of the Stock Option to the Company or to a subsidiary of the Company that would be described in the first sentence of Section 1.409A-1(b)(5)(iii)(E) of the Treasury Regulations.

6. RULES APPLICABLE TO AWARDS

(a) All Awards

(1) Award Provisions. The Administrator will determine the terms of all Awards, subject to the limitations provided herein. By accepting (or, under such rules as the Administrator may prescribe, being deemed to have accepted) an Award, the Participant will be deemed to have agreed to the terms of the Award and the Plan. Notwithstanding any provision of this Plan to the contrary, awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition may contain terms and conditions that are inconsistent with the terms and conditions specified herein as determined by the Administrator.

(2) Term of Plan. No Awards may be made after ten years from the Date of Adoption, but previously granted Awards may continue beyond that date in accordance with their terms.

(3) Transferability. Neither ISOs nor, except as the Administrator otherwise expressly provides in accordance with the last sentence of this Section 6(a)(3), other Awards may be transferred other than by will or by the laws of descent and distribution. During a Participant's lifetime, ISOs and, except as the Administrator otherwise expressly provides in accordance with the last sentence of this Section 6(a)(3), SARs and NSOs may be exercised only by the Participant. The Administrator may permit the gratuitous transfer (*i.e.*, transfer not for value) of Awards other than ISOs to any transferee eligible to be covered by the provisions of Form S-8 (under the Securities Act of 1933), subject to such limitations as the Administrator may impose.

(4) Vesting. The Administrator will determine the time or times at which an Award will vest or become exercisable and the terms on which a Stock Option or SAR will remain exercisable. Without limiting the foregoing, the Administrator may at any time accelerate the vesting or exercisability of an Award, regardless of any adverse or potentially adverse tax or other consequences resulting from such acceleration. Unless the Administrator expressly provides otherwise, however, the following rules will apply if a Participant's Employment ceases:

(A) Immediately upon the cessation of the Participant's Employment and except as provided in (B) and (C) below, each Stock Option and SAR that is then held by the Participant or by the Participant's permitted transferees, if any, will cease to be exercisable and will terminate, and all other Awards that are then held by the Participant or by the Participant's permitted transferees, if any, to the extent not already vested will be forfeited.

(B) Subject to (C) and (D) below, all Stock Options and SARs held by the Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment, to the extent then exercisable, will remain exercisable for the lesser of (i) a period of three months or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon immediately terminate.

(C) All Stock Options and SARs held by a Participant or the Participant's permitted transferees, if any, immediately prior to the Participant's death or voluntary resignation from active employment at or after age 55, to the extent then exercisable, will remain exercisable for the lesser of (i) the one year period ending with the first anniversary of the Participant's death or voluntary resignation from active employment at or after age 55 or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon immediately terminate.

(D) All Stock Options and SARs (whether or not exercisable) held by a Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment will immediately terminate upon such cessation of Employment if the Administrator determines that such cessation of Employment has resulted for reasons or in circumstances that cast such discredit on the Participant as to justify immediate termination of the Award.

(5) **<u>Additional Restrictions</u>.** The Administrator may cancel, rescind, withhold or otherwise limit or restrict any Award at any time if the Participant is not in compliance with all applicable provisions of the Award agreement and the Plan, or if the Participant breaches any agreement with the Company or its Affiliates with respect to non-competition, non-solicitation or confidentiality. Without limiting the generality of the foregoing, the Administrator may recover Awards made under the Plan and payments under or gain in respect of any Award to the extent required to comply with Section 10D of the Securities Exchange Act of 1934, as amended, or any stock exchange or similar rule adopted under said Section.

(6) **<u>Taxes</u>.** The delivery, vesting and retention of Stock, cash or other property under an Award are conditioned upon full satisfaction by the Participant of all tax withholding requirements with respect to the Award. The Administrator will prescribe such rules for the withholding of taxes as it deems necessary. The Administrator may, but need not, hold back shares of Stock from an Award or permit a Participant to tender previously owned shares of Stock in satisfaction of tax withholding requirements (but not in excess of the minimum withholding required by law).

(7) **<u>Dividend Equivalents, *etc.*</u>** The Administrator may provide for the payment of amounts (on terms and subject to conditions established by the Administrator) in lieu of cash dividends or other cash distributions with respect to Stock subject to an Award whether or not the holder of such Award is otherwise entitled to share in the actual dividend or distribution in respect of such Award. Any entitlement to dividend equivalents or similar entitlements will be established and administered either consistent with an exemption from, or in compliance with, the requirements of Section 409A. Dividends or dividend equivalent amounts payable in respect of Awards that are subject to restrictions may be subject to such limits or restrictions as the Administrator may impose.

(8) **<u>Rights Limited</u>.** Nothing in the Plan will be construed as giving any person the right to continued employment or service with the Company or its Affiliates, or any rights as a stockholder except as to shares of Stock actually issued under the Plan. The loss of existing or potential profit in Awards will not constitute an element of damages in the event of termination of Employment for any reason, even if the termination is in violation of an obligation of the Company or any Affiliate to the Participant.

(9) **<u>Section 162(m)</u>.** In the case of any Performance Award (other than a Stock Option or SAR) intended to qualify for the performance-based compensation exception under Section 162(m), the Administrator will establish the applicable Performance Criterion or Criteria in writing no later than ninety (90) days after the commencement of the period of service to which the performance relates (or at such earlier time as is required to qualify the Award as performance-based under Section 162(m)) and, prior to the event or occurrence (grant, vesting or payment, as the case may be) that is conditioned on the attainment of such Performance Criterion or Criteria, will certify whether it or they have been attained.

(10) **<u>Coordination with Other Plans</u>.** Awards under the Plan may be granted in tandem with, or in satisfaction of or substitution for, other Awards under the Plan or awards made under other compensatory plans or programs of the Company or its Affiliates. For example, but without limiting the generality of the foregoing, awards under other compensatory plans or programs of the Company or its Affiliates may be settled in Stock (including, without limitation, Unrestricted Stock) if the Administrator so determines, in which case the shares delivered will be treated as awarded under the Plan (and will reduce the number of shares thereafter available under the Plan in accordance with the rules set forth in Section 4). In any case where an award is made under another plan or program of the Company or its Affiliates and such award is intended to qualify for the performance-based compensation exception under Section 162(m), and such award is settled by the delivery of Stock or another Award under the Plan, the applicable Section 162(m) limitations under both the other plan or program and under the Plan will be applied to the Plan as necessary (as determined by the Administrator) to preserve the availability of the Section 162(m) performance-based compensation exception with respect thereto.

(11) **<u>Section 409A</u>.** Each Award will contain such terms as the Administrator determines, and will be construed and administered, such that the Award either qualifies for an exemption from the requirements of Section 409A or satisfies such requirements.

(12) **<u>Fair Market Value</u>.** In determining the fair market value of any share of Stock under the Plan, the Administrator will make the determination in good faith consistent with the rules of Section 422 and Section 409A to the extent applicable.

(b) **<u>Stock Options and SARs</u>**

(1) **<u>Time And Manner Of Exercise</u>.** Unless the Administrator expressly provides otherwise, no Stock Option or SAR will be deemed to have been exercised until the Administrator receives a notice of exercise (in form acceptable to the Administrator), which may be an electronic notice, signed (including electronic signature in form acceptable to the Administrator) by the appropriate person and accompanied by any payment required under the Award. A Stock Option or SAR exercised by any person other than the Participant will not be deemed to have been exercised until the Administrator has received such evidence as it may require that the person exercising the Award has the right to do so.

(2) Exercise Price. The exercise price (or the base value from which appreciation is to be measured) of each Award requiring exercise will be no less than 100% (or in the case of an ISO granted to a ten-percent shareholder within the meaning of subsection (b)(6) of Section 422, 110%) of the fair market value of the Stock subject to the Award, determined as of the date of grant, or such higher amount as the Administrator may determine in connection with the grant. No such Award, once granted, may be repriced other than with stockholder approval.

(3) Payment of Exercise Price. Where the exercise of an Award is to be accompanied by payment, the Administrator may determine the required or permitted forms of payment, subject to the following: all payments will be by cash or check acceptable to the Administrator, or, if so permitted by the Administrator and if legally permissible, (i) through the delivery of shares of Stock that have been outstanding for at least six months (unless the Administrator approves a shorter period) and that have a fair market value equal to the exercise price, (ii) by delivery to the Company of a promissory note of the person exercising the Award, payable on such terms as are specified by the Administrator, (iii) through a broker-assisted exercise program acceptable to the Administrator, (iv) by other means acceptable to the Administrator, or (v) by any combination of the foregoing permissible forms of payment. The delivery of shares in payment of the exercise price under clause (a)(i) above may be accomplished either by actual delivery or by constructive delivery through attestation of ownership, subject to such rules as the Administrator may prescribe.

(4) Maximum Term. Stock Options and SARs will have a maximum term not to exceed ten (10) years from the date of grant (five (5) years from the date of grant in the case of an ISO granted to a ten-percent shareholder described in Section 6(b)(2) above).

7. EFFECT OF CERTAIN TRANSACTIONS

(a) Change in Control. In the event of a Change in Control, each Stock Option and SAR will become fully exercisable, any restrictions on each outstanding share of Stock will lapse, and each outstanding Award of Stock Units (including Restricted Stock Units and Performance Awards to the extent consisting of Stock Units) will become vested and the delivery of shares of Stock deliverable under each such Stock Unit will be accelerated and such shares will be delivered, in each case prior to the Change in Control on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Administrator, following exercise of the Award or the vesting or delivery of the shares, as the case may be, to participate as a stockholder in the Change in Control. Notwithstanding the foregoing, payment of any amount constituting "nonqualified deferred compensation" subject to Section 409A will be accelerated pursuant to this Section 7(a) only if the event or circumstances constituting the Change in Control would also qualify as a "change in control event" under Section 1.409A-3(i)(5) of the Treasury Regulations.

(b) Covered Transactions. After giving effect to Section 7(a) above to the extent applicable, and except as otherwise provided in an Award agreement, the following provisions will apply in the event of a Covered Transaction:

(1) Assumption or Substitution. If the Covered Transaction is one in which there is an acquiring or surviving entity, the Administrator may (but, for the avoidance of doubt, need not) provide (i) for the assumption or continuation of some or all outstanding Awards or any portion thereof or (ii) for the grant of new awards in substitution therefor by the acquirer or survivor or an affiliate of the acquirer or survivor.

(2) Cash-Out of Awards. Subject to Section 7(b)(5) below the Administrator may (but, for the avoidance of doubt, need not) provide for payment (a "cash-out"), with respect to some or all Awards or any portion thereof, equal in the case of each affected Award or portion thereof to the excess, if any, of (A) the fair market value of one share of Stock (as determined by the Administrator in its reasonable discretion) times the number of shares of Stock subject to the Award or such portion, over (B) the aggregate exercise or purchase price, if any, under the Award or such portion (in the case of an SAR, the aggregate base value above which appreciation is measured), in each case on such payment terms (which need not be the same as the terms of payment to holders of Stock) and other terms, and subject to such conditions, as the Administrator determines.

(3) Acceleration of Certain Awards. Subject to Section 7(b)(5) below, the Administrator may (but, for the avoidance of doubt, need not) provide that any Award requiring exercise will become exercisable, in full or in part and/or that the delivery of any shares of Stock remaining deliverable under any outstanding Award of Stock Units (including Restricted Stock Units and Performance Awards to the extent consisting of Stock Units) will be accelerated in full or in part, in each case on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Administrator, following exercise of the Award or the delivery of the shares, as the case may be, to participate as a stockholder in the Covered Transaction.

(4) Termination of Awards Upon Consummation of Covered Transaction. Except as the Administrator may otherwise determine in any case, each Award will automatically terminate (and in the case of outstanding shares of Restricted Stock that have not vested pursuant to Section 7(a) above or otherwise, will automatically be forfeited) upon consummation of the Covered Transaction, other than Awards assumed pursuant to Section 7(b)(1) above.

(5) Additional Limitations. Any share of Stock and any cash or other property delivered pursuant to Section 7(b)(2) or Section 7(b)(3) above with respect to an Award may, in the discretion of the Administrator, contain such restrictions, if any, as the Administrator deems appropriate to reflect any performance or other vesting conditions to which the Award was subject and that did not lapse (and were not satisfied) in connection with the Covered Transaction. For purposes of the immediately preceding sentence, a cash-out under Section 7(b)(2) above or acceleration under Section 7(b)(3) above will not, in and of itself, be treated as the lapsing (or satisfaction) of a performance or other vesting condition. In the case of Restricted Stock that does not vest and is not forfeited in connection with the Covered Transaction, the Administrator may require that any amounts delivered, exchanged or otherwise paid in respect of such Stock in connection with the Covered Transaction be placed in escrow or otherwise made subject to such restrictions as the Administrator deems appropriate to carry out the intent of the Plan.

(c) Changes in and Distributions With Respect to Stock

(1) Basic Adjustment Provisions. In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in the Company's capital structure that constitutes an equity restructuring within the meaning of FASB ASC Topic 718, the Administrator will make appropriate adjustments to the maximum number of shares specified in Section 4(a) that may be delivered under the Plan and to the maximum share limits described in Section 4(c), and will also make appropriate adjustments to the number and kind of shares of stock or securities subject to Awards then outstanding or subsequently granted, any exercise prices relating to Awards and any other provision of Awards affected by such change.

(2) Certain Other Adjustments. The Administrator may also make adjustments of the type described in Section 7(c)(1) above to take into account distributions to stockholders other than those provided for in Section 7(b) and 7(c)(1), or any other event, if the Administrator determines that adjustments are appropriate to avoid distortion in the operation of the Plan, having due regard for the qualification of ISOs under Section 422, the requirements of Section 409A, and for the performance-based compensation rules of Section 162(m), where applicable.

(3) Continuing Application of Plan Terms. References in the Plan to shares of Stock will be construed to include any stock or securities resulting from an adjustment pursuant to this Section 7.

8. LEGAL CONDITIONS ON DELIVERY OF STOCK

The Company will not be obligated to deliver any shares of Stock pursuant to the Plan or to remove any restriction from shares of Stock previously delivered under the Plan until: (i) the Company is satisfied that all legal matters in connection with the issuance and delivery of such shares have been addressed and resolved; (ii) if the outstanding Stock is at the time of delivery listed on any stock exchange or national market system, the shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance; and (iii) all conditions of the Award have been satisfied or waived. The Company may require, as a condition to exercise of the Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of the Securities Act of 1933 or any applicable state or non-U.S. securities law. Any Stock required to be issued to Participants under the Plan will be evidenced in such manner as the Administrator may deem appropriate, including book-entry registration or delivery of stock certificates. In the event that the Administrator determines that Stock certificates will be issued to Participants under the Plan, the Administrator may require that certificates evidencing Stock issued under the Plan bear an appropriate legend reflecting any restriction on transfer applicable to such Stock, and the Company may hold the certificates pending lapse of the applicable restrictions.

9. AMENDMENT AND TERMINATION

The Administrator may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by law, and may at any time terminate the Plan as to any future grants of Awards; *provided*, that except as otherwise expressly provided in the Plan the Administrator may not, without the Participant's consent, alter the terms of an Award so as to affect materially and adversely the Participant's rights under the Award, unless the Administrator expressly reserved the right to do so at the time the Award was granted. Any amendments to the Plan will be conditioned upon stockholder approval only to the extent, if any, such approval is required by law (including the Code and applicable stock exchange requirements), as determined by the Administrator.

10. OTHER COMPENSATION ARRANGEMENTS

The existence of the Plan or the grant of any Award will not in any way affect the Company's right to Award a person bonuses or other compensation in addition to Awards under the Plan.

11. WAIVER OF JURY TRIAL

By accepting an Award under the Plan, each Participant waives any right to a trial by jury in any action, proceeding or counterclaim concerning any rights under the Plan and any Award, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection therewith, and agrees that any such action, proceedings or counterclaim will be tried before a court and not before a jury. By accepting an Award under the Plan, each Participant certifies that no officer, representative, or attorney of the Company has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers. Notwithstanding anything to the contrary in the Plan, nothing herein is to be construed as limiting the ability of the Company and a Participant to agree to submit disputes arising under the terms of the Plan or any Award made hereunder to binding arbitration or as limiting the ability of the Company to require any eligible individual to agree to submit such disputes to binding arbitration as a condition of receiving an Award hereunder.

12. LIMITATION OF LIABILITY

Notwithstanding anything to the contrary in the Plan, neither the Company, nor any Affiliate, nor the Administrator, nor any person acting on behalf of the Company, any Affiliate, or the Administrator, will be liable to any Participant or to the estate or beneficiary of any Participant or to any other holder of an Award by reason of any acceleration of income, or any additional tax (including any interest and penalties), asserted by reason of the failure of an Award to satisfy the requirements of Section 422 or Section 409A or by reason of Section 4999 of the Code, or otherwise asserted with respect to the Award; provided, that nothing in this Section 12 will limit the ability of the Administrator or the Company, in its discretion, to provide by separate express written agreement with a Participant for any payment in connection with any such acceleration of income or additional tax.

13. ESTABLISHMENT OF SUB-PLANS

The Administrator may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable blue sky, securities or tax laws of various jurisdictions. The Administrator will establish such sub-plans by adopting supplements to the Plan setting forth (i) such limitations on the Administrator's discretion under the Plan as it deems necessary or desirable and (ii) such additional terms and conditions not otherwise inconsistent with the Plan as it deems necessary or desirable. All supplements so established will be deemed to be part of the Plan, but each supplement will apply only to Participants within the affected jurisdiction (as determined by the Administrator).

14. GOVERNING LAW

(a) **<u>Certain Requirements</u>.** Awards will be granted and administered consistent with the requirements of applicable Delaware law relating to the issuance of stock and the consideration to be received therefor, and with the applicable requirements of the stock exchanges or other trading systems on which the Stock is listed or entered for trading, in each case as determined by the Administrator.

(b) **<u>Other Matters</u>.** Except as otherwise provided by the express terms of an Award agreement, under a sub-plan described in Section 13 or as provided in Section 14(a) above, the provisions of the Plan and of Awards under the Plan and all claims or disputes arising out of or based upon the Plan or any Award under the Plan or relating to the subject matter hereof or thereof will be governed by and construed in accordance with the domestic substantive laws of the State of Connecticut without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

(c) **<u>Jurisdiction</u>.** By accepting an Award, each Participant will be deemed to (a) have submitted irrevocably and unconditionally to the jurisdiction of the federal and state courts located within the geographic boundaries of the United States District Court for the District of Connecticut for the purpose of any suit, action or other proceeding arising out of or based upon the Plan or any Award; (b) agree not to commence any suit, action or other proceeding arising out of or based upon the Plan or an Award, except in the federal and state courts located within the geographic boundaries of the United States District Court for the District of Connecticut; and (c) waive, and agree not to assert, by way of motion as a defense or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that the Plan or an Award or the subject matter thereof may not be enforced in or by such court.

EXHIBIT A

Definition of Terms

The following terms, when used in the Plan, will have the meanings and be subject to the provisions set forth below:

"Administrator": The Compensation Committee, except that the Compensation Committee may delegate (i) to one or more of its members (or one or more other members of the Board (including the full Board)) such of its duties, powers and responsibilities as it may determine; (ii) to one or more officers of the Company the power to grant Awards to the extent permitted by Section 157(c) of the Delaware General Corporation Law; and (iii) to such Employees or other persons as it determines such ministerial tasks as it deems appropriate. In the event of any delegation described in the preceding sentence, the term "Administrator" will include the person or persons so delegated to the extent of such delegation.

"Affiliate": Any corporation or other entity owning, directly or indirectly, 50% or more of the outstanding Stock of the Company, or in which the Company or any such corporation or other entity owns, directly or indirectly, 50% of the outstanding capital stock (determined by aggregate voting rights) or other voting interests.

"Award": Any or a combination of the following:

(i) Stock Options

(ii) SARs

(iii) Restricted Stock

(iv) Unrestricted Stock

(v) Stock Units, including Restricted Stock Units.

(vi) Performance Awards

(vii) Cash Awards

(viii) Awards (other than Awards described in (i) through (vii) above) that are convertible into or otherwise based on Stock

"Board": The Board of Directors of the Company.

"Cash Award": An Award denominated in cash.

"Change in Control": Any of (i) a reorganization, merger, consolidation or similar transaction in which the surviving corporation is not, and is not a subsidiary of, a publicly owned corporation in which the stockholders of the Company immediately prior to the transaction continue to own beneficially securities representing more than 50% of the voting power of all outstanding voting securities of the Company, (ii) a sale, exchange or other disposition of all or substantially all the Company's assets, or (iii) any acquisition of voting securities of the Company by any person or group (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), but excluding (a) the Company or any of its subsidiaries, (b) any person who was an officer or director of the Company on the day prior to the Effective Date, or (c) any savings, pension or other benefits plan for the benefit of employees of the Company or any of its subsidiaries, which theretofore did not beneficially own voting securities representing more than 50% of the voting power of all outstanding voting securities of the Company, if such acquisition results in such entity, person or group owning beneficially securities representing more than 50% of the voting power of all outstanding voting securities of the Company. As used herein, "voting power" means ordinary voting power for the election of directors of the Company.

"Code": The U.S. Internal Revenue Code of 1986 as from time to time amended and in effect, or any successor statute as from time to time in effect.

"Compensation Committee": The Compensation and Corporate Governance Committee of the Board.

"Company": TransAct Technologies Incorporated.

"Covered Transaction": Any of (i) a reorganization, merger, consolidation or similar transaction or series of related transactions, including a sale or other disposition of stock, in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company's then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert, (ii) a sale or transfer of all or substantially all the Company's assets, or (iii) a dissolution or liquidation of the Company. Where a Covered Transaction involves a tender offer that is reasonably expected to be followed by a merger described in clause (i) (as determined by the Administrator), the Covered Transaction will be deemed to have occurred upon consummation of the tender offer.

"Date of Adoption": The earlier of the date the Plan was approved by the Company's stockholders or adopted by the Board, as determined by the Committee. The Date of Adoption of the Plan is April 1, 2014.

"Employee": Any person who is employed by the Company or an Affiliate.

"Employment": A Participant's employment or other service relationship with the Company or an Affiliate. Employment will be deemed to continue, unless the Administrator expressly provides otherwise, so long as the Participant is employed by, or otherwise is providing services in a capacity described in Section 5 to the Company or an Affiliate. If a Participant's employment or other service relationship is with an Affiliate and that entity ceases to be an Affiliate, the Participant's Employment will be deemed to have terminated when the entity ceases to be an Affiliate unless the Participant transfers Employment to the Company or its remaining Affiliates. Notwithstanding the foregoing and the definition of "Affiliate" above, in construing the provisions of any Award relating to the payment of "nonqualified deferred compensation" (subject to Section 409A) upon a termination or cessation of Employment, references to termination or cessation of employment, separation from service, retirement or similar or correlative terms will be construed to require a "separation from service" (as that term is defined in Section 1.409A-1(h) of the Treasury Regulations) from the Company and from all other corporations and trades or businesses, if any, that would be treated as a single "service recipient" with the Company under Section 1.409A-1(h)(3) of the Treasury Regulations. The Company may, but need not, elect in writing, subject to the applicable limitations under Section 409A, any of the special elective rules prescribed in Section 1.409A-1(h) of the Treasury Regulations for purposes of determining whether a "separation from service" has occurred. Any such written election will be deemed a part of the Plan.

"ISO": A Stock Option intended to be an "incentive stock option" within the meaning of Section 422. Each Stock Option granted pursuant to the Plan will be treated as providing by its terms that it is to be an NSO unless, as of the date of grant, it is expressly designated as an ISO.

"NSO": A Stock Option that is not intended to be an "incentive stock option" within the meaning of Section 422.

"Participant": A person who is granted an Award under the Plan.

"Performance Award": An Award subject to Performance Criteria. The Committee in its discretion may grant Performance Awards that are intended to qualify for the performance-based compensation exception under Section 162(m) and Performance Awards that are not intended so to qualify.

"Performance Criteria": Specified criteria, other than the mere continuation of Employment or the mere passage of time, the satisfaction of which is a condition for the grant, exercisability, vesting or full enjoyment of an Award. For purposes of Awards that are intended to qualify for the performance-based compensation exception under Section 162(m), a Performance Criterion will mean an objectively determinable measure of performance relating to any or any combination of the following (measured either absolutely or by reference to an index or indices and determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, or amortization, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital or assets; one or more operating ratios; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; stock price; stockholder return; sales of particular products or services; customer acquisition or retention; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings. A Performance Criterion and any targets with respect thereto determined by the Administrator need not be based upon an increase, a positive or improved result or avoidance of loss. To the extent consistent with the requirements for satisfying the performance-based compensation exception under Section 162(m), the Administrator may provide in the case of any Award intended to qualify for such exception that one or more of the Performance Criteria applicable to such Award will be adjusted in an objectively determinable manner to reflect events (for example, but without limitation, acquisitions or dispositions) occurring during the performance period that affect the applicable Performance Criterion or Criteria.

"Plan": The TransAct Technologies Incorporated 2014 Equity Incentive Plan as from time to time amended and in effect.

"Restricted Stock": Stock subject to restrictions requiring that it be redelivered or offered for sale to the Company if specified conditions are not satisfied.

"Restricted Stock Unit": A Stock Unit that is, or as to which the delivery of Stock or cash in lieu of Stock is, subject to the satisfaction of specified performance or other vesting conditions.

"SAR": A right entitling the holder upon exercise to receive an amount (payable in cash or in shares of Stock of equivalent value) equal to the excess of the fair market value of the shares of Stock subject to the right over the base value from which appreciation under the SAR is to be measured.

"Section 162(m)": Section 162(m) of the Code.

"Section 409A": Section 409A of the Code.

"Section 422": Section 422 of the Code.

"Stock": Common stock of the Company, par value $0.01 per share.

"Stock Option": An option entitling the holder to acquire shares of Stock upon payment of the exercise price.

"Stock Unit": An unfunded and unsecured promise, denominated in shares of Stock, to deliver Stock or cash measured by the value of Stock in the future.

"Unrestricted Stock": Stock not subject to any restrictions under the terms of the Award.

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

I, Bart C. Shuldman, certify that:

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

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

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

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

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

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

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

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

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

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

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

August 9, 2017

/s/ Bart C. Shuldman

Bart C. Shuldman
Chairman and Chief Executive Officer

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

I, Steven A. DeMartino, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2017

/s/ Steven A. DeMartino

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

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

In connection with the Quarterly Report of TransAct Technologies Incorporated (the "Company") on Form 10-Q for the period ending June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company, certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

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

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

Date: August 9, 2017

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

Date: August 9, 2017

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