

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020
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, Connecticut

06518

(Address of principal executive offices)

(Zip Code)

(203) 859-6800

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Common stock, par value \$0.01 per share

TACT

NASDAQ Global Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit 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

Non-accelerated filer

Accelerated filer

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 has filed a report on and attestation to its management's assessment of the effectiveness of internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately \$33,500,000 based on the last sale price on June 30, 2020.

As of February 28, 2021, the number of shares outstanding of the Registrant's common stock, \$0.01 par value, was 8,960,535.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement related to its 2021 Annual Meeting of Stockholders (the "Proxy Statement") to be filed with the Securities and Exchange Commission within 120 days after the Registrant's fiscal year end of December 31, 2020 are incorporated by reference into Part III of this Annual Report on Form 10-K.

TRANSACT TECHNOLOGIES INCORPORATED

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Pursuant to Item 10(f) of Regulation S-K promulgated under the Securities Act of 1933, as amended, as indicated herein, we have elected to comply with certain scaled disclosure requirements applicable to “smaller reporting companies” in this Annual Report on Form 10-K (this “Form 10-K”).

PART I

Forward-Looking Statements

Certain statements included in this Form 10-K may include “forward-looking statements” within the meaning of the U.S. federal securities laws, including the Private Securities Litigation Reform Act of 1995. Forward-looking statements are any statements other than statements of historical fact. Forward-looking statements represent current views about possible future events and are often 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. Forward-looking statements are subject to certain risks, uncertainties and assumptions. In the event that one or more of such risks or uncertainties materialize, or one or more underlying assumptions prove incorrect, actual results may differ materially from those expressed or implied by the forward-looking statements.

Important factors and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to, the following: the adverse effects of the COVID-19 pandemic on our business, operations, financial condition, results of operations and capital resources, including as a result of supply chain disruptions, shutdowns and/or operational restrictions imposed on our customers, an inability of our customers to make payments on time or at all, diversion of management attention, necessary modifications to our business practices and operations, cost cutting measures we have made and may continue to make, a possible future reduction in the value of goodwill or other intangible assets, inadequate manufacturing capacity or a shortfall or excess of inventory as a result of difficulty in predicting manufacturing requirements due to volatile economic conditions, price increases or decreased availability of component parts or raw materials, exchange rate fluctuations, volatility of, and decreases in, trading prices of our common stock and the availability of needed financing on acceptable terms or at all; our ability to successfully develop new products that garner customer acceptance and generate sales, both domestically and internationally, in the face of substantial competition; our reliance on an unrelated third party to develop, maintain and host certain web-based food service application software and develop and maintain selected components of our downloadable software applications pursuant to a non-exclusive license agreement, and the risk that interruptions in our relationship with that third party could materially impair our ability to provide services to our food service technology customers on a timely basis or at all and could require substantial expenditures to find or develop alternative software products; our ability to successfully transition our business into the food service technology market; our ability to remediate the material weakness over internal control over financial reporting; risks associated with potential future acquisitions; general economic conditions; our dependence on contract manufacturers for the assembly of a large portion of our products in Asia; our dependence on significant suppliers; our ability to recruit and retain quality employees as the Company grows; our dependence on third parties for sales outside the United States; marketplace acceptance of new products; risks associated with foreign operations; the availability of third-party components at reasonable prices; price wars or other significant pricing pressures affecting the Company’s products in the United States or abroad; increased product costs or reduced customer demand for our products due to changes in U.S. policy that may result in trade wars or tariffs; our ability to protect intellectual property; the effect of the United Kingdom’s withdrawal from the European Union; and other risk factors identified and discussed in Part I, Item 1A, Risk Factors, and Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, of this Form 10-K and that may be detailed from time to time in the Company’s other reports filed with the Securities and Exchange Commission (the “SEC”).

We caution readers not to place undue reliance on forward-looking statements, which speak only as of the date of this Form 10-K. We undertake no obligation to public publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other factors, except where we are expressly required to do so by law.

Item 1. Business.

The Company

TransAct Technologies Incorporated (together with its consolidated subsidiaries, “TransAct,” the “Company,” “we,” “us,” or “our”) was incorporated in June 1996 and began operating as a stand-alone business in August 1996 as a spin-off of the printer business that was formerly conducted by certain subsidiaries of Tridex Corporation. We completed an initial public offering on August 22, 1996.

TransAct is a global leader in developing and selling software-driven technology and printing solutions for high growth markets including food service technology, point of sale (“POS”) automation, casino and gaming, 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 BOHA![™], AccuDate[™], Epic[®], EPICENTRAL[™], Ithaca[®], and Printrex[®] brand names. During 2019, we launched a new line of products for the food service technology market, the BOHA! branded suite of cloud-based applications and companion hardware solutions. The new BOHA! software and hardware products help restaurants, convenience stores and food service operators of all sizes automate the food production in the back-of-house operations. Known and respected worldwide for innovative designs and real-world service reliability, our thermal printers and terminals generate top-quality labels, coupons and transaction records such as receipts, tickets and other documents, as well as printed logging and plotting of data. We sell our technology to original equipment manufacturers (“OEMs”), value-added resellers, select distributors, as well as directly to end-users. Our product distribution spans across the Americas, Europe, the Middle East, Africa, Asia, Australia, New Zealand, Latin America, the Caribbean Islands and the South Pacific. We also offer world-class service, support, labels, spare parts, accessories and printing supplies to our growing worldwide base of products currently in use by our customers. Through our TransAct Services Group (“TSG”), we provide a complete range of supplies and consumables used in the printing activities of customers in the restaurant and hospitality, 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. Our primary operating, hardware research and development, and U.S. service center is located in Ithaca, New York. In addition, we have a casino and gaming sales headquarters and software research and development in Las Vegas, Nevada; a European sales and service center at our subsidiary in the United Kingdom (“UK”); and a sales office located in Macau, China. Our executive offices are located at One Hamden Center, 2319 Whitney Avenue, Suite 3B, Hamden, Connecticut, 06518, with a telephone number of (203) 859-6800.

Impact of the COVID-19 Pandemic

In December 2019, a novel strain of coronavirus and the disease it causes, commonly known as COVID-19, was first reported in China and has since widely impacted the global public health and economic environment. In March 2020, the World Health Organization declared COVID-19, including all additional variations and strains thereof, a global pandemic. Our business trends through the first two months of 2020 were in line with internal expectations; however, the challenges posed by the COVID-19 pandemic on the United States and global economy increased significantly as the first quarter of 2020 progressed and continued throughout the remainder of 2020. Unfortunately, the massive economic and social disruptions across the world persist due to COVID-19 and the measures implemented to mitigate its spread. The food service, casino and gaming, and oil and gas industries have been particularly affected by the pandemic, and we expect such disruptions to continue to negatively impact our overall business for the foreseeable future.

As a result of the COVID-19 pandemic and measures implemented to mitigate its spread, we experienced decreased demand for our products and lower than anticipated sales beginning in the second half of March 2020 and continuing through the end of 2020, particularly in our food service technology and casino and gaming markets. We experienced some improvement in demand during the second half of 2020 compared to the second quarter of 2020, as some state and local governments lifted certain measures implemented earlier in 2020 to mitigate the spread of the virus, however demand remained lower than 2019, and we expect this trend to continue through at least the first half of 2021. Below is a discussion of the impact of COVID-19 that we have experienced, and that we believe we will continue to experience for the foreseeable future in each of our markets.

Food service technology and POS automation. In both our food service technology and POS automation markets, many restaurants and food service establishments that were closed during much of the second quarter of 2020 started to reopen as state and local governments began to ease restrictions put in place in response to the pandemic. Many of our customers have opened under restrictions that limit them to providing drive through, take-out or delivery service without dine-in options, as well as limiting the volume of customers and employees on site at any one time. During the third and fourth quarters of 2020, we experienced sales improvement compared to the second quarter of 2020, as these food service customers reopened for business. However, during the fourth quarter of 2020, restaurants were again impacted by a resurgence of the pandemic. Notwithstanding the gradual resumption of limited operations that began in the third quarter of 2020, our food service technology and POS automation customers continue to recover from the financial impact of being closed for several months and we expect new capital expenditures to be a lower priority for them in the near term, which we believe will continue to negatively impact sales of BOHA! hardware, software and label products, as well as sales of POS printers. However, food service providers have been and are likely to continue to be required to develop and implement new or enhanced policies and operating procedures regarding cleaning, sanitizing and social distancing to ensure the safety of their employees and customers. We believe that our BOHA! hardware, software and label products could prove to be helpful to our food service customers in efficiently and effectively managing and complying with these new procedures, especially as many establishments are and will likely continue to be operating with reduced staff levels.

Casino and gaming. In the casino and gaming market, most casinos and other gaming establishments were closed worldwide during most of the second quarter of 2020. Many casinos began to reopen in late May and early June 2020, but similar to restaurants, casino openings were slow and measured, starting with reduced capacity and limited game play based on social distancing guidelines. During the fourth quarter of 2020, some casinos re-closed due to a resurgence of the pandemic. We anticipate that casinos will continue to limit capacity in the near term and will progressively increase capacity over time. As casinos gradually recover from the financial impact of being closed for several months, we expect that casinos' appetite for purchases of new slot machines will be diminished, which we believe is likely to negatively impact sales of casino and gaming printers purchased by slot manufacturers for use in slot machines at casinos during 2021.

Lottery. We exited the lottery market at the end of 2019 and IGT made a final purchase of our lottery printer during the second quarter of 2020. Therefore, COVID-19 has not had an impact our lottery printer sales, and we do not anticipate that it will have an impact on our future lottery printer sales.

Printrex. The oil and gas market has been negatively impacted by the decline in worldwide oil prices attributable to the COVID-19 pandemic. Due to the uncertainty of current and future market conditions, we believe sales of our Printrex oil and gas printers will continue to be negatively impacted until oil and gas prices recover.

TSG. Due to closures and reduced operating capacity of restaurants, food service establishments, casinos and other gaming establishments resulting from the COVID-19 pandemic, sales of spare parts, service and consumable products have declined, and we expect such sales to remain at reduced levels, due to lower usage while the pandemic persists.

Our gross margin has been negatively impacted and we expect our gross margin to continue to be negatively impacted by the COVID-19 pandemic. As a result of an expected significantly lower sales level, we believe our gross margin will decline due to fixed manufacturing overhead expenses (such as facility costs, depreciation, etc.) that cannot be reduced or eliminated even with the lower sales level.

We have also experienced supply chain disruptions, including delayed product shipments from our two contract manufacturers located in China and Thailand that conduct almost all of our printer and terminal manufacturing, due to reduced operations and parts shortages at these facilities. To date, these disruptions have only minimally impacted deliveries to customers due to our high inventory levels and reduced demand for our products. However, if the delays are sustained or additional disruptions from the pandemic occur, we may have insufficient inventory levels and our ability to deliver products to our customers on time or at all may be impaired.

While it is difficult to predict the magnitude of the ultimate impact that the pandemic and the responsive measures will have on our customers and our business, we took several actions during 2020 to manage our expenses during these turbulent and uncertain times. Such steps included:

- a reduction of our workforce starting in July 2020 by approximately 20% through a combination of employee terminations and temporary furloughs. During the fourth quarter, we brought back all furloughed employees. As of December 31, 2020 our overall headcount was reduced by approximately 16% when compared to December 31, 2019;
- a 10% reduction in the salaries of all salaried, non-commissioned employees, including executive officers, starting in March 2020. From May 1, 2020 until early July 2020, employees below the vice president level were paid their full salary as a result of the receipt of the PPP Loan proceeds (defined below). All employee full salaries were reinstated on January 1, 2021;
- a reduction in sales commissions for all commissioned employees starting in March 2020 through the end of 2020;
- a 10% reduction of cash retainer fees for all non-employee directors starting in March 2020 through the end of 2020; and
- the elimination of discretionary spending wherever possible starting in March 2020, which has continued into the first quarter of 2021.

In addition, we took measures to increase liquidity, including the following:

- Public Offering – On October 16, 2020, the Company raised net proceeds of \$8.7 million, after deducting underwriting discounts, commissions and offering expenses, through an underwritten public offering (the “Offering”) and sold an aggregate of 1,380,000 shares of common stock.
- PPP Loan – On May 1, 2020 (the “Loan Date”), the Company was granted a \$2.2 million loan (the “PPP Loan”) under the Paycheck Protection Program (the “PPP”) administered by the Small Business Administration (“SBA”) established under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, which enabled us to return our furloughed employees to full time employment and to restore certain pay cuts until the PPP Loan proceeds were exhausted.
- New Credit Facility – On March 13, 2020, we entered into a new credit facility with Siena Lending Group LLC that provides a revolving credit line of up to \$10.0 million, subject to a borrowing base.
- Reduced Capital Expenditures – We limited capital expenditures during 2020.

Since the onset of the pandemic, our top priority has been to ensure the health and safety of our employees while continuing to provide our customers with high-quality, personalized service. On March 20, 2020, we instituted work-from-home practices for the majority of our employees to reduce the spread of COVID-19 and to comply with government mandates. Because most of our employees already had laptop computers with remote access into our IT systems, we have experienced only minor reductions in productivity and minimal costs related to the implementation of our work-from-home practices. In addition, even with the move to a work-from-home environment, our existing internal control structure remained operational and unchanged.

Our distribution centers, deemed an essential service, have remained operational throughout the pandemic. We implemented a new COVID-19 policy to specifically address health and safety guidelines for employees to adhere to and follow when at work or returning to work. This policy was based on the COVID-19 safety guidelines recommended by the Centers for Disease Control and Prevention and implements the following operations procedures:

- staggered shifts and a rotational or flexible work schedule to minimize the number of employees at any particular facility at a single time;
- mandated use of protective equipment, such as masks and gloves, when in common areas, which is provided to employees;
- spaced seating in workspaces such as manufacturing cells, lunch/break rooms, conference rooms and other common areas to comply with social distancing guidelines;
- employees who (i) show symptoms of COVID-19 or (ii) have been exposed to someone who shows symptoms or has tested positive for COVID-19 are prohibited from reporting to work for 10 days;
- visitors are prohibited from entering all facilities;
- cleaning and disinfecting protocols at all facilities; and
- daily temperature checks of all employees before entering all facilities.

We have evaluated the recoverability of the assets on our Consolidated Balance Sheet as of December 31, 2020 in accordance with relevant authoritative accounting literature. We considered the disruptions caused by the COVID-19 pandemic, including lower than previously forecasted sales and customer demand, a decline in the price of our common stock and macroeconomic factors potentially impacting accounts receivable, inventory, investments, intangible assets, goodwill and other assets and liabilities. Where forward-looking estimates are required, we made a good-faith estimate based on information available as of the balance sheet date. We have continued to monitor for indicators of impairment through the date of this Report and reflected accordingly in the accompanying condensed consolidated financial statements.

Notwithstanding the foregoing, there is no assurance that the actions we have taken in response to the pandemic are sufficient or adequate, and we may be required to take additional preventive or responsive measures, as the ultimate extent of the effects of the COVID-19 pandemic on the Company, our financial condition, results of operations, liquidity, and cash flows are uncertain and are dependent on evolving developments which cannot be predicted at this time. See Part I, Item 1A, Risk Factors, of this Form 10-K for further discussion of risks related to COVID-19.

Products, Services and Distribution Methods

Printers, terminals and other hardware: TransAct designs, develops and markets a broad array of transaction-based and specialty printers and terminals utilizing thermal printing technology for applications, primarily in the food service technology, POS automation, casino and gaming, and oil and gas printing markets. Our printers and terminals are configurable and offer customers the ability to choose from a variety of features and functions. Options typically include interface configuration, mounting configuration, paper cutting devices, paper handling capacities and cabinet color. Our food service technology terminals also offer software configurable menu options. Our food service technology market also includes sales of hardware products including handheld devices, tablets, temperature probes and temperature sensors and gateways.

Food Service Technology: The primary offering in the food service technology market is our BOHA! ecosystem, which combines our latest generation terminal, cloud-based software applications and related hardware into a unique solution to automate back-of-house operations in restaurants, convenience stores and food service operations. The software component of BOHA! consists of a suite of software-as-a-service (“SaaS”)-based applications, including applications for inventory management, temperature monitoring of food and equipment, timers, food safety labeling, food recalls, checklists and procedures, equipment service management, and delivery management. Any and all these applications can be chosen by our customer and packaged into a single platform with the associated hardware, which includes the BOHA! terminal, handheld devices, tablets, temperature probes and temperature sensors and gateways. The BOHA! terminal combines the software and hardware components 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, nutritional labels and “enjoy by” date labels. The BOHA! terminal is equipped with the TransAct Enterprise Management System to ensure that only approved applications and functions are available on the device and allows over-the-air updates to the applications and operating system. BOHA! helps food service establishments and restaurants (including fine dining, casual dining, fast casual and quick-serve restaurants, convenience stores, hospitality establishments and contract food service providers) effectively manage food safety and grab-and-go initiatives, as well as automate and manage back-of-house operations. Recurring revenue from BOHA! is generated by software sales, including software subscriptions that are charged to customers upfront on a per-application basis, as well as sales of labels, extended warranty and service contracts, and technical support services. In the food service technology market, we use an internal sales force to solicit sales directly from end users.

POS automation: In the POS market, we sell several models of printers utilizing thermal printing technology. Our POS printers are used primarily by quick-serve restaurants located either at the checkout counter or within self-service kiosks to print receipts for consumers or print on linerless labels. In the POS market, we primarily sell our products through a network of domestic and international distributors and resellers. We use an internal sales force to manage sales through our distributors and resellers, as well as to solicit sales directly from end-users. Prior to 2020, revenue in this market included 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. We exited the banking market during 2018 and therefore do not expect any future sales. In the banking market, we primarily sold our products directly to end-user banks and financial institutions through our internal sales force and, to a lesser extent, resellers.

Casino and gaming: We sell several models of printers used in slot machines and 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, racetracks and other gaming venues worldwide. These printers utilize thermal printing technology to print tickets and receipts in monochrome and offer various other features such as jam resistant bezels and a dual port interface that enables casinos to print coupons and promotions. In addition, we sell printers using thermal roll-fed printing technology for use in international non-casino establishments, including game types such as Amusements with Prizes, Skills with Prizes, Fixed Odds Betting Terminals, sports betting establishments and other off-premise gaming type machines around the world. We sell our casino and gaming products primarily (1) to slot machine manufacturers, who incorporate our printers into slot machines and, in turn, sell completed slot machines directly to casinos and other gaming establishments and (2) through distributors. We also maintain a dedicated internal sales force to solicit sales from slot machine manufacturers and casinos, and to manage sales through our distributors.

We also offer a software solution, the EPICENTRAL™ Print System, including annual software maintenance, that enables casino operators to create promotional coupons and marketing messages and to print them in real time at the slot machine. With EPICENTRAL™, casinos can utilize the system to create multiple promotions and incentives to either increase customer time spent on the casino floor or encourage additional visits to generate more revenue to the casinos. In 2019, we introduced EPICENTRAL 4.0, which uses the new Acres 4.0 technology that provides EPICENTRAL with true real time slot machine play data.

Lottery: Our lottery printers are designed for high-volume, high-speed printing of lottery tickets for various lottery applications. We primarily supply lottery printers to International Gaming Technology and its subsidiaries (“IGT”), our largest customer and the world’s largest provider of lottery terminals. During 2019, we decided to exit this business and we expect no future sales beyond 2020. Sales of our lottery products were made directly to IGT and were managed by an internal sales representative before we exited the business in 2019.

Printrex: Printrex printers include wide format, desktop and rack-mounted and vehicle-mounted black and 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. The Printrex® brand of printers also includes high-speed color inkjet desktop printers used by oil and gas field service companies to print logs at data centers of the oil and gas field service companies. We primarily sell our Printrex® products directly to oil field service and drilling companies and OEM’s, as well as through regional distributors in the United States, Europe, Canada and Asia.

TSG: Through TSG, we proactively market the sale of consumable products (including POS receipt paper, inkjet cartridges, ribbons and other printing supplies), replacement parts, maintenance and repair services, refurbished printers, and shipping and handling charges. Our maintenance services include the sale of extended warranties, multi-year maintenance contracts, a 24-hour guaranteed replacement product service called TransAct Xpress™ and other repair services for our printers and terminals. Within the United States, we provide repair services through our service center in Ithaca, New York. Internationally, we provide repair services through our European service center located in Doncaster, UK, and through partners strategically located around the world.

We also provide customers with telephone sales and technical support, and a personal account representative to handle orders, shipping and general information. Technical and sales support personnel receive training on all our manufactured products and services. In addition to personalized telephone and technical support, we also market and sell consumable products 24 hours a day, seven days a week, via our webstore, www.transactsupplies.com.

Sources and Availability of Raw Materials

We design our products to optimize product performance, quality, reliability and durability. These designs combine cost efficient materials, sourcing and assembly methods with high standards of workmanship. Almost all of our printers and terminals are produced by two third-party manufacturers located in China and Thailand. A small portion of our products are assembled in our Ithaca, New York facility largely on a configure-to-order basis using components and subassemblies that have been sourced from vendors and contract manufacturers around the world.

We procure component parts and subassemblies for use in the assembly of our hardware products in Ithaca, New York. Critical component parts and subassemblies include thermal print heads, printing/cutting mechanisms, power supplies, motors, injection molded plastic parts, LCD screens, circuit boards and electronic components, which are obtained from domestic and foreign suppliers at competitive prices. As a result of the majority of our production being performed by our contract manufacturers, the majority of our purchases consist of fully-assembled printers and terminals produced by our contract manufacturers and, to a much lesser extent, component parts. We typically strive to maintain more than one source for our component parts, subassemblies and fully assembled printers and terminals to reduce the risk of parts shortages or unavailability. However, we could experience temporary disruption if certain suppliers ceased doing business with us, as described below.

We currently buy a majority of our thermal print mechanisms, an important component of our thermal printers, and fully assembled printers for several of our printer and food service technology terminal models, from one foreign contract manufacturer in China and to a lesser extent, one other foreign contract manufacturer in Thailand. Although we believe that other contract manufacturers could provide similar thermal print mechanisms or fully assembled printers and terminals, on comparable terms, a change in contract manufacturers could cause a delay in manufacturing and possible loss of sales, which may have a material adverse effect on our operating results. Although we do not have supply agreements with our foreign contract manufacturers, our relationship with both remain strong and we have no reason to believe that either will discontinue their supply of thermal print mechanisms or fully assembled printers to us during 2021 or that their terms to us will be substantially less favorable than they have been historically. Due to the impact from the Chinese tariff starting in 2019, during 2020 we increasingly transferred production from our largest contract manufacturer in China to our contract manufacturer in Thailand. We plan to continue transferring production to our contract manufacturer during 2021.

We currently buy a majority of our thermal print mechanisms, an important component of our thermal printers, and fully assembled printers for several of our printer and food service technology terminal models, from a foreign contract manufacturer in China and a foreign contract manufacturer in Thailand. Although we believe that other contract manufacturers could provide similar thermal print mechanisms or fully assembled printers and terminals, on comparable terms, a change in contract manufacturers could cause a delay in manufacturing and possible loss of sales, which may have a material adverse effect on our operating results. Although we do not have supply agreements with our foreign contract manufacturers, our relationship with both remain strong and we have no reason to believe that either will discontinue their supply of thermal print mechanisms or fully assembled printers to us during 2021 or that their terms to us will be substantially less favorable than they have been historically. Due to the impact from the Chinese tariff starting in 2019, during 2020 we increasingly transferred production from our contract manufacturer in China to our contract manufacturer in Thailand. We plan to continue transferring production to our contract manufacturer in Thailand during 2021.

Patents and Proprietary Information

TransAct relies on a combination of trade secrets, patents, employee and third-party nondisclosure agreements, copyright laws and contractual rights to establish and protect its proprietary rights in its products. As of February 28, 2021, we hold 35 United States and 36 foreign patents and have 5 United States and 3 foreign patent applications pending pertaining to our products. The duration of these patents ranges from 1 to 19 years. The expiration of any individual patent would not have a significant negative impact on our business. We regard certain manufacturing processes and designs to be proprietary and attempt to protect them through employee and third-party nondisclosure agreements and similar means. It may be possible for unauthorized third parties to copy certain portions of our products or to reverse engineer or otherwise obtain and use, to our detriment, information that we regard as proprietary. Moreover, the laws of some foreign countries do not afford the same protection to our proprietary rights as do the laws of the United States. There can be no assurance that legal protections we rely upon to protect our proprietary position will be adequate or that our competitors will not independently develop technologies that are substantially equivalent or superior to our technologies.

Trademarks, Service Marks and Copyrights

We own or have rights to trademarks, service marks, trade names and copyrights that we use in connection with the operation of our business, including our corporate names, logos and website names. Other trademarks, service marks and trade names appearing in this Annual Report on Form 10-K are the property of their respective owners. The trademarks we own include TransAct®, BOHA!™, AccuDate™, Epic, EPICENTRAL™, Ithaca® and Printrex®. Solely for convenience, some of the trademarks, service marks, trade names and copyrights referred to in this annual report on Form 10-K are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, service marks, trade names and copyrights.

Seasonality

Restaurants typically reduce purchases of equipment in the fourth quarter due to the increased volume of transactions during the holiday period, which may negatively impact sales of our food service technology products or POS printers.

Working Capital

Inventory, accounts receivable, and accounts payable levels, payment terms, and where applicable, return policies are in accordance with the general practices of the industry and standard business procedures. See also Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Certain Significant Customers

IGT is our most significant customer and has been since 1995. We sell both on-line lottery printers and casino and gaming printers to IGT. On May 29, 2015, we signed an agreement with IGT to sell on-line lottery and casino printers to IGT on a non-exclusive basis through December 31, 2019. We decided not to renew the agreement upon its expiration and to exit the on-line lottery market. Although we no longer have an agreement with IGT, we expect to continue selling casino and gaming printers to IGT, as well as spare parts for our remaining, but declining, installed base of lottery printers, in the future but no longer expect to sell on-line lottery printers beyond 2020.

Sales to IGT represented 15% and 14% of our total net sales for the years ended December 31, 2020 and 2019, respectively.

Backlog

Our backlog of firm orders was approximately \$3.4 million as of February 28, 2021, compared to \$5.7 million as of February 29, 2020. Based on customers' current delivery requirements, we expect to fill and recognize as revenue \$2.7 million of our current backlog during 2021, \$0.4 million during 2022 and the remaining balance of the amount during 2023.

Competition

The market for transaction-based and specialty printers and food service technology terminals is extremely competitive, and we expect such competition to continue in the future. However, we experience less competition for EPICENTRAL™ software due to the highly customized nature of the product. We compete with a number of companies, many of which have greater financial, technical and marketing resources than TransAct. We believe our ability to compete successfully depends on a number of factors both within and outside our control, including durability, reliability, quality, design capability, product customization, price, customer support, success in developing new products, manufacturing expertise and capacity, supply of component parts and materials, strategic relationships with suppliers, the timing of new product introductions by us and our competitors, general market, economic and political conditions and, in some cases, the uniqueness of our products.

In the food service technology market, we primarily compete with Avery Dennison Corporation, Ecolab Inc., ITD Food Safety, CMC Daymark, Integrated Control Corp, Digi International, Squadle Inc., Jolt Software and Zenput. We compete in this market based largely on our ability to provide highly specialized software and purpose-built products and ongoing technical support. We rely upon third-party developed software and hosting services combined with our own proprietary hardware and software to offer a unique BOHA! branded solution to support back-of-house operations in the food service industry. Our competitors or others may develop, or may establish relationships with developers with the capability to develop, software and services that are similar to or competitive with ours, which may be disadvantageous to our competitive position. Certain portions of our food service technology software are licensed from a third-party developer on a non-exclusive basis through 2031 and are subject to a revenue sharing arrangement with the developer. We are reliant upon the third-party developer to further develop and maintain their developed software, and the developer controls the software source code. The license agreement does not preclude the developer from working with others on similar products. Also, the third party developer hosts the web-based applications. Therefore, presently, we are highly dependent upon this third-party developer for continued service to our customers and the further development of our food service technology software products.

In the POS automation market, we primarily compete with Epson America, Inc., which holds a dominant market position. We also compete, to a much lesser extent, with Star Micronics America, Inc. and Citizen -- CBM America Corporation. Certain competitors of ours have greater financial resources and lower costs attributable to higher volume production which enables them to occasionally offer lower prices than us. However, we will continue to deemphasize efforts in the POS automation market going forward as we have shifted our focus toward our higher-value, technology enabled food service technology and casino and gaming products.

In the casino and gaming market (consisting principally of slot machine printing, VLT transaction printing and promotional coupon printing), we compete with several companies including JCM Global, Nanoptix, Inc., Custom Engineering SPA, Eurocoin and others. Certain of our products sold for casino and gaming applications compete based upon our ability to provide highly specialized products, custom engineering and ongoing technical support.

In the lottery market (consisting principally of on-line lottery transaction printing), we competed with other lottery printer providers such as Custom Engineering SPA, Star Micronics and Wincor Nixdorf. However, we exited the lottery market in 2019 and shifted our focus toward our higher-value, technology enabled food service technology and casino and gaming products.

In the oil and gas market, our Printrex® products compete primarily with the products of Imaging Systems Group, Inc. and Neuralog Inc. We compete in this market based largely on our ability to provide specialized, custom-engineered products.

The market in which TSG competes is highly fragmented, and we compete with numerous competitors of various sizes, including POS and internet resellers and paper converters depending on the geographic area.

Our strategy for competing in our markets is to continually develop and/or license new products (hardware and software), such as our launch of BOHA!™ in 2019, and product line extensions that are technologically advanced and provide differentiated features and functions, to increase our market penetration, to take advantage of strategic relationships, and to lower the cost of our products by sourcing certain products overseas. Although we believe that our products, operations and relationships provide a competitive foundation, there can be no assurance that we will compete successfully in the future. In addition, our products utilize certain thermal printing technologies and licensed software. If new technologies are introduced, or existing technologies evolve, we may be required to incorporate these technologies into our products. Alternatively, if such technologies were to become available to our competitors, our products could become obsolete, which could have a significant negative impact on our business.

Environmental Compliance

Our compliance with federal, state and local laws and regulations relating to environmental protection and discharge of hazardous materials has not had a material impact on our capital expenditures, earnings or competitive position, and we do not anticipate any material impact from such compliance in the future.

Available Information

We make available free of charge through the “Investor Relations” tab on our Internet website, www.transact-tech.com, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and all amendments to those reports and statements as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC pursuant to Sections 13(a) or 15(d) of the Exchange Act. The SEC maintains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. The content on any website referred to in this Form 10-K is not incorporated by reference in this Form 10-K unless expressly noted.

Employees

As of December 31, 2020, TransAct and our subsidiaries employed 112 persons, all of whom were full-time employees. None of our employees are unionized, and we consider our relationships with our employees to be good.

Information about our Executive Officers

The following is a list of the names and ages of all executive officers of the registrant, indicating all positions and offices with the registrant held by each such person and each person’s principal occupations and employment during at least the past five years.

Name	Age	Position
Bart C. Shuldman	63	Chairman of the Board and Chief Executive Officer
Steven A. DeMartino	51	President, Chief Financial Officer, Treasurer and Secretary
Donald E. Brooks	68	Senior Vice President, Engineering
Tracey S. Chernay	61	Senior Vice President, Casino, Gaming and Lottery Sales
Andrew J. Hoffman	63	Senior Vice President, Operations
David B. Peters	42	Vice President and Chief Accounting Officer
Brent Richtsmeier	56	Senior Vice President, Software Engineering
Raymond T. Walsh, Jr.	35	Senior Vice President, Global Sales

Bart C. Shuldman has been Chief Executive Officer and a Director of the Company since its formation in June 1996. In February 2001, Mr. Shuldman was elected Chairman of the Board. Mr. Shuldman served as President of the Company from its formation until June 2010, when he relinquished the President title, to focus on new products and markets, international expansion and potential acquisitions.

Steven A. DeMartino was named as TransAct’s President, Chief Financial Officer, Treasurer and Secretary on June 1, 2010. Previously, Mr. DeMartino served as Executive Vice President, Chief Financial Officer, Treasurer and Secretary from June 2004 to May 2010, Senior Vice President, Finance and Information Technology from October 2001 to May 2004, Vice President and Corporate Controller from January 1998 to October 2001, and Corporate Controller from August 1996 to December 1997. Mr. DeMartino is a certified public accountant.

Donald E. Brooks was appointed Senior Vice President of Engineering in April 2012. Previously, Mr. Brooks served as Vice President, Engineering from September 2004 to April 2012, Senior Project Engineer from February 1998 to September 2004, Project Engineer from June 1997 to February 1998, Director of Electrical Engineering from March 1986 to June 1997 and Manager of Electronic Development from December 1983 to March 1986.

Tracey S. Chernay was appointed Senior Vice President, Casino and Gaming Sales and Marketing in June 2010, with responsibility for the sales and marketing of all casino and gaming products. Previously, Ms. Chernay served as Senior Vice President, Sales and Marketing from June 2007 to May 2010, Senior Vice President, Marketing and Sales, POS and Banking with the Company from July 2006 to June 2007, and joined TransAct in May of 2005 as Senior Vice President, Marketing. Prior to joining TransAct, Ms. Chernay was employed with Xerox Corporation where she held the role of Manager, Worldwide Marketing since 2003, and Manager, Sales Operations from 2000 to 2002. She joined Xerox Corporation in 1983.

Andrew J. Hoffman was appointed Senior Vice President, Operations for TransAct worldwide in November 2004. He served as Vice President, Operations from September 1994 to November 2004.

David B. Peters was appointed Vice President and Chief Accounting Officer on March 1, 2018. Previously, Mr. Peters served as Director, SEC and Financial Reporting since joining TransAct in March 2014. Prior to joining TransAct, Mr. Peters was employed with United Technologies Corporation from November 2006 to March 2014 where he served in various financial management positions. Mr. Peters is a certified public accountant.

Brent Richtsmeier was hired as Senior Vice President, Software Engineering on December 9, 2019 and appointed as an officer of the Company on January 11, 2021. Prior to joining TransAct, Mr. Richtsmeier was employed with Samsung as the VP of Development where he was responsible for software strategy, software development at scale and business development.

Raymond T. Walsh, Jr. was appointed Senior Vice President, Global Sales on February 27, 2019. Previously, Mr. Walsh served as Vice President, Global Sales since 2018. Mr. Walsh joined TransAct in 2006 and has held several sales positions of increasing responsibility with the Company. Prior to joining TransAct, Mr. Walsh served as the Senior Manager of Business Development at Nerac.

There are no family relationships between any of our executive officers and there is no arrangement or understanding between any of such officers and any other person pursuant to which he or she was selected as an officer. Each of our executive officers was elected by the Board of Directors to hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Item 1A. Risk Factors

Investors should carefully consider the risks, uncertainties and other factors described below, as well as other disclosures in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, because they could have a material adverse effect on our business, financial condition, operating results, and growth prospects. The risks described below are not the only ones facing our Company. Additional risks and uncertainties not presently known to us, or that we currently believe to be immaterial, may also impair our business operations. In the event that such risks or uncertainties materialize, our business, financial condition, and results of operations could be materially adversely affected.

We assume no obligation (and specifically disclaim any such obligation) to update these Risk Factors or any other forward-looking statements contained in this Form 10-K to reflect actual results, changes in assumptions or other factors affecting such forward-looking statements, except as required by law.

Risks Related to our Business

We experienced a net loss in 2020, anticipate increasing expenses in the future, and we may not be able to achieve, maintain or increase profitability in the future.

We incurred a net loss of \$5.6 million in 2020, we anticipate increasing expenses in the future, and we may not be able to achieve, maintain or increase profitability in the future. We expect our costs will increase over time and our losses to continue as we expect to invest significant additional funds towards growing our food service technology business and transitioning away from other lines of business. We have expended and expect to continue to expend substantial financial and other resources on developing our food service technology business, including expanding our offerings, developing or acquiring new products and services and increasing our sales and marketing efforts. These efforts may be more costly than we expect and may not result in increased revenue or growth in our food service technology business. Any failure to increase our revenue sufficiently to keep pace with our investments and other expenses could prevent us from achieving, maintaining or increasing profitability or positive cash flow on a consistent basis. If we are unable to successfully address these risks and challenges as we encounter them, our business, financial condition, and results of operations could be adversely affected. If we are unable to generate adequate revenue growth and manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve, maintain or increase profitability.

Our operating results and financial condition may fluctuate.

Our operating results and financial condition may fluctuate from quarter-to-quarter and year-to-year and are likely to continue to vary due to a number of factors, many of which are not within our control. If our operating results do not meet the expectations of securities analysts or investors, who may derive their expectations by extrapolating data from recent historical operating results, the market price of our common stock will likely decline. Fluctuations in our operating results and financial condition may be due to a number of factors, including, but not limited to, those identified throughout this "Risk Factors" section:

- delays between our expenditures to develop and market new or enhanced products and consumables and the generation of sales from those products;
- the geographic distribution of our sales and our supply chain;
- market acceptance of our products, both domestically and internationally;
- development of new competitive products by others;
- our responses to price competition;
- our level of research and development activities;
- changes in the amount that we spend to develop, acquire or license new products, consumables, technologies or businesses;
- changes in the amount we spend to promote our products and services;
- changes in the cost of satisfying our warranty obligations and servicing our installed base of products;
- availability of third-party components at reasonable prices;
- general economic and industry conditions, including changes in interest rates affecting returns on cash balances and investments, that affect customer demand;
- fluctuations of world-wide oil and gas prices;
- the dependence of our supply chain on a few, foreign third-party manufacturers and suppliers;
- severe weather events, public health crises, and other external events out of our control that can disrupt our operations or the operations of our customers' or suppliers' facilities; and
- changes in accounting rules.

Due to all of the foregoing factors, and the other risks discussed in this Form 10-K, quarter-to-quarter comparisons of our operating results may not be an indicator of future performance.

The COVID-19 pandemic has had, and is likely to continue to have, an adverse impact on our business, operations, financial condition, results of operations and capital resources, as well as on the operations and financial performance of many of our suppliers and customers. We are unable to predict the ultimate extent to which the pandemic and related effects will adversely impact our business, operations, financial condition, results of operations, capital resources and the achievement of our strategic objectives.

As a result of the COVID-19 pandemic and the numerous disease control measures being taken to limit the spread of COVID-19, we have experienced, and can be expected to continue to experience, disruptions to our business, our operations, the delivery of our products and customer demand for our products, including the following:

- operating losses in excess of those we anticipated in transitioning our business focus toward the food service technology market, which, in addition to the factors discussed below, may require us to seek to obtain additional capital through debt or equity financings or other arrangements to fund operations, or if such arrangements are not available, to take additional significant cost-cutting measures;
- supply chain disruptions, including delayed product shipments from two contract manufacturers located in China and Thailand that conduct substantially all of our printer and terminal manufacturing, which, if sustained, could lead to insufficient inventory levels and harm our ability to deliver products to our customers on time or at all;
- continuing or new restrictions on the operations of our customers in the casino industry and food service industry, including, in some cases, partial or complete business shutdowns, which have resulted in, and are likely to continue to result in, reduced demand for our products in the two primary markets that we serve;
- an inability of our customers to make payments in a timely fashion or at all, which may continue even after operating restrictions are lifted in the event that the downturn in economic conditions persist;
- devotion of significant time, management attention and resources to monitoring the COVID-19 pandemic and its impacts, and anticipated impacts, on our business, and seeking to mitigate the effects of the pandemic on our business and workforce, which diverts management's attention and resources away from strategic initiatives, new business opportunities, the transition of our business toward the food service and casino and gaming markets, and the overall profitability of our business;
- necessary modifications to our business practices and operations, including suspension of employee travel, cancellation of physical participation in meetings, events and conferences and social distancing measures, including work-from-home policies, and such further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers and suppliers, which may adversely impact efficiency and productivity and may increase operational risks, including cybersecurity risks, and have affected the way that we conduct our product development, marketing, customer support and other activities;
- a permanent reduction in workforce, furlough of workers and an across-the-board 10% salary reduction, as well as other cost-cutting measures we have taken to help mitigate the impact of the COVID-19 crisis on our business, which may, along with any additional such measures that may be taken in the future, impair our ability to operate and have a negative effect on employee loyalty and our reputation and, if furloughed employees do not return following the crisis, or if employees seek higher-paying jobs, may limit our ability to restart operations following the crisis and to grow our food service technology business as planned;
- a possible future reduction in the value of goodwill or other intangible assets causing the carrying value of such assets to exceed their fair value, which could require us to recognize asset impairment;
- difficulty predicting our manufacturing requirements accurately due to volatile economic conditions and uncertainty as to when our customers may resume operations, which could result, in the case of an underestimate, in inadequate manufacturing capacity or inventory, interruptions in production and delayed deliveries to customers (with resulting losses in orders or customers lowering our net sales), or in the case of an overestimate, in an excess inventory of component parts or manufactured products;
- increases in prices and/or decreases in availability of component parts and raw materials needed to produce our products;
- foreign exchange rate fluctuations due to volatile global economic conditions, which could negatively affect earnings and the value of our assets held outside the United States, and if we increase prices to absorb a portion of the currency impact, could cause demand to decrease;
- volatility of, and decreases in, trading prices of our common stock; and
- the possibility that we may need to raise additional capital through an equity or debt financing to support operations but are unable to do so due to, among other things, global economic conditions, conditions in the global financing markets, trading prices of our common stock and the outlook for the industries that we serve, all of which could be negatively impacted by the COVID-19 pandemic, such that there can be no assurance that such financing would be available to us.

If we issue equity or debt securities to raise additional funding, our existing shareholders may experience dilution and we may incur significant financing costs. If we issue debt securities or otherwise incur additional debt, we would have additional debt service obligations, could become subject to additional restrictions limiting our ability to operate our business, and may be required to further encumber our assets.

The COVID-19 pandemic continues to evolve rapidly, and additional material impacts and disruptions may occur. The factors described above, which may worsen, have had and, along with other factors that we cannot predict, can be expected to continue to have, a material adverse impact on our business, operations, financial condition, results of operations and capital resources. The ultimate impact of the COVID-19 pandemic on the Company is highly uncertain and subject to change and will depend on future developments, which cannot be accurately predicted, including the duration of the pandemic, additional or modified government actions, new information that may emerge concerning the severity and impact of the COVID-19 pandemic, newly identified strains of COVID-19, the rollout and effectiveness of vaccines and treatments and the actions taken to contain COVID-19 or address its impact in the short and long term, among others. We do not yet know and cannot predict the full extent of potential impacts on our business, operations, financial condition, results of operations and capital resources.

In addition, any of the risks and uncertainties set forth in this Form 10-K can be expected to be further heightened by the COVID-19 pandemic and have a material adverse effect on the Company's business, prospects, financial condition, results of operations and capital resources and the achievement of our strategic objectives

Our revenue and profitability depend on our ability to continue to develop or license, on a timely basis, new products and technologies which are free from hardware or software anomalies and cannot be fraudulently manipulated, and customer acceptance of such products.

Our success depends upon our and our development partners' ability to timely adapt our capabilities and processes to meet the demands of producing new and innovative products. Because our newer products contain software and generally are more technologically sophisticated than those we have produced in the past, we must continually refine our capabilities to meet the needs of our product innovation. If we cannot efficiently adapt our infrastructure to meet the needs of our product innovations in a timely manner, our business could be negatively impacted.

In addition, even if we, or developers on our behalf, successfully develop such products, there is no assurance that our innovations will be accepted by our customers. Developing and marketing new products, such as our BOHA! ecosystem, is costly, and our business could be materially adversely affected if we are unable to generate sales of such products or if our existing or new customers do not quickly accept such products. Customer acceptance is crucial because new products typically have very little competition and market penetration due to their novelty. Although we develop new products with the input of our customers, which has contributed to the early success of BOHA!, customer acceptance is never assured and may take time to materialize. Further, technological innovation often results in unintended consequences such as bugs, vulnerabilities, and other system failures. Any such bug, vulnerability, or failure, especially in connection with a significant technical implementation or change, could result in lost business, harm to our brand or reputation, consumer complaints, and other adverse consequences, any of which could materially adversely affect our business, results of operations, and financial condition.

We rely on an unrelated third party to develop, maintain and host certain portions of our food service technology software, and any disruption in the relationship with that third party, or any defects in the software provided by that third party, could have a material adverse effect on our reputation, business, financial condition and results of operations.

We rely upon third-party developed software and hosting services combined with our own proprietary hardware and software to offer our unique BOHA! branded solution to support back-of-house operations in the food service industry. Certain web-based food service application software and selected components of our downloadable software applications are licensed from a third-party developer on a non-exclusive basis through 2031 and are subject to a revenue sharing arrangement with the developer. We are reliant upon the third-party developer to further develop and maintain their developed software, and the developer controls the software source code. Therefore, presently, we are highly dependent on this third-party developer for continued service to our customers and the further development of our food service technology software products. If the software provider were to terminate operations or otherwise be unavailable to provide maintenance, hosting and development services to us and our customers, the availability or usage of our software products could be disrupted and our customers could be adversely affected. In any such case, we may need to seek comparable software and services from other third parties or develop it internally, which could require significant time and expense. There can be no assurance that such software or services would be available from other sources, or that if available, it would be of comparable quality and cost. Moreover, any efforts to develop new software, whether internal or by third parties, would require significant lead time, and there could be an interruption in service during any period in which the software provider ceases to provide products and services and new products remain under development. Any such occurrence could materially and adversely impact our business, financial condition and results of operations.

Any errors or defects in, or failures of, third-party software or applications could result in errors or defects in or failures of our food service technology products and services, which could be costly to correct and have a material adverse effect on our reputation, business, financial condition and results of operations

We compete in highly competitive markets, which are likely to become more competitive. Competitors may be able to respond more quickly to new or emerging technology and changes in customer requirements.

We face significant competition in developing and selling our printers, terminals, software, consumables and services. Our principal competitors have substantial marketing, financial, development and personnel resources. To remain competitive, we believe we must continue to provide:

- technologically advanced products that satisfy the user demands;
- superior customer service;
- high levels of quality and reliability; and
- dependable and efficient distribution networks.

We cannot ensure we will be able to compete successfully against current or future competitors. Increased competition may result in price reductions, lower gross profit margins and loss of market share, and could require increased spending on research and development, sales and marketing and customer support. Some competitors may make strategic acquisitions or establish cooperative relationships with suppliers or companies that produce complementary products, which may include relationships with our software developer. Any of these factors could reduce our earnings.

Our success will depend on our ability to sustain and manage growth.

As part of our business strategy, we intend to pursue a growth strategy. Assuming this growth occurs, it will require the expansion of customer relationships in international markets, the successful development and marketing of new products for our existing and new markets, expanded internal sales and marketing, customer service and support, and the continued implementation and improvement of our operational, financial and management information systems.

To the extent that we seek growth through acquisitions, our ability to manage our growth will also depend on our ability to integrate businesses that have previously operated independently. We may not be able to achieve this integration without encountering difficulties or experiencing the loss of key employees, customers or suppliers. It may be difficult to design and implement effective financial controls for combined operations and differences in existing controls for each business may result in weaknesses that require remediation when the financial controls and reporting functions are combined. As we pursue acquisitions, we may incur legal, accounting and other transaction related expenses for unsuccessful acquisition attempts that could adversely affect our results of operations in the period in which they are incurred.

There can be no assurance that we will be able to successfully implement our growth strategy, or that we can successfully manage expanded operations, if they occur. As we expand, we may from time to time experience constraints that will adversely affect our ability to satisfy customer demand in a timely fashion. Failure to manage growth effectively could adversely affect our results of operations and financial condition.

Material weaknesses in our internal control over financial reporting have been identified, and if we are unable to implement and maintain effective internal control over financial reporting, or our independent registered public accounting firm is unable to provide an unqualified report thereon, we could be materially adversely affected.

Material weaknesses in our internal control over financial reporting existed as of December 31, 2018 and 2019 regarding our internal controls over user access to ensure appropriate segregation of duties and to adequately restrict user access to appropriate personnel. Specifically, the provisioning and user recertification controls are not designed to ensure users maintain proper segregation of duties and therefore could have inappropriate access rights. Additionally, we identified a material weakness in controls over key spreadsheets supporting our accounting records as of December 2018 and 2019. Specifically, we did not design adequate controls to address the completeness and accuracy of information included in key spreadsheets. During 2020, we remediated the material weakness related to the provisioning and user recertification controls, but the material weakness related to key spreadsheets still exists as of December 31, 2020. As a result of the remaining key spreadsheet material weaknesses, management concluded that our internal control over financial reporting was not effective as of December 31, 2020.

Unless and until the material weakness has been remediated or should new material weaknesses arise or be discovered in the future, a material misstatement could occur and go undetected in our interim or annual consolidated financial statements. As a result, we may experience delays in fulfilling our reporting obligations or complying with federal securities laws, which could result in investigations and sanctions by regulatory authorities, including, but not limited to, the SEC, and may result in defaults or accelerations under our credit facility in the event that we are unable to timely file reports with the SEC, to the extent that in such an event, we are unable to obtain waivers from our lender. Any of these results could adversely affect our business and the value of our common stock.

We are dependent on sales to one large customer; the loss of this customer or reduction in orders from this customer could materially affect our sales. Casino and gaming sales and lottery spare part sales to IGT represent a material percentage of our net sales. A reduction, delay or cancellation in orders from this customer, including reductions or delays due to market, economic, or competitive conditions in the industries in which we serve, could have a material adverse effect upon our results of operations.

General economic conditions could have a material adverse effect on our business, operating results and financial condition.

Our business is subject to general economic conditions. Uncertainty or negative trends in U.S. or international economic and investment climates, including the impact of Brexit and recent developments in U.S.-China trade relations (discussed separately below), could adversely affect our business. For example, customers or potential customers could reduce or delay orders, key suppliers could become insolvent, which could result in production delays, and our customers may become insolvent or be unable to obtain credit. Any of these possible effects could impact our ability to effectively manage inventory levels and collect receivables, create unabsorbed costs due to lower net sales, and ultimately decrease our net sales and profitability including write-downs of assets.

Fluctuations in oil and gas prices could adversely affect drilling and exploration activities by oil and gas companies and our revenue in our Printrex market. If oil and gas prices remain volatile, or if oil or gas prices decline, the demand for our Printrex products could be adversely affected.

The demand for our Printrex products depends on the level of spending by oil and gas companies for drilling and exploratory activities, which are affected by short-term and long-term trends in oil and gas prices, including current and anticipated oil and gas prices. Oil and gas prices, as well as the level of drilling and exploration, historically have been extremely volatile and are expected to continue to be highly volatile. Further, oil prices may be impacted by continuing political and social attention to the issue of climate change, state regulation of greenhouse gas emissions, and executive orders, regulatory actions and/or legislation that the current presidential administration may pursue in furtherance of its stated priority to address climate change. If oil and gas prices decline, or if there is a reduction in drilling and exploration activities, the demand for our Printrex products could be materially and adversely affected.

If market conditions deteriorate or future results of operations are less than expected, a valuation allowance may be required for all or a portion of our deferred tax assets.

We currently have deferred tax assets, which may be used to reduce taxable income in the future. We assess the realization of these deferred tax assets on a quarterly basis, and if we determine that it is more likely than not that some portion of these assets will not be realized, an income tax valuation allowance is recorded. If market conditions deteriorate or future results of operations are less than expected, or there is a change to applicable tax rules, future assessments may result in a determination that it is more likely than not that some or all of our net deferred tax assets are not realizable. As a result, we may need to establish a valuation allowance for all or a portion of our net deferred tax assets, which may have a material adverse effect on our business, results of operations and financial condition.

We rely on distributors and resellers to sell our products and services.

We use a variety of distribution channels, including OEMs and distributors, to market and sell our products and services. We may be adversely impacted by any conflicts that could arise between and among our various sales channels.

Our dependence upon distributors and resellers exposes us to numerous risks, including:

- loss of channel and the ability to bring new products to market;
- concentration of credit risk, including disruption in distribution should the distributors and / or resellers' financial condition deteriorate;
- reduced visibility to end user demand and pricing issues which makes forecasting more difficult;
- distributors or resellers leveraging their buying power to change the terms of pricing, payment and product delivery schedules; and
- direct competition should a distributor or reseller decide to manufacture printers internally or source printers from a competitor.

We cannot guarantee that resellers will not reduce, delay or eliminate purchases from us, which could have a material adverse effect upon the business, consolidated results of operations and financial condition.

We are dependent upon two manufacturers located in China and Thailand for the manufacturing and assembly of our printers and terminals, and their operations were disrupted by the outbreak of COVID-19. The disruption adversely affected the Company's business, financial conditions and results of operations, and any further or future disruption in their businesses or operations, such as those caused by political, social or economic instability, trade restrictions or tariffs, severe weather, additional public health crises and other events out of our control, could materially adversely affect our business, financial condition and results of operations.

In an effort to achieve additional cost savings and operation benefits, we have outsourced substantially all of the manufacturing and assembly of our printers and terminals to two contract manufacturers located in China and Thailand. As a result, we are dependent on them for the manufacturing of our products, and any disruption in such manufacturing or the export of products from these manufacturers to the U.S. may adversely affect our business, financial condition and results of operations.

Risks affecting the businesses and operations of our two manufacturers in Asia include: political and regional strife; war; labor shortages; severe weather and natural disasters such as earthquakes, hurricanes, fires, and floods; lengthy power outages; increased pricing, financial instability and capacity constraints of shippers; and concerns with or threats of public health crises, contagious diseases or health epidemics. The risk to our business posed by any disruption in manufacturing is exacerbated by the concentration of our manufacturing operations in two manufacturers both located in Asia.

In response to COVID-19, the Chinese government placed restrictions on travel and mandated business closures. Such restrictions and closures disrupted our supply chain by delaying product shipments from our contract manufacturers during 2020.

The ultimate impact of COVID-19 on our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak and any resurgences, new information which may emerge concerning the severity of COVID-19 and newly identified strains, the rollout and effectiveness of vaccines and treatments and the actions to contain the virus or treat its impact, among others. Without the contract manufacturers continuing to manufacture our products and the continuing operation of the contract manufacturers' facilities, we will have limited means for the final assembly of a majority of our products until we are able to secure the manufacturing capability at another facility or develop an alternative manufacturing facility, which could be costly and time consuming and have a material adverse effect on our operating and financial results.

We may also incur increased business continuity and reputational risks to the extent that we continue to outsource the manufacturing and assembly of our products to foreign third-party service providers. For example, outsourcing of manufacturing prevents us from exercising control over the assembly of certain of our products and related operations or processes, including the internal controls associated with operations and processes conducted and the quality of our products assembled by contract manufacturers. If we are unable to effectively manage and oversee our outsourcing strategy, we may not realize cost structure efficiencies and our operating and financial results could be materially adversely affected. Outsourcing also exposes us to increased risk of infringement or misappropriation of our intellectual property, to which our manufacturers have access. Because our manufacturers are located in Asia, there is no guarantee that our intellectual property rights will be protected or enforced to the same extent as under U.S. federal and state laws. Consequently, we may not be able to prevent third-parties from developing or selling products made using our technologies.

Overestimates or underestimates in our manufacturing forecasts could cause us to hold excess inventory or result in delays in the manufacturing and delivery of our products, which could cause us to lose orders or customers.

If we fail to predict our manufacturing requirements accurately, we could incur additional costs or experience manufacturing delays, which could cause us to lose orders or customers and result in lower net sales. We currently use a rolling 12-month forecast based primarily on our anticipated product orders and our product order history to help determine our requirements for components and materials. It is very important that we accurately predict both the demand for our products and the lead-time required to obtain the necessary components and raw materials.

Lead times for materials and components that we order vary significantly and depend on factors such as the specific supplier, the size of the order, contract terms, and demand for each component at a given time. If we underestimate our requirements, we may have inadequate manufacturing capacity or inventory, which could interrupt manufacturing of our products and result in delays in shipments and net sales. If we overestimate our requirements, we could have excess inventory of parts and finished products. In addition, delays in the manufacturing of our products could cause us to lose orders or customers.

We purchase component parts and consumable products from third-party and sole source suppliers, and any interference with this supply chain may impact our ability to manufacture and sell our products.

We rely on third-party or sole source suppliers to provide certain key components for our products including BOHA! labels. We do not have guaranteed supply contracts with any of our component suppliers, and our suppliers could delay shipments, increase prices or cease manufacturing or selling such components to us at any time. A disruption in the supply of such component parts and consumable products could delay our production and/or the release of our new products and hinder our ability to meet our commitments to customers. If we are unable to obtain a sufficient quantity of these components on commercially reasonable terms or in a timely manner, or if we are unable to obtain alternative sources for the components, sales of our products could be delayed or halted entirely or we may be required to redesign our products. Any of these events could result in lost sales, reduced gross margins or damage to our end-customer relationships, which would have a material adverse effect on our operations and financial results.

In addition to maintaining offices in the UK and Macau, we sell and ship a significant portion of our products internationally and rely on third parties that make up our global salesforce. The international nature of our operations may expose us to certain risks associated with doing business outside of the U.S., including risks posed by the UK's withdrawal from the European Union, tariffs, and changes in trade relations.

We sell a significant amount of our products to customers outside the United States. Shipments to international customers are expected to continue to account for a material portion of net sales. In addition, our manufacturers and suppliers are largely located in Asia. As a result, our products are largely exported to one of our facilities in the United States, which makes our operations vulnerable to disruptions in trade that could adversely affect our business results.

Our international operations, including our reliance on manufacturers and suppliers located in Asia, our worldwide sales team, and our sales to customers located outside the United States, expose us to disruptions in trade and other associated risks such as:

- the imposition of additional duties, tariffs, quotas, taxes, trade barriers, capital flow restrictions and other charges on imports and exports by the United States or the governments of the countries in which we or our manufacturers and suppliers operate;
- delays in the delivery of cargo due to port security considerations, labor disputes such as dock strikes, and our reliance on a limited number of shipping and air carriers, which may experience capacity issues that adversely affect our ability to ship inventory in a timely manner or for an acceptable cost;
- fluctuations in the value of the U.S. Dollar against foreign currencies, which could restrict sales, or increase costs of purchasing, in foreign countries;
- economic or political instability in any of the countries in which we or our manufacturers or suppliers operate, which could result in a reduction in demand for our products due to political and economic instability or impair our foreign assets;
- a reduced ability or inability to sell in or purchase from certain markets as a result of export or import restrictions;
- potentially limited intellectual property protection in certain countries, such as China, may limit recourse against infringing products or cause us to refrain from selling in certain geographic territories;
- reliance on a limited number of shipping and air carriers who may experience capacity issues that adversely affect our ability to ship inventory in a timely manner or for an acceptable cost; and
- economic uncertainties and adverse economic conditions (including inflation and recession).

Although we carry business interruption insurance to cover lost revenue and profits in an amount we consider adequate, this insurance does not cover all possible situations. In addition, the business interruption insurance would not compensate us for the loss of opportunity and potential adverse impact, both short-term and long-term, on relations with our existing customers resulting from our inability to produce products for them.

Our business could be adversely affected by actual or threatened terrorist attacks or the related heightened security measures, military actions and other efforts to combat terrorism.

Our business could be adversely affected by actual or threatened terrorist attacks or the related heightened security measures, military actions and other efforts to combat terrorism. It is possible that terrorist attacks could be directed at important locations for the gaming industry. Heightened security measures and other efforts to combat terrorism may also have an adverse effect on the gaming industry by reducing tourism. Any of these developments could also negatively affect the general economy and consumer confidence. Any downturn in the economy in general, or in the gaming industry in particular could result in a reduced demand for our products and could adversely affect our business and results of operations. In addition, heightened security measures may cause certain governments to restrict the import or export of goods, which may have an adverse effect on our ability to buy and sell goods.

We depend on key personnel, the loss of which could materially impact our business.

Our future success will depend in significant part upon the continued service of certain key management and other personnel and our continuing ability to attract and retain highly qualified managerial, technical and sales and marketing personnel. There can be no assurance that we will be able to recruit and retain such personnel. The loss of either Bart C. Shuldman, the Company's Chairman of the Board and Chief Executive Officer, or Steven A. DeMartino, the Company's President, Chief Financial Officer, Treasurer and Secretary, or the loss of certain groups of key employees, could have a material adverse effect on our results of operations.

The inability to protect our intellectual property rights could harm our reputation, damage our business or interfere with our competitive position, and infringement on the intellectual property rights of others, or claims thereof, could put us at a competitive disadvantage, and any related litigation could be time consuming and costly.

Our intellectual property is valuable and provides us with certain competitive advantages. Copyrights, patents, trademarks, service marks, trade secrets, technology licensing agreements, nondisclosure agreements and contracts are used to protect these proprietary rights. Despite these precautions, it may be possible for third parties to copy aspects of our products or, without authorization, to obtain and use information which we regard as trade secrets.

In addition, prosecuting and defending infringement lawsuits is very expensive. We are committed to aggressively asserting and defending our technology and related intellectual property rights, which we have spent a significant amount of money to develop. Similarly, third-parties may claim, from time to time, that we have violated their intellectual property rights. To the extent of a violation of a third-party's patent or other intellectual property right, we may be prevented from operating our business as planned and may be required to pay damages, to obtain a license, if available, or to use a non-infringing method, if possible, to accomplish our objectives. Any such claims could result in costly litigation and, if successful, could result in costly judgments or settlements.

The expense of prosecuting or defending any future infringement lawsuits could have a material adverse effect on our business, financial condition and results of operations. Intellectual property litigation is generally complex, costly, protracted, and highly disruptive to business operations by diverting the attention and energies of management and key technical personnel.

We currently rely on third-party service providers to host our food service technology software and deliver certain services, and any interruptions or delays in services from these third parties could impair the delivery of our products and services, and our business, results of operations, and financial condition could be materially adversely affected.

We rely on a third-party service provider to host our food service technology software. Third parties also provide services to key aspects of our operations, including Internet connections and networking, data storage and processing, trust and safety and security infrastructure. We do not control the operation, physical security, or data security of any of these third-party providers. Our efforts to use commercially reasonable diligence in the selection and retention of such third-party providers may be insufficient or inadequate to prevent or remediate such operational and security risks. Our third-party providers may be subject to intrusions, computer viruses, denial-of-service attacks, sabotage, acts of vandalism, acts of terrorism or other misconduct. They are vulnerable to damage or interruption from power loss, telecommunications failures, fires, floods, earthquakes, hurricanes, tornadoes, and similar events, and they may be subject to financial, legal, regulatory, and labor issues, each of which may impose additional costs or requirements on us or prevent these third parties from providing services to us or our customers on our behalf. In addition, these third parties may breach their agreements with us, disagree with our interpretation of contract terms or applicable laws and regulations, refuse to continue or renew these agreements on commercially reasonable terms or at all, fail to or refuse to process transactions or provide other services adequately, take actions that degrade the functionality of our platform and services, increase prices, impose additional costs or requirements on us or our customers, or give preferential treatment to our competitors. If we are unable to procure alternatives in a timely and efficient manner and on acceptable terms, or at all, we may be subject to business disruptions, losses, or costs to remediate any of these deficiencies. The occurrence of any of the above events could result in reputational damage, legal or regulatory proceedings, loss of customers or other adverse consequences, any of which could materially adversely affect our business, results of operations, and financial condition.

Our food service technology business depends substantially on our customers renewing their subscriptions with the Company. Any decline in our customer renewals would harm our food service technology business, results of operations and financial condition.

Our subscription offerings are term-based, and in order for us to maintain or improve our results of operations, it is important that our customers renew their subscriptions with us when the existing subscription term expires and renew on the same or more favorable quantity and terms. Our customers have no obligation to renew their subscriptions and we may not be able to accurately predict customer renewal rates. Customers may elect not to renew their subscriptions with us for a variety of reasons, including as a result of changes in their strategic priorities, budgets and costs and, in some instances, due to competing solutions. Our retention rate may also decline or fluctuate as a result of a number of other factors, including our customers' satisfaction or dissatisfaction with our solutions, the increase in the contract value of subscription and support contracts from new customers, the effectiveness of our customer support services, our pricing, the prices of competing products or services, global economic conditions and the other risk factors described herein. As a result, there can be no assurance that our food service technology customers will renew subscriptions. If our customers do not renew their subscriptions or renew on less favorable terms, our business, results of operations and financial condition may be adversely affected.

If we fail to offer high quality support, our business and reputation could suffer.

Our customers rely on us and our third-party service providers for support of our software and services included in our food service technology subscription packages. High-quality support is important for the renewal and expansion of our agreements with existing customers. The importance of high-quality support will increase as we expand our business and pursue new customers. If we or our third-party service providers do not help our customers quickly resolve issues and provide effective ongoing support, our ability to sell new food service technology products to existing and new customers could suffer and our reputation and relationships with existing or potential customers could be harmed.

Cyber-security and privacy breaches, cyber-attacks, or other disruptions could expose us to liability, affect our business, and damage our reputation.

We are increasingly dependent on our information technology systems and infrastructure for our business. We collect, store, and transmit sensitive information including intellectual property, proprietary business information and personal information in connection with business operations. The secure maintenance of this information is critical to our operations and business strategy. Some of this information could be an attractive target of criminal attack by third parties with a wide range of motives and expertise, including organized criminal groups, disgruntled current or former employees, and others. Cyber-attacks are of ever-increasing levels of sophistication, and despite our extensive security measures, our information technology and infrastructure may be vulnerable to such attacks or may be breached, including due to employee error or malfeasance. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. If our systems become compromised, we may not promptly discover the intrusion. Like other companies in our industry, we have experienced attacks to our data and systems, including malware and computer viruses that we have been able to detect and eliminate. If our systems fail or are breached or disrupted, we could lose product sales, and suffer reputational damage and loss of customer confidence. Such incidents would require notification to affected individuals and may result in legal claims or proceedings and liability under federal and state laws that protect the privacy and security of personal information. Any one of these events could cause our business to be materially harmed and our results of operations to be adversely impacted.

We cannot provide any assurance that current laws, or any laws enacted in the future, will not have a material adverse effect on our business.

Our operations are subject to laws, rules, regulations, including environmental regulations, government policies and other requirements in each of the jurisdictions in which we conduct business. Changes in such laws, rules, regulations, policies or requirements could result in the need to modify our products and could affect the demand for our products, which may have an adverse impact on our future operating results. If we do not comply with applicable laws, rules and regulations we could be subject to costs and liabilities and our business may be adversely impacted.

Risks Related to our Indebtedness

The agreement governing our credit facility contains restrictions and limitations that could significantly affect our ability to operate our business, as well as significantly affect our liquidity.

The loan and security agreement (the “Loan Agreement”) governing the Siena Credit Facility contains a number of significant covenants that could adversely affect our ability to operate our business, our liquidity, and our results of operations. These covenants restrict, among other things, our ability, and the ability of any future domestic subsidiary, to:

- merge, consolidate, form subsidiaries or dispose of assets;
- acquire assets outside the ordinary course of business;
- enter into other transactions outside the ordinary course of business;
- sell, transfer, return or dispose of collateral;
- make loans to or investments in, or enter into transactions with, affiliates;
- incur or guarantee indebtedness, incur liens;
- redeem equity interests while borrowings are outstanding under the credit facility;
- change our capital structure; or;
- dissolve, divide, change our line of business or cease or suffer a disruption to all or a material portion of our business.

Additionally, the Loan Agreement requires us to comply with a minimum EBITDA covenant, the amount of which is based on financial forecasts provided to the lender. The breach of any covenants or obligations in the Loan Agreement, if not otherwise waived or amended, could result in a default under the Loan Agreement and could trigger acceleration of our obligations thereunder and permit the lender to foreclose on the collateral securing our obligations under the Loan Agreement and exercise other rights of secured creditors.

Availability under the Siena Credit Facility is subject to a borrowing base, which is based on eligible accounts receivable and inventory. To the extent that our eligible accounts receivable and inventory decline in value, our borrowing base will decrease, and the availability under the Siena Credit Facility currently is and may continue to be less than its stated amount and may decrease. In addition, if at any time the amount of outstanding borrowings and letters of credit under that facility exceeds the borrowing base, we are required to prepay borrowings and/or cash collateralize letters of credit sufficient to eliminate the excess.

Our ability to comply with the covenants under the Loan Agreement or to maintain our borrowing base may be affected by events beyond our control, including deteriorating economic conditions and consequences of the COVID-19 crisis. For example, the minimum EBITDA covenant, as applicable to periods through March 31, 2021, is based on financial projections prepared before most COVID-19-related operating restrictions were put in place in the United States, and our actual EBITDA for any of those periods may be substantially less than projected in such forecasts. In such event, we may not be able to comply with the covenant. In addition, reductions in the value of accounts receivable and inventory have occurred and are likely to continue to occur due to decreases in sales and production that have occurred as a result of the COVID-19 pandemic. Further, certain slow-moving inventory and accounts receivable that remain unpaid for a specified period of time are excluded from the borrowing base calculation. Thus, a decline in economic conditions and/or a decline in the financial condition of customers in the industries we serve, such as the decline that has occurred in the casino and food service industries in connection with the COVID-19 pandemic, has impacted and may continue to negatively impact the borrowing base both by decreasing the value of existing accounts and reducing the number and amount of new accounts. If we overestimate our inventory needs due to the uncertainty surrounding the COVID-19 pandemic and the duration of its impact on customer closures and economic conditions, we may have inventory that is considered slow-moving and thus excluded from the borrowing base calculation, and any reduction in production in response to decreased demand would also result in a lower inventory value and thus a lower borrowing base.

Any of these events could require us to seek waivers or amendments of covenants or alternative sources of financing or to reduce expenditures. We cannot assure you that such waivers, amendments or alternative financing could be obtained, or if obtained, would be on terms acceptable to us, or that we would be able to reduce expenditures enough to offset any decrease in the borrowing base, or that we could make such reductions without a material negative impact on our business.

We may not be entitled to forgiveness of our PPP Loan.

On May 1, 2020, the Company was granted the \$2.2 million PPP Loan. The PPP Loan is unsecured and is evidenced by a note dated the Loan Date (the “Note”) issued by the Company in favor of Berkshire Bank, as the lender (the “PPP Lender”). The Note has a two-year term. The PPP provides for forgiveness of up to the full amount borrowed as long as the Company uses the loan proceeds during the covered period following disbursement for eligible purposes as described in the CARES Act and related guidance. Under the CARES Act, loan forgiveness is generally available to the extent the PPP Loan was used, during the covered period, for payroll costs and costs to continue group health care benefits, as well as for interest on mortgage obligations incurred before February 15, 2020, rent under lease agreements in effect before February 15, 2020, utilities for which service began before February 15, 2020, and interest on debt obligations incurred before February 15, 2020 (“qualifying expenses”), subject to conditions and limitations provided in the CARES Act. We maximized usage of the proceeds from the PPP Loan for qualifying expenses during the applicable period. As of the date of this filing, we have not yet submitted an application for forgiveness.

Under the revised rules for the PPP, if we submit a forgiveness application within 10 months after the end of the covered period, we will not have to begin principal and interest payments before the date on which the SBA remits the loan forgiveness amount to the PPP Lender (or notifies the PPP Lender that no loan forgiveness is allowed). If no loan forgiveness is allowed, the Company will be required to pay the PPP Lender equal monthly payments of principal and interest based on the principal amount outstanding on the PPP Loan, plus interest outstanding at the end of the deferment period, and taking into account any reductions in the principal amount due to forgiveness, if any. We cannot provide any assurance that we will be eligible for loan forgiveness or that any amount of the PPP Loan will ultimately be forgiven by the SBA.

General Risk Factors

Our stock price may fluctuate significantly.

The market price of our common stock could fluctuate significantly in response to variations in quarterly operating results and other factors, such as:

- prevailing domestic and international market and economic conditions, and conditions in the industries we serve, including current market volatility and the economic impact of COVID-19 and resulting shutdowns on the casino and food service industries and on the U.S. and global economies;
- adverse business conditions faced by customers, or bankruptcies or store closures of our customers resulting from adverse economic conditions due to COVID-19 or otherwise;
- changes in our business, operations or prospects;
- developments in our relationships with our customers or strategic partners;
- announcements of new products or services by us or by our competitors;
- announcement or completion of acquisitions by us or by our competitors;
- changes in existing or adoption of additional government regulations; and
- unfavorable or reduced analyst coverage.

In addition, the stock market may experience significant price fluctuations year-to-year. Broad market fluctuations, general economic conditions and specific conditions in the industries in which we operate may adversely affect the market price of our common stock.

Limited trading volume and a reduction in analyst coverage of our common stock may contribute to its price volatility.

The limited trading volume of our common stock may contribute to its price volatility. The trading market for our common stock also relies in part on the research and reports that industry or financial analysts may publish about us, our business, our markets and our competitors. We currently have limited analyst coverage. If securities analysts do not cover our common stock in the future, the lack of research coverage may adversely affect the market price of our common stock. Furthermore, if one or more of the analysts who cover us downgrade our stock, or if those analysts issue other unfavorable commentary about us or our business, our stock price may decline.

Our common stock is traded on the Nasdaq Global Market. During the year ended December 31, 2020 the average daily trading volume for our common stock as reported by the Nasdaq Global Market was approximately 29,000 shares. We are uncertain whether a more active trading market in our common stock will develop. In addition, many investment banks no longer find it profitable to provide securities research on micro-cap and small-cap companies. As a result, relatively small trades may have a significant impact on the market price of our common stock, which could increase the volatility and depress the price of our common stock.

Our common stock is thinly traded, and investors may be unable to sell their shares at their desired prices, or at all, and sales of large blocks of shares may adversely affect the price of our common stock.

Our common stock has historically been sporadically or “thinly traded,” meaning that the number of persons interested in purchasing shares of our common stock at prevailing prices at any given time may be relatively small. This could lead to wide fluctuations in our share price. Investors may be unable to sell their common stock at or above their purchase price, which may result in substantial losses. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of shares of our common stock in either direction. The price of shares of our common stock could, for example, decline precipitously in the event a large number of shares of our common stock are sold on the market without commensurate demand, while an issuer with a more robust daily trading volume for its common stock might better absorb those sales without an adverse impact on its share price.

If we raise additional capital in the future, existing shareholder ownership interest in the Company could be diluted or otherwise adversely impacted, and future sales of our common stock or other financing arrangements may cause our stock price to decline.

In the future, we may sell additional shares of our common stock in public or private offerings, or we may obtain funds through a credit facility or by issuing debt or preferred securities. We may also issue additional shares of our common stock to finance future acquisitions. Shares of our common stock are also available for future issuance and sale pursuant to stock options and other equity awards that we have granted to our employees, and in the future, we may grant additional stock options, restricted stock units and other forms of equity compensation to our employees. Any issuance of equity we may undertake in the future to raise additional capital could cause the price of our common stock to decline, or require us to issue shares at a price that is lower than that paid by holders of our common stock in the past, which would result in those newly issued shares being dilutive. Sales of our common stock or the perception that such sales could occur may adversely affect prevailing market prices for shares of our common stock and could impair our ability to raise capital through future offerings. The lenders under our existing debt agreements have rights that are senior to your rights as a common stockholder, and if we obtain funds in the future through a credit facility or through the issuance of debt or preferred securities, the lenders of such facility or the holders of such securities would likely also have rights senior to the rights of our common stockholders, which could impair the value of our common stock.

We take advantage of specified scaled disclosure requirements applicable to a “smaller reporting company” under Regulation S-K, and the information that we provide to stockholders may therefore be different than they might receive from other public companies. If some investors find our shares of common stock less attractive as a result of this scaled disclosure, there may be a less active trading market for our shares of common stock, which may increase the volatility of the market price of our common stock.

We are a “smaller reporting company,” as defined in Item 10(f)(1) of Regulation S-K. As a smaller reporting company, we take advantage of specified scaled disclosure and other requirements that are otherwise applicable generally to public companies.

We intend to continue to take advantage of certain of the scaled disclosure requirements of smaller reporting companies and may continue to do so until we are no longer a smaller reporting company. We will cease to be a smaller reporting company if we have (i) more than \$250 million in market value of our shares held by non-affiliates as of the last business day of our second fiscal quarter or (ii) more than \$100 million of annual revenues in our most recent fiscal year completed before the last business day of our second fiscal quarter and a market value of our shares held by non-affiliates more than \$700 million as of the last business day of our second fiscal quarter. We choose to take advantage of some but not all of these scaled disclosure requirements; therefore, the information that we provide stockholders may be different than one might get from other public companies. Further, if some investors find our shares of common stock less attractive as a result, there may be a less active trading market for our shares of common stock and the market price of such shares of common stock may be more volatile.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our principal facilities as of December 31, 2020 are listed below. We believe that all facilities generally are in good condition, adequately maintained and suitable for their present and currently contemplated uses.

Location	Operations Conducted	Size (Approx. Sq. Ft.)	Owned or Leased	Lease Expiration Date
Hamden, Connecticut	Executive offices and sales office	11,100	Leased	April 30, 2027
Ithaca, New York	Hardware design and development, assembly and service facility	73,900	Leased	May 31, 2025
Las Vegas, Nevada	Software design and development and casino and gaming sales office	19,600	Leased	October 31, 2022
Doncaster, UK	Sales office and service center	6,000	Leased	August 26, 2026
Macau, China	Sales office	180	Leased	June 30, 2021
		<u>110,780</u>		

Item 3. Legal Proceedings.

The Company may, in the ordinary course of business, become a party to litigation involving collection matters, contract claims and other legal proceedings relating to the conduct of its business. As of December 31, 2020, we are unaware of any material legal proceedings pending or threatened against us, or any material legal proceedings contemplated by governmental authorities.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the Nasdaq Global Market under the symbol TACT. As of February 28, 2021, there were 251 holders of record of the common stock.

Issuer Purchases of Equity Securities

During the fourth quarter of 2020, we did not repurchase any shares of our common stock.

Dividend Policy

In 2012, our Board of Directors initiated a quarterly cash dividend program subject to the Board’s approval each quarter. Dividends declared and paid on our common stock totaled \$2.7 million or \$0.36 per share in 2019. On January 23, 2020, our Board of Directors announced the cessation of our quarterly cash dividend on the Company’s common stock to accelerate the investment in sales and marketing, continued product development and infrastructure of the BOHA! ecosystem. The final dividend payment was made in December 2019.

Sales of Unregistered Securities

None.

Item 6. Selected Financial Data

Not required.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

This discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto.

Overview

The year ended December 31, 2020 was a very challenging year, as the COVID-19 pandemic unexpectedly occurred and significantly impacted our and our customers’ businesses. The pandemic caused us to quickly react and take actions and measures to reduce costs, increase liquidity and protect our employees. The good news is that TransAct persevered and made it through these difficult times. Even with the pandemic raging, we continued to focus our efforts on the sales execution and growing revenue of BOHA! software-as-a-service (“SaaS”)-based software and hardware ecosystem launched in 2019. BOHA! is a comprehensive ecosystem of cloud-based SaaS software applications and hardware designed to help restaurant and food service companies automate their back-of-house operations. BOHA! represents the first single-vendor solution to allow customers to choose from any combination of applications for inventory management, temperature monitoring of food and equipment, food safety labeling, food recalls, checklists & procedures, equipment service management, timers and delivery management. Despite the negative impact from the COVID-19 pandemic explained above, food service technology sales increased in 2020 compared to 2019 due primarily to sales of our BOHA! software, labels and other recurring revenue to both new customers and our existing installed base of BOHA! terminals.

During 2020, sales in all markets other than food service technology decreased primarily due to the negative impact from the COVID-19 pandemic. POS automation and banking sales declined primarily due to lower sales of our Ithaca 9000 printer to McDonald’s in 2020 compared to 2019. Casino and gaming sales were lower in 2020 due to casino closures and gradual reopenings in the second half of 2020 in response to the COVID-19 pandemic. Sales for our lottery market decreased as we exited the lottery market in 2019 and completed our final sale of lottery printers in 2020. Printrex sales declined primarily due to the negative impact from lower worldwide oil prices largely attributable to the COVID-19 pandemic. TSG sales decreased in 2020 compared to 2019 primarily due to lower sales of our legacy consumable products and service sales due to the exit of the banking market in 2018.

During the year ended December 31, 2020, our total net sales decreased 33% to approximately \$30.6 million compared to the year ended December 31, 2019. See the table below for a breakdown of our sales by market:

(In thousands, except percentages)	Year Ended		Year Ended		\$ Change	% Change
	December 31, 2020		December 31, 2019			
Food service technology	\$ 7,734	25.3%	\$ 6,104	13.3%	\$ 1,630	26.7%
POS automation and banking	3,770	12.3%	5,758	12.6%	(1,988)	(34.5%)
Casino and gaming	10,979	35.9%	21,529	47.1%	(10,550)	(49.0%)
Lottery	817	2.7%	1,291	2.8%	(474)	(36.7%)
Printrex	300	1.0%	1,166	2.6%	(866)	(74.3%)
TSG	6,995	22.8%	9,900	21.6%	(2,905)	(29.3%)
	<u>\$ 30,595</u>	<u>100.0%</u>	<u>\$ 45,748</u>	<u>100.0%</u>	<u>\$ (15,153)</u>	<u>(33.1%)</u>

Sales of our food service technology products increased 27% in the year ended December 31, 2020 compared to the year ended December 31, 2019. In the food service technology market, we focus on providing hardware products, which include terminals, handheld devices, tablets, temperature probes and temperature sensors; in addition to cloud-based software applications, labels and other recurring revenue items. In 2019, we launched our BOHA! solution, which combines our latest generation terminal, cloud-based software applications and hardware into a unique solution to automate the back-of-house operations in restaurants and food service operations. Food service technology sales increased in 2020 primarily due to a 96% increase in recurring revenue attributable to sales of BOHA!, which sales reflect subscriptions for the related software applications, as well as sales of labels, extended warranty and service contracts, and technical support services.

Sales of our POS automation and banking products decreased 35% in the year ended December 31, 2020 compared to the year ended December 31, 2019. In the POS market, we focus primarily on supplying printers that print receipts or linerless labels for customers in the restaurant and quick serve markets. During the year ended December 31, 2020, sales of our Ithaca 9000 printer to McDonald's decreased. We believe the decrease is a result of the COVID-19 pandemic. In the banking market, which we exited at the end of 2018, we focused mainly on supplying printers for use in bank teller stations at banks and financial institutions primarily in the U.S. We exited the banking market in order to shift focus to our food service technology market and we do not expect any future sales of these legacy products.

Sales of our casino and gaming products decreased 49% in 2020 compared to 2019. In our casino and gaming market, our focus lies primarily in supplying printers worldwide for use in slot machines at casinos and racetracks, as well as in other electronic gaming devices that print tickets or receipts. Additionally, we supplement these printer sales with revenue from EPICENTRAL™, our promotional printing system that enables casino operators to create promotional coupons and marketing messages and print them in real time at the slot machine. The decrease of casino and gaming printers was driven by industry-wide weakness resulting in lower sales to our OEMs that were impacted by casino closures in response to the COVID-19 pandemic, which were in place for most of the second quarter of 2020 before gradually reopening at reduced capacities during the second half of 2020.

During the year ended December 31, 2020, total lottery printer sales decreased approximately 37% due to lower sales to IGT. On December 31, 2019, we ended our non-exclusive agreement with IGT and exited the lottery market as we shifted our focus to our higher-value, technology-enabled market for food service technology and casino and gaming products. During 2020 IGT made a final purchase of lottery printers and we expect no future sales of our lottery printer.

Sales of our Printrex branded printers include wide format, rack-mounted and vehicle-mounted thermal printers used by customers to log and plot oil field and down hole well drilling data in the oil and gas exploration industry. During the year ended December 31, 2020, we experienced a 74% decline in Printrex oil and gas printer sales as a result of lower worldwide oil prices as a result of the COVID-19 pandemic. Although we will continue to fulfill orders from existing customers during 2021, we have shifted our focus away from this market and towards our higher value, technology enabled food service technology terminals and casino and gaming products.

TSG, which sells service, replacement parts and consumable products, including receipt paper, ribbons and inkjet cartridges, continues to offer a recurring revenue stream from mostly our legacy products. TSG sales decreased 29% in 2020 from 2019 primarily due to lower sales of consumable products for our legacy banking printers and lower service sales primarily related to a service contract with a banking customer that is expected to end in 2021. We expect TSG sales to continue to decline in 2021 due to the ending of the service contract and lower expected sales of our lottery printer spare parts to IGT for our legacy lottery printer.

Operationally, our gross margin was 42.3% in 2020, a decrease of 560 basis points from 2019 due to the 33% sales decline during 2020 and the impact of fixed manufacturing overhead on lower sales volume as a result of the impact of the COVID-19 pandemic.

During 2020, our operating margin declined from 0.7% in 2019 to negative 26.7% in 2020 due to the 33% decline in sales and 560 basis point decrease in gross margin. Operating expenses decreased by 2% due to cost saving initiatives implemented in March 2020 and maintained through 2020 in response to the negative impact from the COVID-19 pandemic. During 2021, we expect operating expenses to increase significantly compared to 2020, as we resume our investment in selling and marketing to take advantage of the opportunities we see in the food service technology market.

We reported a net loss of \$5.6 million and net loss per diluted share of \$0.72 for 2020, compared to net income of \$0.5 million and net income per diluted share of \$0.07 for 2019. In terms of cash flow, for 2020 we used \$3.5 million of cash in operating activities. During 2020, we completed an underwritten public offering (the "Offering") which raised net proceeds of \$8.7 million and the Company was granted the \$2.2 million PPP Loan. We ended the year with cash and cash equivalents of \$10.4 million on our Consolidated Balance Sheet at December 31, 2020.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect both Balance Sheet items and Statement of Operations categories. Such estimates and judgments are based upon historical experience and certain assumptions that are believed to be reasonable in the particular circumstances. We evaluate our assumptions on an ongoing basis by comparing actual results with our estimates. Actual results may differ from the original estimates.

The following accounting policies are those that we believe to be most critical in the preparation of our financial statements. These items utilize assumptions and estimates about the effect of future events that are inherently uncertain and are therefore based on our judgment. Please refer to Note 2 – Summary of significant accounting policies in the accompanying Consolidated Financial Statements for a complete listing of our significant accounting policies.

Revenue Recognition – We account for revenue in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Customers" ("ASC 606"). We adopted ASC 606 effective January 1, 2018 and elected the modified retrospective approach. In accordance with ASC 606, a performance obligation is a promise in a contract with a customer to transfer a distinct good or service to the customer. Some of our contracts with customers contain a single performance obligation, while other contracts contain multiple performance obligations (most commonly when contracts include a hardware product, software and extended warranties). A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer. To the extent the transaction price includes variable consideration, such as price protection, reserves for returns and other allowances, the Company estimates the amount of variable consideration that should be included in the transaction price utilizing either the "expected value" method or the "most likely amount" method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur.

For a majority of our revenue, which consists of printers, terminals, consumables, and replacement parts, the Company recognizes revenue as of a point of time. The transaction price is recognized upon shipment of the order when control of the goods is transferred to the customer and at the time the performance obligation is fulfilled. We also sell a software solution in our casino and gaming market, EPICENTRAL™, that enables casino operators to create promotional coupons and marketing messages and to print them in real time at the slot machine. EPICENTRAL™ is primarily comprised of both a software component, which is licensed to the customer, and a hardware component. EPICENTRAL™ software and hardware are integrated to deliver the system's full functionality. The transaction prices from EPICENTRAL™ software license and hardware are recognized upon installation and formal acceptance by the customer when control of the license is transferred to the customer. For out-of-warranty repairs, the transaction price is recognized after the repair work is completed and the printer or terminal is returned to the customer, as control of the product is transferred to the customer and our performance obligation is completed.

Performance obligations are satisfied over time if the customer receives the benefits as we perform work, if the customer controls the asset as it is being produced, or if the product being produced for the customer has no alternative use and we have a contractual right to payment. For our separately priced extended warranty, BOHA! cloud-based software applications, technical support for our food service technology terminals and maintenance agreements (including free one-year maintenance received by customers upon completion of EPICENTRAL™ installation) revenue is recognized over time as the customer receives the benefit. The transaction price from the maintenance services is recognized ratably over time, using output methods, as control of the services is transferred to the customer. Our cloud-based BOHA! software allows customers to use hosted software over the contract period without taking possession of the software and are provided on a subscription basis and is recognized ratably over the contract period. For extended warranties, the transaction price is recognized ratably over the warranty period, using output methods, as control of the services is transferred to the customer.

When there is more than one performance obligation in a customer arrangement, the Company typically uses the "standalone selling price" method to determine the transaction price to allocate to each performance obligation. The Company sells the performance obligations separately and has established standalone selling prices for its products and services. In the case of an overall price discount, the discount is applied to each performance obligation proportionately based on standalone selling price. To determine the standalone selling price for initial EPICENTRAL™ installations, the Company uses the adjusted market assessment approach.

Accounts Receivable – We have standardized credit granting and review policies and procedures for all customer accounts, including: credit reviews of all new customer accounts; ongoing credit evaluations of current customers; credit limits and payment terms based on available credit information; and adjustments to credit limits based upon payment history and the customer's current creditworthiness. We also provide an estimate of doubtful accounts based on historical experience and specific customer collection issues. Our allowance for doubtful accounts as of December 31, 2020 was \$220 thousand, or 6.1% of outstanding accounts receivable, which we believe is appropriate considering the overall quality of our accounts receivable. Although credit losses have historically been within expectations and the reserves established, there is no assurance that our credit loss experience will continue to be consistent with historical experience.

Inventories – Our inventories are stated at the lower of cost (principally standard cost, which approximates actual cost on a first-in, first-out basis) or net realizable value. We review net realizable value based on estimated selling prices in the ordinary course of business less estimated costs of completion, disposal and transportation, historical usage and estimates of future demand. Assumptions are reviewed at least quarterly and adjustments are made, as necessary, to reflect changing market conditions. Based on these reviews, inventory write-downs are recorded, as necessary, to reflect estimated obsolescence, excess quantities and net realizable value. Should circumstances change and we determine that additional inventory is subject to obsolescence, additional write-downs of inventory could result in a charge to income.

Goodwill and Intangible Assets – We acquire businesses in purchase transactions that result in the recognition of goodwill and intangible assets. The determination of the value of intangible assets requires management to make estimates and assumptions. In accordance with ASC 350-20 "Goodwill," acquired goodwill is not amortized but is subject to impairment testing at least annually and when an event occurs or circumstances change that indicate it is more likely than not an impairment exists. We perform a fair value-based impairment test to the carrying value of goodwill and indefinite-lived intangible assets on an annual basis (as of December 31) and, if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. The Company utilizes the option to first assess qualitative factors to determine whether it is necessary to perform the Step 1 quantitative goodwill impairment test in accordance with the applicable accounting standards. Under the qualitative assessment, management considers relevant events and circumstances including, but not limited to, macroeconomic conditions, industry and market considerations, Company performance, and events directly affecting the Company. If the Company determines that the Step 1 quantitative impairment test is required, management estimates the fair value of the reporting unit primarily using the income approach, which reflects management's cash flow projections, and also evaluates the fair value using the market approach. Factors considered that may trigger an interim period impairment review of either acquired goodwill or intangible assets are: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of use of acquired assets or the strategy for the overall business; significant negative industry or economic trends; and significant decline in market capitalization relative to net book value. Finite lived intangible assets are amortized and are tested for impairment when appropriate.

During the three months ended March 31, 2020, our stock price declined to the lowest price since 2009. We determined that the significant decline in our market capitalization and broader economic downturn arising from the COVID-19 pandemic was a triggering event and an indicator that it was more likely than not that the carrying value of goodwill exceeded fair value. Therefore, we concluded that quantitative analyses were required to be performed due to the triggering event occurring during the first quarter of 2020. We utilized an implied market value method under the market approach to calculate the fair value of the Company as of March 31, 2020, which we determined was the best approximation of fair value in the current social and economic environment. Based on our interim impairment assessment as of March 31, 2020, we determined that no goodwill or intangible asset impairment occurred and the fair value of goodwill was substantially higher than our carrying value.

As of December 31, 2020, upon the completion of our annual assessment for impairment, we have determined that no goodwill or intangible asset impairment has occurred and the fair value of goodwill was substantially higher than our carrying value.

Income Taxes – In preparing our Consolidated Financial Statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. This involves estimating the actual current tax exposure together with assessing temporary differences between the tax basis of certain assets and liabilities and their reported amounts in the financial statements, as well as net operating losses, tax credits and other carryforwards. These differences result in deferred tax assets and liabilities, which are reflected in our Consolidated Balance Sheets. We then assess the likelihood that the deferred tax assets will be realized from future taxable income, and to the extent that we believe that realization is not likely, we establish a valuation allowance.

Significant judgment is required in determining the provision for income taxes and, in particular, any valuation allowance or tax reserves with respect to our deferred tax assets and uncertain tax positions. On a quarterly basis, we evaluate the recoverability of our deferred tax assets based upon historical results and forecasted taxable income over future years, and match this forecast against the basis differences, deductions available in future years and the limitations allowed for net operating loss and tax credit carryforwards to ensure that there is adequate support for the realization of the deferred tax assets. Although we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, in the event we were to determine that we would not be able to realize all or part of our deferred tax assets in the future, an adjustment to the valuation allowance or tax reserves would be charged as a reduction to income in the period such determination was made. Likewise, should we determine that we would be able to realize future deferred tax assets in excess of its net recorded amount, an adjustment to the valuation allowance would increase net income in the period such determination was made.

We account for income taxes in accordance with ASC 740, “Income Taxes” (“ASC 740”) Among other things this provision prescribes a minimum recognition threshold that an income tax position must meet before it is recorded in the reporting entity’s financial statements. It also requires that the effects of such income tax positions be recognized only if, as of the balance sheet reporting date, it is “more likely than not” (i.e., more than a 50% likelihood) that the income tax position will be sustained based solely on its technical merits. When making this assessment, management must assume that the responsible taxing authority will examine the income tax position and have full knowledge of all relevant facts and other pertinent information. The accounting guidance also clarifies the method of accruing for interest and penalties when there is a difference between the amount claimed, or expected to be claimed, on a company’s income tax returns and the benefits recognized in the financial statements.

Warranty – 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. If actual future product repair rates or the actual costs of material and labor differ from the estimates, adjustments to the accrued warranty liability and related warranty expense would be made.

Share-Based Compensation – We calculate share-based compensation expense in accordance with ASC 718, “Compensation – Stock Compensation” using the Black-Scholes option-pricing model to calculate the fair value of share-based awards. The key assumptions for this valuation method include the expected term of an option grant, stock price volatility, risk-free interest rate, and dividend yield. We account for forfeitures as they occur.

Results of Operations: Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

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 years ended December 31, 2020 and 2019 are detailed in the below table.

(In thousands, except percentages)	Year Ended		Year Ended		\$ Change	% Change
	December 31, 2020		December 31, 2019			
Food service technology	\$ 7,734	25.3%	\$ 6,104	13.3%	\$ 1,630	26.7%
POS automation and banking	3,770	12.3%	5,758	12.6%	(1,988)	(34.5%)
Casino and gaming	10,979	35.9%	21,529	47.1%	(10,550)	(49.0%)
Lottery	817	2.7%	1,291	2.8%	(474)	(36.7%)
Printrex	300	1.0%	1,166	2.6%	(866)	(74.3%)
TSG	6,995	22.8%	9,900	21.6%	(2,905)	(29.3%)
	<u>\$ 30,595</u>	<u>100.0%</u>	<u>\$ 45,748</u>	<u>100.0%</u>	<u>\$ (15,153)</u>	<u>(33.1%)</u>
International*	<u>\$ 5,862</u>	<u>19.2%</u>	<u>\$ 10,416</u>	<u>22.8%</u>	<u>\$ (4,554)</u>	<u>(43.7%)</u>

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

Net sales for 2020 decreased \$15.2 million, or 33%, from 2019. Printer, terminal and other hardware sales volume decreased by 44% to approximately 62,000 units, due to volume decreases in almost all our markets except for a slight increase in food service technology terminal sales. The volume decrease in 2020 was driven primarily by a 52% decrease in unit volume from the casino and gaming market and, to a lesser extent, a 28% decrease in the POS automation and banking market and 50% decrease in the lottery market. The average selling price of our printers, terminals and other hardware increased 2% during 2020 compared to 2019 primarily due to a lower level of POS automation and banking printer sales, which sell at a lower price than our other products. The sales volume decreases were partially offset by a \$1.9 million, or 96%, increase in software, labels and other recurring revenue from our food service technology market.

International sales for 2020 decreased \$4.6 million, or 44%, compared to 2019, primarily due to a 51% decrease of international casino and gaming sales.

Food service technology: Our primary offering in the food service technology market is our BOHA! ecosystem, which combines our latest generation terminal, cloud-based software applications and related hardware into a unique solution to automate back-of-house operations in restaurants, convenience stores and food service operations. The software component of BOHA! consists of a suite of software-as-a-service (“SaaS”)-based applications, including applications for inventory management, temperature monitoring of food and equipment, timers, food safety labeling, food recalls, checklists and procedures, equipment service management, and delivery management. These applications are combined into a single platform with the associated hardware, which includes the BOHA! terminal, handheld devices, tablets, temperature probes and temperature sensors. The BOHA! terminal combines the software and hardware components 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. The BOHA! terminal is equipped with the TransAct Enterprise Management System to ensure that only approved applications and functions are available on the device and allows over-the-air updates to the applications and operating system. BOHA! helps food service establishments and restaurants (including fine dining, casual dining, fast casual and quick-serve restaurants, convenience stores, hospitality establishments and contract food service providers) effectively manage food safety and grab-and-go initiatives, as well as automate and manage back-of-house operations. Recurring revenue from BOHA! is generated by software sales, including software subscriptions that are charged to customers upfront on a per-application basis, as well as sales of labels, extended warranty and service contracts, and technical support services. Sales of our worldwide food service technology products for the years ended December 31, 2020 and 2019 is as follows:

<i>(In thousands, except percentages)</i>	Year Ended		Year Ended		\$ Change	% Change
	December 31, 2020		December 31, 2019			
Domestic	\$ 6,956	89.9%	\$ 5,522	90.5%	\$ 1,434	26.0%
International	778	10.1%	582	9.5%	196	33.7%
	<u>\$ 7,734</u>	<u>100.0%</u>	<u>\$ 6,104</u>	<u>100.0%</u>	<u>\$ 1,630</u>	<u>26.7%</u>

<i>(In thousands, except percentages)</i>	Year Ended		Year Ended		\$ Change	% Change
	December 31, 2020		December 31, 2019			
Hardware	\$ 3,938	50.9%	\$ 4,169	68.3%	\$ (231)	(5.5%)
Software, labels and other recurring revenue	3,796	49.1%	1,935	31.7%	1,861	96.2%
	<u>\$ 7,734</u>	<u>100.0%</u>	<u>\$ 6,104</u>	<u>100.0%</u>	<u>\$ 1,630</u>	<u>26.7%</u>

The increase in food service technology sales in 2020 compared to 2019 was driven primarily by sales of our BOHA! software, labels and other recurring revenue. Sales of BOHA! software recognized on a SaaS subscription basis, labels and other recurring revenue increased by 96%, primarily due to increased label sales and, to a lesser extent, increased software sales, compared to the prior year period. Sales for the prior year period were significantly lower due to the launch of BOHA! not occurring until March 2019. The large increase of label sales in 2020 was primarily due to an initial stocking order to a distributor of a large convenience store chain as well as increased usage by existing customers as the installed terminal base continued to increase. Hardware sales in 2020 decreased 6% compared to 2019 primarily due to the impact from the COVID-19 pandemic that resulted in widespread store closings and substantially reduced customer operations.

POS automation and banking: Revenue from the POS automation and banking market includes sales of thermal printers used primarily by quick serve restaurants located either at the checkout counter or within self-service kiosks to print receipts for consumers or print on linerless labels. Prior to 2020, revenue included 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. We exited the banking market during 2018. A summary of sales of our worldwide POS automation and banking products for the years ended December 31, 2020 and 2019 is as follows:

<i>(In thousands, except percentages)</i>	Year Ended		Year Ended		\$ Change	% Change
	December 31, 2020		December 31, 2019			
Domestic	\$ 3,763	99.8%	\$ 5,714	99.2%	\$ (1,951)	(34.1%)
International	7	0.2%	44	0.8%	(37)	(84.1%)
	<u>\$ 3,770</u>	<u>100.0%</u>	<u>\$ 5,758</u>	<u>100.0%</u>	<u>\$ (1,988)</u>	<u>(34.5%)</u>

The decrease in both domestic and international POS automation and banking sales in 2020 compared to 2019 was primarily driven by a 33% decrease in domestic and international sales of our Ithaca® 9000 printer largely attributable to fewer sales to McDonald’s which we believe resulted from the COVID-19 pandemic.

Casino and Gaming: Revenue from the casino and gaming market includes sales of thermal ticket printers used in slot machines, video lottery terminals, and other gaming machines that print tickets or receipts instead of issuing coins at casinos and racetracks 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 and sports betting 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 the EPICENTRAL™ print system, our software solution (including annual software maintenance), 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 years ended December 31, 2020 and 2019 is as follows:

(In thousands, except percentages)	Year Ended		Year Ended		\$ Change	% Change
	December 31, 2020		December 31, 2019			
Domestic	\$ 6,852	62.4%	\$ 13,076	60.7%	\$ (6,224)	(47.6%)
International	4,127	37.6%	8,453	39.3%	(4,326)	(51.2%)
	<u>\$ 10,979</u>	<u>100.0%</u>	<u>\$ 21,529</u>	<u>100.0%</u>	<u>\$ (10,550)</u>	<u>(49.0%)</u>

The decrease in domestic sales of our casino and gaming products during 2020 compared to 2019 was primarily due to a 50% decrease in domestic sales of our thermal casino printer, driven by industry-wide weakness resulting in lower sales to our OEMs that were impacted by casino closures in response to the COVID-19 pandemic, which were in place for most of the second quarter of 2020 before gradually reopening at reduced capacities during the second half of 2020. This decrease was partially offset by a 73% increase in EPICENTRAL™ sales to an existing EPICENTRAL™ customer that expanded their slot machine floor. There were no new EPICENTRAL™ software installations during 2020 or 2019. Sales of domestic EPICENTRAL™ are project based, and as a result, may fluctuate significantly quarter-to-quarter and year-to-year.

The decrease in international casino and gaming sales during 2020 compared to 2019 was primarily due to a 46% decline in sales of our thermal casino printers and a 64% decline in international sales of our off-premise gaming printers attributable to the negative impacts of the COVID-19 pandemic on the international casino and gaming industry.

Lottery: Revenue from the lottery market includes sales of thermal on-line and other lottery printers primarily to IGT and, to a lesser extent, other lottery system companies for various lottery applications. A summary of sales of our worldwide lottery printers for the years ended December 31, 2020 and 2019 is as follows:

(In thousands, except percentages)	Year Ended		Year Ended		\$ Change	% Change
	December 31, 2020		December 31, 2019			
Domestic	\$ 817	100.0%	\$ 1,290	99.9%	\$ (473)	(36.7%)
International	–	0.0%	1	0.1%	(1)	(100.0%)
	<u>\$ 817</u>	<u>100.0%</u>	<u>\$ 1,291</u>	<u>100.0%</u>	<u>\$ (474)</u>	<u>(36.7%)</u>

On December 31, 2019, we allowed our non-exclusive agreement to provide lottery terminal printers to IGT to expire, as we decided to exit the lottery market and shift our focus towards our higher-value, technology enabled food service technology and casino and gaming products. As a result, IGT made a final purchase of our lottery printers during the second quarter of 2020 and we do not expect any further lottery printer sales in the future.

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. A summary of sales of our worldwide Printrex printers for the years ended December 31, 2020 and 2019 is as follows:

(In thousands, except percentages)	Year Ended		Year Ended		\$ Change	% Change
	December 31, 2020		December 31, 2019			
Domestic	\$ 83	27.7%	\$ 961	82.4%	\$ (878)	(91.4%)
International	217	72.3%	205	17.6%	12	5.9%
	<u>\$ 300</u>	<u>100.0%</u>	<u>\$ 1,166</u>	<u>100.0%</u>	<u>\$ (866)</u>	<u>(74.3%)</u>

The decrease in sales of Printrex printers in 2020 compared to 2019 resulted primarily from lower domestic sales in the oil and gas market which was negatively impacted by the decline in worldwide oil prices largely attributable to the COVID-19 pandemic.

TSG: Revenue generated by TSG includes sales of consumable products (POS receipt paper, inkjet cartridges, ribbons 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 years ended December 31, 2020 and 2019 is as follows:

(In thousands, except percentages)	Year Ended December 31, 2020		Year Ended December 31, 2019		\$ Change	% Change
Domestic	\$ 6,262	89.5%	\$ 8,769	88.6%	\$ (2,507)	(28.6%)
International	733	10.5%	1,131	11.4%	(398)	(35.2%)
	<u>\$ 6,995</u>	<u>100.0%</u>	<u>\$ 9,900</u>	<u>100.0%</u>	<u>\$ (2,905)</u>	<u>(29.3%)</u>

The decrease in domestic TSG sales for 2020 as compared to 2019 was primarily due to a 72% decline in consumable sales resulting largely from lower sales of legacy HP inkjet cartridges used in our banking printers, as we exited the banking market at the end of 2018, and to a lesser extent, lower sales of legacy POS receipt paper. In addition, we experienced 32% lower service sales primarily related to a service contract with a banking customer that is expected to end in 2021. We expect TSG sales to decrease in 2021 compared to 2020 due to lower expected sales of lottery printer spare printer parts to IGT and lower service sales related to the service contract with a banking customer that is expected to end in 2021.

Internationally, TSG sales decreased during 2020 compared to 2019 primarily due to a 49% decrease in sales of replacement parts and accessories to international casino and gaming customers.

Gross Profit. Gross profit information for the years ended December 31, 2020 and 2019 is summarized below (in thousands, except percentages):

Year Ended December 31,		Percent Change	Percent of Total Sales - 2020	Percent of Total Sales - 2019
2020	2019			
\$ 12,929	\$ 21,935	(41.1%)	42.3%	47.9%

Gross profit is measured as revenue less cost of sales, which includes primarily the cost of all raw materials and component parts, direct labor, manufacturing overhead expenses, cost of finished products purchased directly from our contract manufacturers, expenses associated with installations and support of our EPICENTRAL™ print system and BOHA! ecosystem and royalty payments to third parties, including to the third party licensor of our food service technology software products. Gross profit decreased \$9.0 million, or 41% in 2020 compared to 2019 primarily due to a 33% sales decrease in 2020 compared to 2019. Gross margin decreased 560 basis points to 42.3% during 2020 compared to 47.9% in 2019 primarily due to the impact of fixed manufacturing overhead expenses on lower sales volume as a result of the effects of the COVID-19 pandemic, partially offset by cost savings measures implemented in late March 2020 and maintained through the end of 2020 in response to the COVID-19 pandemic.

Operating Expenses - Engineering, Design and Product Development. Engineering, design and product development information for the years ended December 31, 2020 and 2019 is summarized below (in thousands, except percentages):

Year Ended December 31,		Percent Change	Percent of Total Sales - 2020	Percent of Total Sales - 2019
2020	2019			
\$ 5,703	\$ 4,393	29.8%	18.6%	9.6%

Engineering, design and product development expense primarily includes salary and payroll related expenses for our hardware and software engineering staff, depreciation and design expenses (including prototype printer expenses, outside design, development and testing services, supplies and contract software development expenses). Engineering, design and product development expenses increased \$1.3 million, or 30%, in 2020 compared to 2019 primarily due to continued expanded development for our food service technology products. We expect engineering, design and product development expense to increase in 2021 compared to 2020 related to accelerated investments planned for our food service technology products.

Operating Expenses - Selling and Marketing. Selling and marketing information for the years ended December 31, 2020 and 2019 is summarized below (in thousands, except percentages):

Year Ended December 31,		Percent Change	Percent of Total Sales - 2020	Percent of Total Sales - 2019
2020	2019			
\$ 6,144	\$ 8,033	(23.5%)	20.1%	17.6%

Selling and marketing expense primarily includes 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, public relations, e-commerce and other promotional marketing expenses. Selling and marketing expenses decreased \$1.9 million, or 24%, in 2020 compared to 2019 primarily due to cost saving measures implemented in late March 2020 and maintained through 2020 in response to the COVID-19 pandemic, which more than offset the increase in sales and marketing expenses resulting from the new and expanded marketing programs and promotions to support our food service technology products that were implemented during the first quarter of 2020 prior to the COVID-19 outbreak. We expect selling and marketing expenses to increase in 2021 as we gradually return to more normalized pre-COVID-19 spending levels as well as make substantial strategic investments in our food service technology sales and marketing groups that were deferred from 2020 due to the pandemic.

Operating Expenses - General and Administrative. General and administrative information for the years ended December 31, 2020 and 2019 is summarized below (in thousands, except percentages):

Year Ended December 31,		Percent Change	Percent of Total Sales - 2020	Percent of Total Sales - 2019
2020	2019			
\$ 9,255	\$ 9,166	1.0%	30.3%	20.0%

General and administrative expenses primarily include salaries, incentive compensation, and other payroll related expenses for our executive, accounting, human resources, business development and information technology staff, expenses for our corporate headquarters, professional and legal expenses, telecommunication expenses, and other expenses related to being a publicly-traded company. General and administrative expenses increased \$0.1 million, or 1%, in 2020 compared to 2019 primarily due to higher compensation expense almost entirely offset by a decrease in professional fees and discretionary spending resulting from cost saving initiatives implemented in the first quarter of 2020 in response to the COVID-19 pandemic. We expect general and administrative expenses to increase in 2021 as we gradually return to more normalized pre-COVID-19 spending levels.

Operating (Loss) Income. Operating (loss) income information for the years ended December 31, 2020 and 2019 is summarized below (in thousands, except percentages):

Year Ended December 31,		Percent Change	Percent of Total Sales - 2020	Percent of Total Sales - 2019
2020	2019			
\$ (8,173)	\$ 343	(2,482.8%)	(26.7%)	0.7%

Our operating income decreased \$8.5 million during 2020 compared to 2019 primarily due to the 33% decrease in sales and the 560 basis point decrease in gross margin in 2020 compared to 2019.

Interest. We recorded net interest expense of \$52 thousand in 2020 compared to \$11 thousand in 2019. The increase in interest expense was primarily due to interest on borrowings under the Siena Credit Facility in the second quarter of 2020 and higher fees for unused borrowings under the Siena Credit Facility as compared to no borrowings and lower fees for unused borrowings under the TD Bank revolving line of credit during 2019.

Other, net. We recorded other income of \$56 thousand in 2020 compared to \$35 thousand in 2019 primarily due to foreign exchange gains recorded by our UK subsidiary. Going forward, we may continue to experience more foreign exchange gains or losses depending on the level of sales to European customers through our UK subsidiary and the fluctuation in exchange rates of the Euro and Pound Sterling against the U.S. Dollar, which may be impacted by volatility in global economic conditions due to the COVID-19 pandemic.

Income Taxes. We recorded an income tax benefit during the year ended 2020 of \$2.5 million at an effective tax rate of 31.1%, compared to an income tax benefit during the year ended 2019 of \$149 thousand at an effective tax rate of (40.6%). The effective tax rate for 2020 included the impact of the net operating loss ("NOL") that we expect to carry back to prior years. The CARES Act permits NOLs incurred in 2018, 2019 and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. We generated an NOL for 2020 which we will carry back to tax years that had a federal statutory tax rate of 34% compared to 21% in 2020. The income tax benefit for 2019 was unusually high primarily due to the impact of research and development (R&D) credits on a relatively low level of taxable income.

Net Income. We reported a net loss for the year ended 2020 of \$5.6 million, or \$(0.72) per diluted share, compared to net income of \$0.5 million, or \$0.07 per diluted share, in 2019.

Liquidity and Capital Resources

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Significant factors affecting the management of liquidity are cash flows from operating activities, capital expenditures, access to bank lines of credit and our ability to attract long-term capital with satisfactory terms.

Internal cash generation together with currently available cash and cash equivalents, available borrowing facilities and an ability to access credit lines, if needed, are expected to be sufficient to fund operations, capital expenditures, and any increase in working capital that would be required to accommodate a higher level of business activity. We may actively seek to expand by acquisition as well as through the growth of our current business. A significant acquisition may require additional debt and/or equity financing.

Cash Flow

During 2020 our cash balance increased \$6.2 million, or 146%, from December 31, 2019 due to financing activities providing \$11 million of cash primarily from the completion of the Offering and the funds received from the PPP Loan. We had \$10.4 million in cash and cash equivalents as of December 31, 2020, of which \$0.5 million was held by our UK subsidiary.

Operating activities: The following significant factors primarily affected our cash used in operating activities of \$3.5 million in 2020 as compared to cash provided by operating activities of \$4.8 million in 2019. During 2020:

- We reported a net loss of \$5.6 million.
- We recorded depreciation and amortization of \$1.3 million and share-based compensation expense of \$0.9 million.
- Accounts receivable decreased \$3 million, or 47%, primarily due to lower sales volume during the fourth quarter of 2020 compared to the fourth quarter of 2019 due to the pandemic.
- Inventories decreased \$0.9 million, or 7%, primarily due to the utilization of inventory on hand to fulfill sales in response to the pandemic.
- Prepaid income taxes increased \$2.2 million due to an expected income tax refund related to the net operating loss reported for 2020 that will be carried back to prior years as permitted by the CARES Act.
- Other current and long-term assets increased \$0.2 million, or 19%, due primarily to recording a contract asset related to a long term BOHA! sales contract which was partially offset by the recognition of royalty expense that was prepaid in 2019 to a technology partner for food service technology.
- Accounts payable decreased \$1.3 million, or 43%, due to inventory purchases made towards the end of the fourth quarter of 2019 that were subsequently paid in the first quarter of 2020 and a lower level of inventory purchases during 2020 due to the pandemic.
- Accrued liabilities and other liabilities increased \$0.2 million, or 3%, due primarily to an increase in accrued inventive compensation.

During 2019:

- We reported a net income of \$0.5 million.
- We recorded depreciation and amortization of \$1.4 million and share-based compensation expense of \$0.7 million.
- Accounts receivable decreased \$1.6 million, or 20%, primarily due to strong collections on receivables during the fourth quarter of 2019.
- Inventories decreased \$0.8 million, or 6%, primarily due to the utilization of inventory on hand to fulfill sales.
- Prepaid income taxes decreased \$0.6 million, or 71%, primarily due to an income tax refund received in the fourth quarter of 2019.
- Other current and long-term assets increased \$0.3 million, or 47%, due primarily to an advanced payment of royalty fees to a technology partner for food service technology.
- Accounts payable decreased \$0.5 million, or 15%, primarily due to the utilization of inventory on hand to fulfill sales requiring a lower level of inventory purchases during the second half of 2019.
- Accrued liabilities and other liabilities increased \$0.4 million, or 11%, due primarily to an increase in deferred revenue related to our food service technology service contracts and software subscriptions.

Investing activities: Our capital expenditures, including capitalized software costs, were \$0.7 million and \$1.4 million in 2020 and 2019, respectively. Expenditures for 2020 were primarily for new product tooling equipment, leasehold improvements at our Las Vegas facility and computer and networking equipment. Expenditures in 2019 were primarily for new product tooling equipment, and, to a lesser extent, computer and networking equipment. Additionally, during the first quarter of 2020, prior to widespread shutdowns in the United States in response to the COVID-19 pandemic, we loaned an additional \$0.6 million to a third party software developer from whom we license our food service technology software.

Capital expenditures and additions to capitalized software for 2021 are expected to be approximately \$1.4 million, primarily for new product tooling, new computer software and computer and networking equipment to support our food service technology market.

Financing activities: Financing activities provided \$11.0 million of cash during 2020 primarily from the completion of the Offering which raised net proceeds of \$8.7 million, after deducting underwriting discounts, commissions and offering expenses, and the \$2.2 million in funds received from the PPP Loan and, to a lesser extent, proceeds of \$0.4 million from stock option exercises. These increases were partially offset by the payment of financing costs associated with signing our Siena Credit Facility. During 2019, we used \$2.9 million of cash from financing activities to pay dividends of \$2.7 million and \$0.2 million related to the relinquishment of shares to pay for withholding taxes on stock issued from our stock compensation plan.

Resource Sufficiency

Given the unprecedented uncertainty related to the impact of the COVID-19 pandemic on the food service and casino industries, the Company is closely monitoring its cash generation, usage and preservation including the management of working capital to generate cash. The Company does not currently anticipate requiring any additional credit facilities within the next twelve months beyond our Siena Credit Facility and the PPP Loan, which are discussed above, nor does it anticipate a material change in the terms or covenants pertaining to its current facilities.

We believe that our cash and cash equivalents on hand, our expected cash flows generated from operating activities, proceeds raised through the Offering on October 16, 2020, borrowings available under our Siena Credit Facility, and savings from the cost reduction actions discussed above will provide sufficient resources to meet our working capital needs, finance our capital expenditures and meet our liquidity requirements through at least the next twelve months. Notwithstanding this belief, the duration and extent of the pandemic remain uncertain and its ultimate impact unknown. As a result, continue to evaluate several different strategies to enhance our liquidity position as a result of the significant financial and operational impacts due to the COVID-19 pandemic. These strategies may include, but are not limited to, seeking to raise additional capital through an equity or debt financing and applying for additional relief through other programs established under the CARES Act.

Credit Facility and Borrowings

On March 13, 2020, we entered into the Siena Credit Facility with Siena Lending Group LLC and terminated our credit facility with TD Bank N.A.. The Siena Credit Facility provides for a revolving credit line of up to \$10 million expiring on March 13, 2023. Borrowings under the Siena Credit Facility bear a floating rate of interest equal to the greatest of (i) the prime rate plus 1.75%, (ii) the federal funds rate plus 2.25%, and (iii) 6.50%. The total deferred financing costs related to expenses incurred to complete the Siena Credit Facility were \$245 thousand. We also pay a fee of 0.50% on unused borrowings under the Siena Credit Facility. Borrowings under the Siena Credit Facility are secured by a lien on substantially all the assets of the Company. Borrowings under the Siena Credit Facility are subject to a borrowing base based on (i) 85% of eligible accounts receivable plus the lesser of (a) \$5 million and (b) 50% of eligible raw material and 60% of finished goods inventory.

The Siena Credit Facility imposes a quarterly financial covenant on the Company and restricts, among other things, our ability to incur additional indebtedness and the creation of other liens. The three month period from April 1, 2020 to June 30, 2020 was the first period we were subject to the financial covenant, which required the Company to maintain a minimum EBITDA. As of December 31, 2020, we had no outstanding borrowings under the Siena Credit Facility and were in compliance with our financial covenant. The following table demonstrates our compliance with the financial covenant at December 31, 2020.

Financial Covenant	Requirement	Calculation for the period from April 1, 2020 to December 31, 2020
EBITDA	Minimum of \$(6,631)	\$(4,899)

On May 1, 2020, the Company entered into the PPP Loan with Berkshire Bank in the aggregate amount of \$2.2 million, pursuant to the PPP which is administered by the SBA and was established under Division A, Title I of the CARES Act, enacted March 27, 2020.

The PPP Loan, which is evidenced by a Note dated the Loan Date issued by the Company (the "Note"), matures on May 1, 2022 and bears interest at a fixed rate of 1.0% per annum, accruing from the Loan Date and payable monthly. No payments are due on the PPP Loan for six months from the date of first disbursement, and if a loan forgiveness application is submitted to the SBA within 10 months after the end of the covered period, no payments are due until the date on which the SBA remits the loan forgiveness amount to the PPP Lender (or notifies the PPP Lender that no loan forgiveness is allowed), but interest will continue to accrue during the deferment period. If no loan forgiveness is allowed, the Company will be required to pay the PPP Lender equal monthly payments of principal and interest based on the principal amount outstanding on the PPP Loan, plus interest outstanding at the end of the deferment period, and taking into account any reductions in the principal amount due to forgiveness, if any. The Note is unsecured and guaranteed by the SBA. The Note may be prepaid by the Company at any time prior to maturity with no prepayment penalties. The Note provides for customary defaults, including failure to make payment when due or to fulfill the Company's obligations under the Note or related documents, reorganizations, mergers, consolidations or other changes to the Company's business structure, and certain defaults on other indebtedness, bankruptcy events, adverse changes in financial condition or civil or criminal actions. The PPP Loan may be accelerated upon the occurrence of a default.

Under the terms of the PPP, the PPP Loan may be forgiven to the extent that funds from the PPP Loan are used for qualifying expenses, subject to conditions and limitations provided in the CARES Act. At least 60% (as amended) of the proceeds of the PPP Loan must be used for eligible payroll costs for the PPP Loan to be forgivable. The Company has maximized the use of the PPP Loan proceeds for qualifying expenses and intends to apply for forgiveness of the PPP Loan in accordance with the terms of the CARES Act, as amended by the Paycheck Protection Program Flexibility Act of 2020. Whether forgiveness will be granted and in what amount is subject to an application to, and approval by, the SBA and may also be subject to further requirements in any regulations and guidelines the SBA may adopt. The PPP Loan is classified as "Long-term debt" in the Condensed Consolidated Balance Sheet until the forgiveness determination has been made by the SBA.

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. Dividends declared and paid on our common stock totaled \$2.7 million or \$0.36 per share in 2019. On January 23, 2020, our Board of Directors announced the cessation of our quarterly cash dividend on the Company's common stock to accelerate the investment in sales and marketing, continued product development and infrastructure of the BOHA! ecosystem. The final dividend payment was made in December 2019.

Stock Repurchase Program

During 2020 and 2019 we did not repurchase any shares of our common stock.

Shareholders' Equity

Shareholders' equity increased 4.3 million, or 17%, to \$30.2 million at December 31, 2020 from \$25.9 million at December 31, 2019. The increase was primarily due to the completion of the Offering which raised net proceeds of \$8.7 million, after deducting underwriting discounts, commissions and offering expenses, and sold an aggregate of 1,380,000 shares of common stock. Shareholders' equity also increased, although to a lesser extent, from share-based compensation expense related to stock awards of \$0.9 million and \$0.4 million from the issuance of 62,500 shares of common stock related to employee stock awards, net of relinquishments. These increases were partially offset by a net loss of \$5.6 million.

Off-Balance Sheet Arrangements

As of December 31, 2020, we had no off-balance sheet arrangements that have had or that we expect would be reasonably likely to have a future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

TransAct is a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K, and is not required to provide information under this item.

Item 8. Financial Statements and Supplementary Data.

The financial statements of the Company are annexed to this Annual Report as pages F-5 through F-23. The “Report of Independent Registered Public Accounting Firm” is annexed to this Annual Report as of page F-2. An index to such materials appears on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act as of December 31, 2020. In the Amendment to our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on November 21, 2019, we disclosed that management, including our CEO and CFO, concluded that our disclosure controls and procedures were not effective as of December 31, 2018, due to material weaknesses in our internal control over financial reporting as described below. As of December 31, 2020, one material weakness was not fully remediated and our disclosure controls and procedures were not effective as of December 31, 2020. Management has begun remediation efforts, which are described below.

Notwithstanding these material weaknesses, our management, including our CEO and CFO, has concluded that our consolidated financial statements, included in this Form 10-K, fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles, and that they can still be relied upon.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Our management assessed our internal control over financial reporting as of December 31, 2020. Our management based its assessment on criteria established in *Internal Control–Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“2013 COSO”). In the opinion of management, TransAct did not maintain effective internal control over financial reporting as of December 31, 2020 solely because of the material weakness in internal control over financial reporting described below that existed as of December 31, 2018 and has not been remediated as of December 31, 2020.

A material weakness is defined in Rule 12b-2 under the Exchange Act as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

Material Weaknesses in Internal Control Over Financial Reporting

We identified the following control deficiency that constituted a material weakness in our internal control over financial reporting as of December 31, 2019 and 2018 which has been fully remediated as of December 31, 2020.

- We did not design and maintain effective controls over user access within the Company’s ERP system, Oracle, to ensure appropriate segregation of duties and to adequately restrict user access to appropriate personnel. Specifically, the provisioning and user recertification controls were not designed to ensure that users maintain proper segregation of duties and, as a result, users could have had inappropriate access rights (the “Access Control Weakness”).

We identified the following control deficiency that constituted a material weakness in our internal control over financial reporting as of December 31, 2020 and 2019.

- We did not design and maintain effective controls over the completeness and accuracy of information included in key spreadsheets supporting our accounting records (the “Spreadsheet Control Weakness”).

These control deficiencies constituted material weaknesses, but did not result in a material misstatement to our annual or interim consolidated financial statements. However, if the remaining material weakness is not remediated, a material misstatement of account balances or disclosures may not be prevented, and may go undetected, which could result in a material misstatement of future annual or interim consolidated financial statements.

Remediation Efforts to Address Material Weaknesses

Beginning December 31, 2019, we commenced developing and implementing a plan to enhance the design and operating effectiveness of our internal control over financial reporting, which includes taking the following steps to remediate the identified control deficiencies and material weaknesses:

- To address the Access Control Weakness, we utilized the services of an Oracle consulting firm and an accounting firm unrelated to our Independent Registered Accounting Firm, to assist us in analyzing and reviewing Oracle access for all users. During the first quarter of 2020, we completed the analysis and deployed an action plan. Based on this analysis and action plan, during the second quarter of 2020, we created new Oracle responsibilities for each employee for which a conflict was identified to remove Oracle transactional responsibilities that we believed to be conflicting and reassigned those responsibilities to a different employee to ensure proper segregation of duties. We completed the implementation of the new Oracle responsibilities for all users in July 2020. During the third quarter of 2020, we completed the enhancement and implementation provisioning and user certification controls to ensure we maintain the appropriate segregation of duties within Oracle. The Access Control Weakness was deemed to be remediated as of September 30, 2020.
- To address the Spreadsheet Control Weakness, for each key spreadsheet we plan to evaluate and determine (1) if a standard Oracle report exists containing the same information as the spreadsheet, and if so, we would utilize the standard Oracle report (without modification) instead of the spreadsheet to support our accounting records and (2) if a standard Oracle report cannot be used, we will implement a new key control whereby an employee performs a formal validation that the information from Oracle is completely and accurately transferred (automatically or manually) to a spreadsheet by verifying totals and other information on a test basis. For all key spreadsheets, we plan to design and implement a new key control to validate the completeness and accuracy of information supporting our accounting records. During 2020, we began the process of evaluating each key spreadsheet based on the above criteria, and for several key spreadsheets, we implemented a new key control to validate the completeness and accuracy of the information contained within and supporting each such spreadsheet.

We believe these steps will address the remaining material weakness described above.

Changes in Internal Control over Financial Reporting

Other than the changes intended to remediate the material weakness noted above, 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 three months ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Set forth in Item 1 of this Form 10-K is certain information regarding our executive officers. The remaining information in response to this item will be contained in our Proxy Statement for our 2021 Annual Meeting of Stockholders (the "Proxy Statement") under the headings, "Delinquent Section 16(a) Reports," "Corporate Governance," "Proposal 1: Election of Directors," "Audit Committee Report," "Executive Compensation – Compensation Committee Report," "Stockholder Proposals for 2022 Annual Meeting," "Procedures for Submitted Director Nominations and Recommendations" and "Policy Regarding Stockholder Communications with the Board of Directors," which will be filed within 120 days after the end of the year covered by this Form 10-K and is incorporated herein by reference.

Code of Ethics

We maintain a Standards of Business Conduct and Code of Ethics that includes our code of ethics that is applicable to all employees, including our Chief Executive Officer, Chief Financial Officer and Controller. Our Standards of Business Conduct, which requires continued observance of high ethical standards, such as honesty, integrity and compliance with the law in the conduct of our business, is available for public access on our Internet website at <https://transacttech.gcs-web.com/corporate-governance>. Any person may request a copy of our Standards of Business Conduct free of charge by calling (203) 859-6800.

Item 11. Executive Compensation.

The information in response to this item will be contained in the Proxy Statement under the heading "Executive Compensation," and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Set forth below is certain information regarding our equity compensation plans. The remaining information in response to this item will be contained in the Proxy Statement under the heading, "Security Ownership of Certain Beneficial Owners and Management," and is incorporated herein by reference.

Equity Compensation Plan Information

Information regarding our equity compensation plans as of December 31, 2020 is as follows:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders:			
2005 Equity Incentive Plan	291,000	\$ 9.47	–
2014 Equity Incentive Plan	1,107,155	7.95	837,204
Total	1,398,155	\$ 8.27	837,204

In May 2014, our stockholders approved the adoption of the 2014 Equity Incentive Plan. In May 2020, our stockholders approved an amendment to the 2014 Equity Incentive Plan to increase the number of common stock which may be subject to awards granted under the plan from 1,400,000 to its current level of 2,200,000. The Company also maintains the 2005 Equity Incentive Plan; however no new awards will be available for future issuance under this plan. Both plans generally provide for award in the form of: (i) incentive stock options, (ii) non-qualified stock options, (iii) restricted stock, (iv) restricted stock units (which may include performance-based vesting), (v) stock appreciation rights or (vi) limited stock appreciation rights. The Company does not have any equity plans that have not been approved by its stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information in response to this item will be contained in the Proxy Statement under the headings "Certain Relationships and Related Transactions" and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information in response to this item will be contained in the Proxy Statement under the headings, "Policy Regarding Pre-Approval of Services Provided by the Independent Registered Public Accounting Firm" and "Independent Registered Public Accounting Firm's Services and Fees" and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Form 10-K:

1. Financial Statements.

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2020 and 2019
Consolidated Statements of Operations for the years ended December 31, 2020 and 2019
Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2020 and 2019
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2020 and 2019
Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019
Notes to Consolidated Financial Statements

2. Schedules.

All schedules are omitted because they are either inapplicable or not required, or because the information required therein is included in the Consolidated Financial Statements and Notes thereto.

3. Exhibits.

Exhibits Index

3.1(a)	Certificate of Incorporation of TransAct Technologies Incorporated (conformed copy) (incorporated by reference to Exhibit 3(i) of the Company's Quarterly Report on Form 10-Q (SEC File No. 000-21121) filed with the SEC on August 9, 2019).
3.1(b)	Certificate of Designation, Series A Preferred Stock, filed with the Secretary of State of Delaware on December 2, 1997 (incorporated by reference to Exhibit C of the Company's Current Report on Form 8-K (SEC File No. 000-21121) filed with the SEC on February 18, 1999).
3.1(c)	Certificate of Designation, Series B Preferred Stock, filed with the Secretary of State of Delaware on April 6, 2000 (incorporated by reference to Exhibit 3.1(c) of the Company's Quarterly Report on Form 10-Q (SEC File No. 000-21121) filed with the SEC on May 8, 2000).
3.2	Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (SEC File No. 000-21121) filed with the SEC on August 2, 2019).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-1/A (No. 333-06895) filed with the SEC on August 1, 1996).
4.2	Description of Securities (incorporated by reference to Exhibit 4.2 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 16, 2020).
10.1(x)	2005 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K (SEC File No. 000-21121) filed with the SEC on June 1, 2005).
10.2(x)	TransAct Technologies Incorporated 2014 Equity Incentive Plan, as Amended and Restated (incorporated by reference to Exhibit A to the Definitive Proxy Statement on Schedule 14A filed with the Commission on April 23, 2020, File No. 000-21121).
10.3(x)	2014 Equity Incentive Plan Time-based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (SEC File No. 000-21121) filed with the SEC on May 6, 2016).
10.4(x)	2014 Equity Incentive Plan Performance-based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (SEC File No. 000-21121) filed with the SEC on August 8, 2016).
10.5(x)	Employment Agreement, dated July 31, 1996, by and between TransAct and Bart C. Shuldman (incorporated by reference to Exhibit 10.20 of the Company's Registration Statement on Form S-1/A (No. 333-06895) filed with the SEC on August 1, 1996).
10.6(x)	Severance Agreement by and between TransAct and Steven A. DeMartino, dated June 1, 2004 (incorporated by reference to Exhibit 10.8 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 16, 2005).
10.7(x)	Severance Agreement by and between TransAct and Tracey S. Chernay, dated July 29, 2005 (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 14, 2008).
10.8(x)	Amendment to Employment Agreement, effective January 1, 2008, by and between TransAct and Bart C. Shuldman (incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 16, 2009).
10.9(x)	Amendment to Severance Agreement by and between TransAct and Steven A. DeMartino, effective January 1, 2008 (incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 16, 2009).
10.10(x)	Amendment to Severance Agreement by and between TransAct and Tracey S. Chernay, effective January 1, 2008 (incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 16, 2009).
10.11	Lease Agreement by and between Bomax Properties and Ithaca, dated as of March 23, 1992 (incorporated by reference to Exhibit 10.14 of the Company's Registration Statement on Form S-1 (No. 333-06895) filed with the SEC on June 26, 1996).
10.12	Second Amendment to Lease Agreement by and between Bomax Properties and Ithaca, dated December 2, 1996 (incorporated by reference to Exhibit 10.27 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 31, 1998).

10.13	Agreement regarding the Continuation and Renewal of Lease by and between Bomax Properties, LLC and TransAct, dated July 18, 2001 (incorporated by reference to Exhibit 10.8 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 29, 2002).
10.14	Amendment No. 1 to Lease Agreement between Bomax Properties, LLC and TransAct (incorporated by reference to Exhibit 10.16 of the Company's Quarterly Report on Form 10-Q (SEC File No. 000-21121) filed with the SEC on May 10, 2012).
10.15	Amendment No. 2 to Lease Agreement between Bomax Properties, LLC and TransAct, dated January 14, 2016 (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 11, 2016).
10.16	Amendment No. 3 to Lease Agreement between Bomax Properties, LLC and TransAct, dated February 28, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (SEC File No. 000-21121) filed with the SEC on March 4, 2020).
10.17	Lease Agreement by and between Las Vegas Airport Properties LLC and TransAct dated December 2, 2004 (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 16, 2005).
10.18	First Amendment to Lease Agreement by and between Las Vegas Airport Properties LLC and TransAct dated August 31, 2009 (incorporated by reference to Exhibit 10.19 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 16, 2010).
10.19	Second Amendment to Lease Agreement by and between The Realty Associates Fund IX LP and TransAct dated June 30, 2015 (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (SEC File No. 000-21121) filed with the SEC on August 7, 2015).
10.20	Lease Agreement by and between 2319 Hamden Center I, L.L.C. and TransAct dated November 27, 2006 (incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 15, 2007).
10.21	First Amendment to Lease by and between 2319 Hamden Center I, L.L.C. and TransAct dated January 3, 2017 (incorporated by reference to Exhibit 10.20 of the Company's Annual Report on Form 10-K (SEC File No. 000-21121) filed with the SEC on March 16, 2017).
10.22	Loan and Security Agreement, dated as of March 13, 2020, among Siena Lending Group LLC, TransAct Technologies Incorporated and the other Loan Parties from time to time party thereto (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (SEC File No. 000-21121) filed with the SEC on May 22, 2020).
10.23	Note, dated May 1, 2020, by TransAct Technologies Incorporated in favor of Berkshire Bank (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (SEC File No. 000-21121) filed with the SEC on May 5, 2020).
10.24 †	Master License Agreement dated February 22, 2019 and amendments thereto.
10.25 †	Master Development and License Agreement dated July 20, 2018.
21 *	Subsidiaries of the Company
23.1 *	Consent of Marcum LLP
23.2 *	Consent of PricewaterhouseCoopers LLP (predecessor auditor).
31.1 *	Rule 13a-14(a) Certification of Chief Executive Officer in accordance with Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Rule 13a-14(a) Certification of Chief Financial Officer in accordance with Section 302 of the Sarbanes-Oxley Act of 2002.
32 ‡	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(x) Management contract or compensatory plan or arrangement.

* These exhibits are filed herewith.

† Certain portions of this exhibit (indicated by "[***]") have been omitted pursuant to Item (601)(b)(10) of Regulation S-K.

‡ Furnished herewith.

(b) Exhibits.

The Exhibits required by Item 601 of Regulation S-K under the Exchange Act are included in the Exhibit Index above under a(3) of this Item 15.

(c) Financial Statement Schedules.

See the Notes to the Consolidated Financial Statements included in this Form 10-K.

Item 16. Form 10-K Summary.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: _____ /s/ Bart C. Shuldman
Name: **Bart C. Shuldman**
Title: **Chairman of the Board and Chief Executive Officer**

Date: March 12, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Bart C. Shuldman</u> Bart C. Shuldman	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 12, 2021
<u>/s/ Steven A. DeMartino</u> Steven A. DeMartino	President, Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer)	March 12, 2021
<u>/s/ David B. Peters</u> David B. Peters	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 12, 2021
<u>/s/ John M. Dillon</u> John M. Dillon	Director	March 12, 2021
<u>/s/ Randall S. Friedman</u> Randall S. Friedman	Director	March 12, 2021
<u>/s/ Emanuel P. N. Hilario</u> Emanuel P. N. Hilario	Director	March 12, 2021
<u>/s/ Haydee Olinger</u> Haydee Olinger	Director	March 12, 2021
<u>/s/ Thomas R. Schwarz</u> Thomas R. Schwarz	Director	March 12, 2021

TRANSACTION TECHNOLOGIES INCORPORATED
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To the Shareholders and Board of Directors of Transact Technologies Incorporated

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of TransAct Technologies Incorporated and its subsidiaries (the “Company”) as of December 31, 2020, the related consolidated statements of operations, comprehensive loss, changes in shareholders’ equity and cash flows for the year in the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue recognition – Identification of Distinct Performance Obligations and Estimate of Standalone Selling Price

As described in Note 2 to the consolidated financial statements, some of the Company’s contracts with customers contain multiple performance obligations (most commonly when contracts include a hardware product, software and extended warranties). A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer. For a majority of the Company’s revenue, which consists of printers, terminals, consumables, and replacement parts, the Company recognizes revenue as of a point of time; the revenue is recognized upon shipment of the order when control of the goods is transferred to the customer and at the time the performance obligation is fulfilled. Performance obligations are satisfied over time if the customer receives the benefits as the Company performs work. The Company’s cloud-based BOHA! software, provided on a subscription basis, allows customers to use hosted software over the contract period without taking possession of the software and is recognized ratably over the contract period. For extended warranties, the transaction price is recognized ratably over the warranty period, using output methods, as control of the services is transferred to the customer. When there is more than one performance obligation in a customer arrangement, the Company typically uses the “standalone selling price” method to determine the transaction price to allocate to each performance obligation.

In 2020, the Company launched a new service offering related to BOHA! that bundled the BOHA! products (cloud-based SaaS software applications, hardware and after-market service) in one price payable monthly over a three year period. During the year ended December 31, 2020, the Company recognized revenue from contracts with customers related to this new service offering in the amount of approximately \$928 thousand. Judgement was required by management to identify the performance obligations in the contract and allocate the transaction price to each performance obligation.

The principal considerations for our determination that revenue recognition, specifically related to management's identification of distinct performance obligations and the estimation of standalone selling prices related to this new service offering, is a critical audit matter are that there was significant judgment by management in (1) the identification of distinct performance obligations related to this new service offering, specifically the determination that one distinct performance obligation existed for point in time revenue recognition and three distinct performance obligations existed for over-time revenue recognition, (2) the estimation of the standalone selling price using market pricing conditions and other observable inputs, such as historical pricing practices, for each distinct performance obligation; (3) the determination that a significant financing component existed in the arrangement with the customer, therefore, requiring deferral of a portion of the point in time revenue to be recognized as interest income over the contract period; (4) management's election of the accounting policy expedient to exclude sales taxes collected from customers from the transaction price in accordance with ASU 2016-12; and (5) the identification of costs incurred to obtain the contract and management's decision to defer such costs and recognize the expense on a straight-line basis over the life of the contract. This in turn led to a high degree of auditor judgment and subjectivity in performing our audit procedures, which were designed to evaluate audit evidence related to management's identification of distinct performance obligations within the contract with the customer related to this new service offering and the judgments made by management to estimate the standalone selling prices used to allocate the transaction price to those distinct performance obligations identified. Due to this complexity, there was significant effort in performing our audit procedures to evaluate the reasonableness of management's estimates used in the Company's adoption of the accounting standard related to revenue recognition for this new service offering.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) evaluating the Company's revenue recognition accounting policy resulting from its adoption of the accounting standard related to revenue recognition; (ii) evaluating management's identification of distinct performance obligations in its contract with the customer; (iii) evaluating management's process for estimating the standalone selling price which included testing the completeness and accuracy of input data used and evaluating the reasonableness of significant assumptions used by management, principally observable inputs such as historical pricing practices; and (iv) evaluation of the accuracy of management's allocation of the transaction price to the performance obligations contained within the related contract with the customer.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2020.

Hartford, Connecticut
March 12, 2021

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Transact Technologies Incorporated

Opinion on the Financial Statements

We have audited the consolidated balance sheet of TransAct Technologies Incorporated and its subsidiaries (the “Company”) as of December 31, 2019, and the related consolidated statements of operations, comprehensive (loss) income, changes in shareholders’ equity and cash flows for the year then ended, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Hartford, Connecticut
March 16, 2020

We served as the Company’s auditor from 1996 to 2020.

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 2020	December 31, 2019
Assets:		
Current assets:		
Cash and cash equivalents	\$ 10,359	\$ 4,203
Accounts receivable, net	3,377	6,418
Note receivable	100	1,017
Inventories	11,286	12,099
Prepaid income taxes	2,409	180
Other current assets	644	998
Total current assets	<u>28,175</u>	<u>24,915</u>
Fixed assets, net	1,950	2,244
Notes receivable, net of current portion	1,584	–
Right-of-use asset	3,618	2,855
Goodwill	2,621	2,621
Deferred tax assets	2,939	2,565
Intangible assets, net	583	817
Other assets	777	44
	<u>14,072</u>	<u>11,146</u>
Total assets	<u>\$ 42,247</u>	<u>\$ 36,061</u>
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable	\$ 1,691	\$ 2,960
Accrued liabilities	3,665	3,041
Lease liability	837	945
Deferred revenue	504	700
Total current liabilities	<u>6,697</u>	<u>7,646</u>
Long-term debt	2,173	–
Deferred revenue, net of current portion	111	219
Lease liability, net of current portion	2,864	2,104
Other liabilities	166	166
	<u>5,314</u>	<u>2,489</u>
Total liabilities	<u>12,011</u>	<u>10,135</u>
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Preferred stock, \$0.01 value, 4,800,000 authorized, none issued and outstanding	–	–
Preferred stock, Series A, \$0.01 par value, 200,000 authorized, none issued and outstanding	–	–
Common stock, \$0.01 par value, 20,000,000 authorized at December 31, 2020 and 2019; 12,976,227 and 11,515,090 shares issued; 8,931,385 and 7,470,248 shares outstanding, at December 31, 2020 and 2019, respectively	130	115
Additional paid-in capital	42,536	32,604
Retained earnings	19,718	25,348
Accumulated other comprehensive loss, net of tax	(38)	(31)
Treasury stock, 4,044,842 shares, at cost	(32,110)	(32,110)
Total shareholders' equity	<u>30,236</u>	<u>25,926</u>
Total liabilities and shareholders' equity	<u>\$ 42,247</u>	<u>\$ 36,061</u>

See accompanying notes to Consolidated Financial Statements.

TRANSACT TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,	
	2020	2019
Net sales	\$ 30,595	\$ 45,748
Cost of sales	<u>17,666</u>	<u>23,813</u>
Gross profit	<u>12,929</u>	<u>21,935</u>
Operating expenses:		
Engineering, design and product development	5,703	4,393
Selling and marketing	6,144	8,033
General and administrative	<u>9,255</u>	<u>9,166</u>
	<u>21,102</u>	<u>21,592</u>
Operating (loss) income	<u>(8,173)</u>	<u>343</u>
Interest and other income (expense):		
Interest expense	(130)	(28)
Interest income	78	17
Other, net	<u>56</u>	<u>35</u>
	<u>4</u>	<u>24</u>
(Loss) income before income taxes	(8,169)	367
Income tax benefit	<u>2,539</u>	<u>149</u>
Net (loss) income	<u>\$ (5,630)</u>	<u>\$ 516</u>
Net (loss) income per common share:		
Basic	\$ (0.72)	\$ 0.07
Diluted	\$ (0.72)	\$ 0.07
Shares used in per-share calculation:		
Basic	7,827	7,466
Diluted	7,827	7,677
Dividends declared and paid per common share:	\$ -	\$ 0.36

See accompanying notes to Consolidated Financial Statements.

TRANSACT TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands)

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Net (loss) income	\$ (5,630)	\$ 516
Foreign currency translation adjustment, net of tax	<u>(7)</u>	<u>51</u>
Comprehensive (loss) income	<u>\$ (5,637)</u>	<u>\$ 567</u>

See accompanying notes to Consolidated Financial Statements.

TRANSACTION TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Equity
	Shares	Amount					
Balance, January 1, 2019	7,418,299	\$ 115	\$ 32,129	\$ 27,515	\$ (32,110)	\$ (82)	\$ 27,567
Issuance of common stock on restricted stock units	45,167	–	–	–	–	–	–
Issuance of common stock on deferred stock units	28,231	–	–	–	–	–	–
Relinquishment of stock awards and deferred stock units to pay withholding taxes	(21,449)	–	(217)	–	–	–	(217)
Dividends declared and paid on common stock	–	–	–	(2,683)	–	–	(2,683)
Share-based compensation expense	–	–	692	–	–	–	692
Foreign currency translation adjustment, net of tax	–	–	–	–	–	51	51
Net income	–	–	–	516	–	–	516
Balance, December 31, 2019	7,470,248	\$ 115	\$ 32,604	\$ 25,348	\$ (32,110)	\$ (31)	\$ 25,926
Issuance of shares from exercise of stock options	62,500	1	374	–	–	–	375
Issuance of common stock on restricted stock units	32,725	–	–	–	–	–	–
Issuance of common stock, net of issuance cost	1,380,000	14	8,723	–	–	–	8,737
Relinquishment of stock awards and deferred stock units to pay withholding taxes	(14,088)	–	(41)	–	–	–	(41)
Share-based compensation expense	–	–	876	–	–	–	876
Foreign currency translation adjustment, net of tax	–	–	–	–	–	(7)	(7)
Net loss	–	–	–	(5,630)	–	–	(5,630)
Balance, December 31, 2020	8,931,385	\$ 130	\$ 42,536	\$ 19,718	\$ (32,110)	\$ (38)	\$ 30,236

See accompanying notes to Consolidated Financial Statements.

TRANSACT TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net (loss) income	\$ (5,630)	\$ 516
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Share-based compensation expense	876	692
Depreciation and amortization	1,342	1,371
Deferred income tax benefit	(367)	(294)
(Recovery of) provision for doubtful accounts	(1)	16
Foreign currency transaction (gains) losses	(58)	18
Changes in operating assets and liabilities:		
Accounts receivable	2,976	1,589
Inventories	876	796
Prepaid income taxes	(2,226)	577
Other current and long term assets	(198)	(333)
Accounts payable	(1,276)	(517)
Accrued liabilities and other liabilities	176	415
Net cash (used in) provided by operating activities	<u>(3,510)</u>	<u>4,846</u>
Cash flows from investing activities:		
Capital expenditures	(744)	(1,062)
Additions to capitalized software	-	(304)
Issuance of note receivable	(600)	(1,000)
Net cash used in investing activities	<u>(1,344)</u>	<u>(2,366)</u>
Cash flows from financing activities:		
Revolving credit line borrowings	2,756	-
Revolving credit line payments	(2,756)	-
Long-term debt borrowings	2,173	-
Proceeds from stock option exercises	375	-
Payment of dividends on common stock	-	(2,683)
Proceeds from the issuance of common stock	9,798	-
Payment of common stock issuance costs	(1,061)	-
Withholding taxes paid on stock issuance	(41)	(214)
Payment of bank financing costs	(213)	-
Net cash provided by (used in) financing activities	<u>11,031</u>	<u>(2,897)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(21)</u>	<u>(71)</u>
Increase (decrease) in cash and cash equivalents	6,156	(488)
Cash and cash equivalents, beginning of period	4,203	4,691
Cash and cash equivalents, end of period	<u>\$ 10,359</u>	<u>\$ 4,203</u>
Supplemental cash flow information:		
Interest paid	\$ 64	\$ 30
Income taxes paid	46	65
Non-cash capital expenditure items	25	17

See accompanying notes to Consolidated Financial Statements.

1. Description of business

TransAct Technologies Incorporated (together with its subsidiaries, “TransAct,” the “Company,” “we,” “us,” or “our”), which has its headquarters in Hamden, Connecticut and its primary operating facility in Ithaca, New York, operates in one operating segment: software-driven technology and printing solutions for high growth markets including food service technology, casino and gaming, POS automation, and oil and gas markets. Our solutions are designed from the ground up based on market and customer requirements and are sold under the BOHA!™, AccuDate™, Epic®, Ithaca®, EPICENTRAL™ and Printrex® product brands. We sell our products to original equipment manufacturers, value-added resellers, select distributors, and directly to end-users. Our product distribution spans across the Americas, Europe, the Middle East, Africa, Asia, Australia, New Zealand, 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. We also generate revenue from the after-market side of the business, providing printer and terminal service, consumables and spare parts in addition to revenue from our two software solutions; (i) our line of BOHA! software applications used to automate the back-of-house operations of restaurants, convenience stores and food service operators and (ii) the EPICENTRAL™ Print System (“EPICENTRAL™”), that enables casino operators to create promotional coupons and marketing messages and print them in real time at the slot machine.

Impact of the COVID-19 Pandemic

The unprecedented and rapid spread of COVID-19 and the resulting social distancing measures, including closures and restricted openings of restaurants and casinos implemented by federal, state and local authorities, have significantly reduced recent customer demand and disrupted portions of our supply chain, including delayed product shipments from our two manufacturers located in China and Thailand. We are monitoring indicators of demand recovery, including our sales pipeline, customer orders and product shipments to ascertain an estimate of the ultimate impact of the COVID-19 pandemic on our business; however, the length and ultimate severity of the reduction in demand due to the pandemic remains uncertain.

While we began to experience a modest recovery during the second half of 2020 and expect this recovery to continue in 2021, the exact timing and pace of recovery is unknown given uncertainty surrounding responsive measures to potential future resurgences of the virus and the significant disruption that our customers have already experienced and may continue to experience. In light of this uncertainty, we implemented measures to help mitigate the impact on our financial position and operations. These measures include, but are not limited to, the following:

Expense Management. With the reduction in net sales, we implemented the following cost saving initiatives during 2020:

- a reduction of our workforce starting in July 2020 by approximately 20% through a combination of employee terminations and temporary furloughs. During the fourth quarter, we brought back all furloughed employees. As of December 31, 2020 our overall headcount was reduced by approximately 16% when compared to December 31, 2019;
- a 10% reduction in the salaries of all salaried, non-commissioned employees, including executive officers, starting in March 2020. From May 1, 2020 until early July 2020, employees below the vice president level were paid their full salary as a result of the receipt of the PPP Loan proceeds (defined below). All employees’ full salaries were reinstated on January 1, 2021;
- a reduction in sales commissions for all commissioned employees starting in March 2020 through the end of 2020;
- a 10% reduction of cash retainer fees for all non-employee directors starting in March 2020 through the end of 2020; and
- the elimination of discretionary spending wherever possible starting in March 2020 and continuing into the first quarter of 2021.

Balance Sheet, Cash Flow and Liquidity. In addition to the expense management actions noted above, we took the following actions to increase liquidity and strengthen our financial position.

- Public Offering – On October 16, 2020, the Company raised net proceeds of \$8.7 million, after deducting underwriting discounts, commissions and offering expenses, through an underwritten public offering (the “Offering”) and sold an aggregate of 1,380,000 shares of common stock.
- PPP Loan – On May 1, 2020, the Company was granted a \$2.2 million loan (the “PPP Loan”) under the Paycheck Protection Program (the “PPP”) administered by the Small Business Administration (“SBA”) established under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, which enabled us to return our furloughed employees to full time employment and to restore certain pay cuts until the PPP Loan proceeds were exhausted.
- New Credit Facility – On March 13, 2020, we entered into a new credit facility with Siena Lending Group LLC that provides a revolving credit line of up to \$10.0 million, subject to a borrowing base.
- Reduced Capital Expenditures – We limited capital expenditures during 2020.

We may further modify or supplement the expense management measures we have implemented and the actions we have taken to increase liquidity as the timing and extent of customer demand recovery develops.

After reviewing whether conditions and/or events raise substantial doubt about our ability to meet future financial obligations over the 12 months following the date on which the Consolidated Financial Statements included in this Form 10-K (this “Report”) were issued, including consideration of the actions taken to manage expenses and liquidity, we believe that our net cash to be provided by operations combined with our cash and cash equivalents, borrowing availability under our revolving credit facility and the net proceeds from the Offering will provide sufficient liquidity to fund our current obligations, capital spending, and working capital requirements and to comply with the financial covenants of our credit facility over at least 12 months following the date that the Consolidated Financial Statements were issued.

Use of Assumptions and Estimates

Management’s belief that the Company will be able to fund its planned operations over the 12 months following the date on which the Consolidated Financial Statements were issued is based on assumptions which involve significant judgment and estimates of future revenues, capital expenditures and other operating costs. Our current assumptions are that casinos and restaurants remain open and continue to gradually increase capacity limitations during 2021, but that many casinos and restaurants may delay purchases of new slot machines and our BOHA! products, respectively, due to the extended business closures and continuing capacity limitations. Based on these assumptions, we anticipate that sales in casino and gaming and food service technology will continue to be negatively impacted for the foreseeable future. We have performed a sensitivity analysis on these assumptions to forecast the potential impact of a slower-than-anticipated recovery and believe that we are positioned to withstand the impact of lower-than-anticipated sales and that we will be able to take additional financial and operational actions to cut costs and/or increase liquidity if necessary. These actions may include additional expense reductions and capital raising activities.

In addition, the presentation of the accompanying audited Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and the 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. Actual results could differ from those estimates used.

Smaller Reporting Company

As a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K, we may choose to prepare our disclosures relying on certain scaled disclosure requirements for smaller reporting companies in Regulation S-K and in Article 8 of Regulation S-X.

The scaled disclosure requirements for smaller reporting companies permit us (i) to include less extensive narrative disclosure than required of other reporting companies, particularly in the description of executive compensation and (ii) to provide audited financial statements for two fiscal years, in contrast to other reporting companies, which must provide audited financial statements for three years.

We may lose our status as a smaller reporting company on the last day of the fiscal year in which (i) our public float exceeds \$250 million or (ii) if we have more than \$100 million in annual revenues and (a) have no public float or (b) have a public float more than \$700 million.

2. Summary of significant accounting policies

Principles of consolidation: The accompanying Consolidated Financial Statements include the accounts of TransAct and its wholly-owned subsidiaries, which require consolidation, after the elimination of intercompany accounts, transactions and unrealized profit.

Use of estimates: The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities as of the date of the Consolidated Financial Statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates.

Segment reporting: We apply the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 280, “Segment Reporting.” We view our operations and manage our business as one segment: the design, development and marketing of software-driven technology and printing solutions and providing printer and terminal related software, services, supplies and spare parts. Factors used to identify TransAct’s single operating segment include the organizational structure of the Company and the financial information available for evaluation by the chief operating decision-maker in making decisions about how to allocate resources and assess performance.

Cash and cash equivalents: We consider all highly liquid investments with a maturity date of three months or less at date of purchase to be cash equivalents.

Allowance for doubtful accounts: We establish an allowance for doubtful accounts to ensure trade receivables are valued appropriately. We maintain an allowance for doubtful accounts based on a variety of factors, including the length of time receivables are past due, significant one-time events and historical experience. We record a specific allowance for individual accounts when we become aware of a customer’s inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer’s operating results or financial position. If circumstances related to customers change, we further adjust estimates of the recoverability of receivables.

The following table summarizes the activity recorded in the valuation account for accounts receivable:

<i>(In thousands)</i>	Year Ended December 31,	
	2020	2019
Balance, beginning of period	\$ 221	\$ 205
Additions charged to costs and expenses	1	39
Deductions	(2)	(23)
Balance, end of period	<u>\$ 220</u>	<u>\$ 221</u>

Inventories: Inventories are stated at the lower of cost (principally standard cost, which approximates actual cost on a first-in, first-out basis) or net realizable value. We review net realizable value based on estimated selling prices in the ordinary course of business less estimated costs of completions, disposal and transportation, historical usage and estimates of future demand. Based on these reviews, inventory write-downs are recorded, as necessary, to reflect estimated obsolescence, excess quantities and net realizable value.

Fixed assets: Fixed assets are stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives. The estimated useful life of tooling is five years; machinery and equipment is ten years; furniture and office equipment is five years to ten years; and computer software and equipment is three years to seven years. Leasehold improvements are amortized over the shorter of the term of the lease or the useful life of the asset. Costs related to repairs and maintenance are expensed as incurred. The costs of sold or retired assets are removed from the related asset and accumulated depreciation accounts and any gain or loss is recognized. Depreciation expense was \$1.0 million and \$1.1 million in 2020 and 2019, respectively.

Leases: We account for leases in accordance with ASC 842, "Leases" ("ASC 842") which we adopted effective January 1, 2019. The adoption required a modified retrospective transition approach, applying the new standard to all leases existing at the date of initial application. An entity was allowed to choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The Company elected to adopt the standard using the effective date, January 1, 2019, as its date of initial application.

The 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 determines whether lease expense is recognized based on an effective interest method for finance leases or on a straight-line basis over the term of the lease for operating leases. 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 are accounted for based on existing guidance for operating leases. If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor does not convey risks and rewards or control, the lease is treated as operating.

We have elected certain practical expedients available under ASC 842 upon adoption. We have applied the practical expedient which allows prospective transition to ASC 842 on January 1, 2019. Under this transition practical expedient, we did not reassess lease classification, embedded leases or initial direct costs. We have applied the practical expedient for short-term leases. We have lease agreements that include lease and non-lease components, and we have not elected the practical expedients to combine these components for any of our leases. The adoption of ASC 842 had no effect on our Consolidated Statements of Operations. Upon adoption of ASC 842 on January 1, 2019, we recorded a \$3.7 million right-of-use asset and a \$3.9 million lease liability. The adoption of the new standard had no impact on retained earnings.

We enter into lease agreements for the use of real estate space and certain other equipment under operating leases and we have no financing leases. We determine if an arrangement contains a lease at inception. Our leases are included in Right of use assets and Lease liabilities in our Condensed Consolidated Balance Sheet.

Right of use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Lease right of use assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Our right-of-use-asset and lease liability was higher at December 31, 2020 compared to December 31, 2019 due to the extension of one of our leases. On February 28, 2020, we entered into an amendment to extend the lease on our facility in Ithaca, New York, which resulted in recording an additional right-of-use-asset and lease liability of \$1.5 million. The lease, which was last amended on January 14, 2016, was scheduled to expire on May 31, 2021. The lease amendment provides for an extension of the lease for four additional years from June 1, 2021 to May 31, 2025. Lease expense is recognized on a straight-line basis over the lease term. As most of our leases do not provide an implicit rate, the Company determines its incremental borrowing rate by using the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment. Our lease right of use assets exclude lease incentives. Our leases have remaining lease terms of one year to seven years, some of which include options to extend. The majority of our leases with options to extend provide for extensions of up to five years. The exercise of lease renewal options is at our sole discretion and our lease right of use assets and liabilities reflect only the options we are reasonably certain that we will exercise. Lease expense is recognized on a straight-line basis over the lease term.

Goodwill and Intangible assets: We acquire businesses in purchase transactions that result in the recognition of goodwill and intangible assets. The determination of the value of intangible assets requires management to make estimates and assumptions. In accordance with ASC 350-20 “Goodwill,” acquired goodwill is not amortized but is subject to impairment testing at least annually and when an event occurs or circumstances change that indicate it is more likely than not an impairment exists. We perform a fair value-based impairment test to the carrying value of goodwill and indefinite-lived intangible assets on an annual basis (as of December 31) and, if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. The Company utilizes the option to first assess qualitative factors to determine whether it is necessary to perform the Step 1 quantitative goodwill impairment test in accordance with the applicable accounting standards. Under the qualitative assessment, management considers relevant events and circumstances including but not limited to macroeconomic conditions, industry and market considerations, Company performance and events directly affecting the Company. If the Company determines that the Step 1 quantitative impairment test is required, management estimates the fair value of the reporting unit primarily using the income approach, which reflects management’s cash flow projections, and also evaluates the fair value using the market approach. Factors considered that may trigger an interim period impairment review of either acquired goodwill or intangible assets are: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of use of acquired assets or the strategy for the overall business; significant negative industry or economic trends; and significant decline in market capitalization relative to net book value. Finite lived intangible assets are amortized and are tested for impairment when appropriate.

During the three months ended March 31, 2020, our stock price declined to the lowest price since 2009. We determined that the significant decline in our market capitalization and broader economic downturn arising from the COVID-19 pandemic was a triggering event and an indicator that it was more likely than not that the carrying value of goodwill exceeded fair value. Therefore, we concluded that quantitative analyses were required to be performed due to the triggering event occurring during the first quarter of 2020. We utilized an implied market value method under the market approach to calculate the fair value of the Company as of March 31, 2020, which we determined was the best approximation of fair value in the current social and economic environment. Based on our interim impairment assessment as of March 31, 2020, we determined that no goodwill or intangible asset impairment occurred and the fair value of goodwill was substantially higher than our carrying value.

As of December 31, 2020, we have determined that no goodwill or intangible asset impairment has occurred and the fair value of goodwill was substantially higher than our carrying value based on our assessment as of December 31, 2020 when our annual review for impairment was performed.

Revenue recognition: We account for revenue in accordance with ASC Topic 606: Revenue from Contracts with Customers. In accordance with ASC 606, a performance obligation is a promise in a contract with a customer to transfer a distinct good or service to the customer. Some of our contracts with customers contain a single performance obligation, while other contracts contain multiple performance obligations (most commonly when contracts include a hardware product, software and extended warranties). A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer. To the extent the transaction price includes variable consideration, such as price protection, reserves for returns and other allowances, the Company estimates the amount of variable consideration that should be included in the transaction price utilizing either the “expected value” method or the “most likely amount” method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Company’s judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur.

For a majority of our revenue, which consists of printers, terminals, consumables, and replacement parts, the Company recognizes revenue as of a point of time. The transaction price is recognized upon shipment of the order when control of the goods is transferred to the customer and at the time the performance obligation is fulfilled. We also sell a software solution in our casino and gaming market, EPICENTRAL™, that enables casino operators to create promotional coupons and marketing messages and to print them in real time at the slot machine. EPICENTRAL™ is primarily comprised of both a software component, which is licensed to the customer, and a hardware component. EPICENTRAL™ software and hardware are integrated to deliver the system’s full functionality. The transaction prices from EPICENTRAL™ software license and hardware are recognized upon installation and formal acceptance by the customer when control of the license is transferred to the customer. For out-of-warranty repairs, the transaction price is recognized after the repair work is completed and the printer or terminal is returned to the customer, as control of the product is transferred to the customer and our performance obligation is completed.

Performance obligations are satisfied over time if the customer receives the benefits as we perform work, if the customer controls the asset as it is being produced, or if the product being produced for the customer has no alternative use and we have a contractual right to payment. For our separately priced extended warranty, BOHA! cloud-based software applications, technical support for our food service technology terminals and maintenance agreements (including free one-year maintenance received by customers upon completion of EPICENTRAL™ installation) revenue is recognized over time as the customer receives the benefit. The transaction price from the maintenance services is recognized ratably over time, using output methods, as control of the services is transferred to the customer. Our cloud-based BOHA! software allows customers to use hosted software over the contract period on a subscription basis without taking possession of the software and the subscription price is recognized ratably over the contract period. For extended warranties, the transaction price is recognized ratably over the warranty period, using output methods, as control of the services is transferred to the customer.

When there is more than one performance obligation in a customer arrangement, the Company typically uses the “standalone selling price” method to determine the transaction price to allocate to each performance obligation. The Company sells the performance obligations separately and has established standalone selling prices for its products and services. In the case of an overall price discount, the discount is applied to each performance obligation proportionately based on standalone selling price. To determine the standalone selling price for initial EPICENTRAL™ installations, the Company uses the adjusted market assessment approach.

For contracts with terms of less than 12 months, the Company expenses sales commissions as they are incurred, since the expected amortization period of the cost to obtain a contract is less than 12 months.

Disaggregation of revenue

The following table disaggregates our revenue by market type, as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Sales and usage-based taxes are excluded from revenues.

<i>(In thousands)</i>	Year Ended December 31, 2020		
	United States	International	Total
Food service technology	\$ 6,956	\$ 778	\$ 7,734
POS automation and banking	3,763	7	3,770
Casino and gaming	6,852	4,127	10,979
Lottery	817	–	817
Printrex	83	217	300
TransAct Services Group	6,262	733	6,995
Total net sales	<u>\$ 24,733</u>	<u>\$ 5,862</u>	<u>\$ 30,595</u>

<i>(In thousands)</i>	Year Ended December 31, 2019		
	United States	International	Total
Food service technology	\$ 5,522	\$ 582	\$ 6,104
POS automation and banking	5,714	44	5,758
Casino and gaming	13,076	8,453	21,529
Lottery	1,290	1	1,291
Printrex	961	205	1,166
TransAct Services Group	8,769	1,131	9,900
Total net sales	<u>\$ 35,332</u>	<u>\$ 10,416</u>	<u>\$ 45,748</u>

Contract balances

Contract assets consist of unbilled receivables. Pursuant to the over-time revenue recognition model, revenue may be recognized prior to the customer being invoiced. An unbilled receivable is recorded to reflect revenue that is recognized when such revenue exceeds the amount invoiced to the customer. Unbilled receivables are separated into current and non-current assets and included within “Accounts Receivable” and “Other Non-Current Assets” on the Consolidated Balance Sheets as of December 31, 2020. We first recorded contract assets during 2020 upon the start of a long-term BOHA! contract.

Contract liabilities consist of customer prepayments and deferred revenue. Customer prepayments are reported as “Accrued Liabilities” in current liabilities in the Condensed Consolidated Balance Sheets and represent customer payments made in advance of performance obligations in instances where credit has not been extended and is recognized as revenue when the performance obligation is complete. Deferred revenue is reported separately in current liabilities and non-current liabilities and consists of our extended warranty contracts, technical support for our food service technology terminals, EPICENTRAL™ maintenance contracts and prepaid software subscriptions for our BOHA! software applications, and is recognized as revenue as (or when) we perform under the contract. The decrease in current deferred revenue in 2020 compared to 2019 is primarily due to delayed renewals of our EPICENTRAL™ maintenance contracts from COVID-19 related closures of casinos during 2020. Non-current deferred revenue decreased primarily due to decreased sales of long-term extended warranties for a legacy POS printer. During the year ended December 31, 2020, we recognized revenue of \$1.3 million related to our contract liabilities as of December 31, 2019.

Net contract assets (liabilities) consist of the following:

<i>(In thousands)</i>	December 31,	
	2020	2019
Unbilled receivables, current	\$ 290	\$ –
Unbilled receivables, non-current	591	–
Customer pre-payments	(216)	(232)
Deferred revenue, current	(504)	(700)
Deferred revenue, non-current	(111)	(219)
Net contract assets (liabilities)	<u>\$ 50</u>	<u>\$ (1,151)</u>

Remaining performance obligations

Remaining performance obligations represent the transaction price of firm orders for which a good or service has not been delivered to our customer. As of December 31, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was \$4.4 million. The Company expects to recognize revenue on \$3.8 million of our remaining performance obligations within the next 12 months, \$0.4 million within the next 24 months and the balance of these remaining performance obligations recognized within the next 36 months.

Concentration of credit risk: Financial instruments that potentially expose us to concentrations of credit risk are limited to cash and cash equivalents held by our banks in excess of insured limits and accounts receivable.

Accounts receivable from customers representing 10% or more of total accounts receivable were as follows:

	December 31,	
	2020	2019
International Gaming Technology (“IGT”)	11%	15%
Scientific Games	–	10%

Sales to customers representing 10% or more of total net sales were as follows:

	December 31,	
	2020	2019
IGT	15%	14%

Warranty: 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:

	December 31,	
	2020	2019
<i>(In thousands)</i>		
Balance, beginning of period	\$ 215	\$ 273
Warranties issued	56	181
Warranty settlements	(131)	(239)
Balance, end of period	<u>\$ 140</u>	<u>\$ 215</u>

\$112 thousand and \$174 thousand of the accrued product warranty liability were classified as current in Accrued liabilities at December 31, 2020 and 2019, respectively. The remaining \$28 thousand and \$41 thousand of the accrued product warranty liability as of December 31, 2020 and 2019, respectively, is classified as long-term in Other liabilities.

Engineering, design and product development: Engineering, design and product development expenses include expenses incurred in connection with specialized engineering and design to introduce new products and to customize existing products, and are expensed as a component of operating expenses as incurred. We recorded \$5.7 million and \$4.4 million of research and development expenses in 2020 and 2019, respectively.

Costs incurred in the engineering, design and product development of a computer software product are charged to expense until technological feasibility has been established, at which point all material software costs are capitalized within Intangible assets in our Consolidated Balance Sheet until the product is available for general release to customers. While judgment is required in determining when technological feasibility of a product is established, we have determined that it is reached after all high-risk development issues have been documented in a formal detailed plan design. The amortization of these costs have been included in cost of sales over the estimated life of the product. During 2019, we contracted several third-parties to develop software for our food service technology products, the cost for which we capitalized. Unamortized development costs for such software were \$551 thousand as of December 31, 2020. The total amount charged to cost of sales for capitalized software development costs was \$153 thousand and \$186 thousand in 2020 and 2019, respectively.

Advertising: Advertising costs are expensed as incurred. Advertising expenses, which are included in selling and marketing expense on the accompanying Consolidated Statements of Operations, for 2020 and 2019 totaled \$0.7 million and \$1.4 million, respectively. These expenses include items such as consulting and professional services, tradeshow, and print advertising.

Income taxes: The income tax amounts reflected in the accompanying Consolidated Financial Statements are accounted for under the liability method in accordance with ASC 740, “Income Taxes” (“ASC 740”). Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. We assess the likelihood that net deferred tax assets will be realized from future taxable income, and to the extent that we believe that realization is not likely, we establish a valuation allowance. In accordance with ASC 740, we identified, evaluated and measured the amount of benefits to be recognized for our tax return positions.

Foreign currency translation: The financial position and results of operations of our foreign subsidiary in the UK are measured using local currency as the functional currency. Assets and liabilities of such subsidiary have been translated into U.S. dollars at the year-end exchange rate, related sales and expenses have been translated at the exchange rate as of the date the transaction was recognized, and shareholders’ equity has been translated at historical exchange rates. The resulting translation gains or losses, net of tax, are recorded in shareholders’ equity as a cumulative translation adjustment, which is a component of accumulated other comprehensive income. Foreign currency transaction gains and losses, including those related to intercompany balances, are recognized in Other, net on the Consolidated Statements of Operations.

Share-based payments: At December 31, 2020, we have share-based employee compensation plans, which are described more fully in Note 10 - Stock incentive plans. We account for those plans under the recognition and measurement principles of ASC 718, "Compensation – Stock Compensation". Share-based compensation expense is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period.

We use the Black-Scholes option-pricing model to calculate the fair value of share-based awards. The key assumptions for this valuation method include the expected term of the option, stock price volatility, risk-free interest rate, dividend yield, market price of our underlying stock and exercise price. Many of these assumptions are require judgment and are highly sensitive in the determination of compensation expense. Forfeitures are recognized as they occur.

Net income and loss per share: We report net income or loss per share in accordance with ASC 260, "Earnings per Share (EPS)." Under this guidance, basic EPS, which excludes dilution, is computed by dividing income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted EPS includes in-the-money stock options using the treasury stock method. During a loss period, the assumed exercise of in-the-money stock options has an anti-dilutive effect, and therefore, these instruments are excluded from the computation of diluted EPS. See Note 12 - Earnings per share.

3. Note receivable

The note receivable balance relates to loans given to a third party software developer for whom we license our food service technology software with an interest rate of 4.5%, which were due in April 2020. We intend to collect the remaining principal and interest due under the note pursuant to a lender recourse provision that enables us to apply payments that would have been due to the third party under revenue sharing provisions of a previously signed license agreement towards the loan balance. A \$100 thousand royalty fee was scheduled to be paid to the third party in January 2021 that was instead applied towards the note receivable balance as it became due. As a result \$100 thousand of the balance was classified as current and the remaining \$1.6 million is expected to be reduced thereafter using the lender recourse provision. Notes receivable are stated at unpaid balances and interest income is recognized on the accrual method. As of December 31, 2020, we have no allowances for loan losses, unamortized deferred loan fees or unearned discounts.

4. Inventories

The components of inventories are:

<i>(In thousands)</i>	December 31,	
	2020	2019
Raw materials and purchased component parts	\$ 5,467	\$ 7,724
Finished goods	5,819	4,375
	<u>\$ 11,286</u>	<u>\$ 12,099</u>

5. Fixed assets, net

The components of fixed assets, net are:

<i>(In thousands)</i>	December 31,	
	2020	2019
Tooling, machinery and equipment	\$ 9,508	\$ 9,175
Furniture and office equipment	1,706	1,694
Computer software and equipment	7,364	7,062
Leasehold improvements	2,873	2,696
	21,451	20,627
Less: Accumulated depreciation and amortization	(19,979)	(19,010)
	1,472	1,617
Construction in-process	478	627
	<u>\$ 1,950</u>	<u>\$ 2,244</u>

6. Intangible assets, net

Identifiable intangible assets are recorded in Intangible assets in the accompanying Consolidated Balance Sheets and are comprised of the following:

<i>(In thousands)</i>	December 31,			
	2020		2019	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Purchased technology	\$ 2,526	\$ (1,975)	\$ 2,526	\$ (1,792)
Customer relationships	1,300	(1,300)	1,300	(1,300)
Trademark	480	(450)	480	(402)
Covenant not to compete	146	(146)	146	(146)
Patents	56	(54)	56	(51)
Other	80	(80)	80	(80)
Total	<u>\$ 4,588</u>	<u>\$ (4,005)</u>	<u>\$ 4,588</u>	<u>\$ (3,771)</u>

Amortization expense was \$234 thousand and \$284 thousand in 2020 and 2019, respectively. Amortization expense for each of the next five years ending December 31 is expected to be as follows: \$188 thousand in 2021; \$154 thousand in 2022; \$154 thousand in 2023; \$87 thousand in 2024; and none thereafter.

7. Accrued liabilities

The components of accrued liabilities are:

<i>(In thousands)</i>	December 31,	
	2020	2019
Salaries and compensation related	\$ 2,328	\$ 1,541
Warranty	112	174
Professional and consulting	257	465
Other	968	861
	<u>\$ 3,665</u>	<u>\$ 3,041</u>

8. Retirement savings plan

We maintain a 401(k) plan under which all full-time employees are eligible to participate at the beginning of the month immediately following their date of hire. We match employees' contributions at a rate of 50% of employees' contributions up to the first 6% of the employees' compensation contributed to the 401(k) plan. Our matching contributions were \$270 thousand and \$305 thousand in 2020 and 2019, respectively.

9. Borrowings

On March 13, 2020, we entered into a new credit facility (the "Siena Credit Facility") with Siena Lending Group LLC. The Siena Credit Facility provides for a revolving credit line of up to \$10.0 million expiring on March 13, 2023. Borrowings under the Siena Credit Facility bear a floating rate of interest equal to the greatest of (i) the prime rate plus 1.75%, (ii) the federal funds rate plus 2.25%, and (iii) 6.50%. The total deferred financing costs related to expenses incurred to complete the Siena Credit Facility was \$245 thousand, which were reported as "other current assets" in current assets and "other assets" in non-current assets in the Condensed Consolidated Balance Sheets. We also pay a fee of 0.50% on unused borrowings under the facility. Borrowings under the facility are secured by a lien on substantially all the assets of the Company. The Siena Credit Facility imposes a minimum EBITDA financial covenant on the Company and borrowings are subject to a borrowing base based on (i) 85% of eligible accounts receivable plus the lesser of (a) \$5.0 million and (b) 50% of eligible raw material and 60% of finished goods inventory. As of December 31, 2020, we had \$4.5 million of borrowing capacity available under the Siena Credit Facility and had no outstanding borrowings. We were in compliance with all financial covenants of the Siena Credit Facility at December 31, 2020.

Prior to entering the Siena Credit Facility, we maintained a credit facility with TD Bank N.A. ("TD Bank") which provided for a \$20 million revolving credit line. Borrowings under the revolving credit line bore a floating rate of interest at the prime rate minus one percent and were secured by a lien on all our assets. We also paid a fee of 0.125% on unused borrowings under the revolving credit line.

On May 1, 2020 (the "Loan Date"), the Company was granted the PPP Loan from Berkshire Bank in the aggregate amount of \$2.2 million, pursuant to the PPP.

The PPP Loan, which is evidenced by a Note dated the Loan Date issued by the Company (the “Note”) in favor of Berkshire Bank, as lender (the “PPP Lender”), matures on May 1, 2022 and bears interest at a fixed rate of 1.0% per annum, accruing from the Loan Date and payable monthly. No payments were due on the PPP Loan for six months from the date of first disbursement, and if a loan forgiveness application is submitted to the SBA within 10 months after the end of the covered period, no payments are due until the date on which the SBA remits the loan forgiveness amount to the PPP Lender (or notifies the PPP Lender that no loan forgiveness is allowed), but interest continues to accrue during the deferment period. If no loan forgiveness is allowed, the Company will be required to pay the PPP Lender equal monthly payments of principal and interest based on the principal amount outstanding on the PPP Loan, plus interest outstanding at the end of the deferment period, and taking into account any reductions in the principal amount due to forgiveness, if any. The Note is unsecured and guaranteed by the SBA. The Note may be prepaid by the Company at any time prior to maturity with no prepayment penalties. The Note provides for customary defaults, including failure to make payment when due or to fulfill the Company’s obligations under the Note or related documents, reorganizations, mergers, consolidations or other changes to the Company’s business structure, and certain defaults on other indebtedness, bankruptcy events, adverse changes in financial condition or civil or criminal actions. The PPP Loan may be accelerated upon the occurrence of a default.

Under the terms of the PPP, the PPP Loan may be forgiven to the extent that funds from the PPP Loan are used for payroll costs and costs to continue group health care benefits, as well as for interest on mortgage obligations incurred before February 15, 2020, rent under lease agreements in effect before February 15, 2020, utilities for which service began before February 15, 2020, and interest on debt obligations incurred before February 15, 2020 (collectively, “qualifying expenses”), subject to conditions and limitations provided in the CARES Act. At least 60% (as amended) of the proceeds from the PPP Loan must be used for eligible payroll costs for the PPP Loan to be forgiven. The Company has maximized the use of PPP Loan proceeds for qualifying expenses and intends to apply for forgiveness of the PPP Loan in accordance with the terms of the CARES Act, as amended by the Paycheck Protection Flexibility Act of 2020. Whether forgiveness will be granted and in what amount is subject to an application to, and approval by, the SBA and may also be subject to further requirements in any regulations and guidelines the SBA may adopt. The PPP Loan is classified as “Long-term debt” in the Condensed Consolidated Balance Sheet until the forgiveness determination has been made by the SBA. In the event that no portion of the PPP Loan is forgiven by the SBA, \$1.5 million in principal and interest of the \$2.2 million PPP Loan would be due in 2021 with the remaining balance due in 2022.

10. Stock incentive plans

Stock incentive plans. We currently have two primary stock incentive plans: the 2005 Equity Incentive Plan and the 2014 Equity Incentive Plan, which provide for awards to executives, key employees, directors and consultants. The plans generally provide for awards in the form of: (i) incentive stock options, (ii) non-qualified stock options, (iii) restricted stock, (iv) restricted stock units (which may include performance-based vesting), (v) stock appreciation rights or (vi) limited stock appreciation rights. Awards granted under these plans have exercise prices equal to 100% of the fair market value of the common stock at the date of grant. Awards granted have a ten-year term and generally vest over a two-year to five-year period, unless automatically accelerated for certain defined events. As of May 2014, no new awards may be made under the 2005 Equity Incentive Plan. Under our 2014 Equity Incentive Plan, as amended in May 2020, we are authorized to grant awards of up to 2,200,000 shares of TransAct common stock. At December 31, 2020, 837,204 shares of common stock remained available for issuance under the 2014 Equity Incentive Plan.

Under the assumptions indicated below, the weighted-average per share fair value of stock option grants for 2020 and 2019 was \$3.19 and \$3.01, respectively. We also issued restricted stock units for certain executives and directors that vest over a specified period of time, and in some instances require achieving certain performance metrics. The weighted-average per share fair value of these restricted stock units was \$9.77 and \$10.46 in 2020 and 2019, respectively.

The table below indicates the key assumptions used in the option valuation calculations for options granted in 2020 and 2019 and a discussion of our methodology for developing each of the assumptions used in the valuation model:

	December 31,	
	2020	2019
Expected option term (in years)	7.0	6.8
Expected volatility	41.7%	38.8%
Risk-free interest rate	0.9%	2.6%
Dividend yield	0.0%	3.5%

Expected Option Term - This is the weighted average period of time over which the options granted are expected to remain outstanding giving consideration to our historical exercise patterns. Options granted have a maximum term of ten years and an increase in the expected term will increase compensation expense.

Expected Volatility – The stock volatility for each grant is measured using the weighted average of historical daily price changes of our common stock over the most recent period approximately equal to the expected option term of the grant. An increase in the expected volatility factor will increase compensation expense.

Risk-Free Interest Rate - This is the U.S. Treasury rate in effect at the time of grant having a term approximately equal to the expected term of the option. An increase in the risk-free interest rate will increase compensation expense.

Dividend Yield –The dividend yield is calculated by dividing the annual dividend declared per common share by the weighted average market value of our common stock on the date of grant. An increase in the dividend yield will decrease compensation expense.

For 2020 and 2019, we recorded \$876 thousand and \$692 thousand of share-based compensation expense, respectively, included primarily in general and administrative expense in our Consolidated Statements of Operations. We also recorded income tax benefits of \$193 thousand and \$152 thousand in 2020 and 2019, respectively, related to such share-based compensation. At December 31, 2020, these benefits are recorded as a deferred tax asset in the Consolidated Balance Sheets.

Equity award activity in the 2005 Equity Incentive Plan and the 2014 Equity Incentive Plan is summarized below:

	Stock Options		Restricted Stock Units	
	Number of Shares	Average Price*	Number of Units	Average Price**
Outstanding at December 31, 2019	1,142,468	\$ 9.23	90,575	\$ 10.46
Granted	245,950	7.43	52,700	9.76
Exercised	(62,500)	7.79	(32,725)	9.88
Forfeited	(1,563)	10.32	–	–
Expired	(36,750)	8.61	–	–
Outstanding at December 31, 2020	<u>1,287,605</u>	\$ 8.98	<u>110,550</u>	\$ 10.30

* weighted average exercise price per share

** weighted average grant stock price per share

The following summarizes information about equity awards outstanding that are vested and expect to vest and equity awards that are exercisable at December 31, 2020:

	Equity Awards Vested and Expected to Vest				Equity Awards That Are Exercisable			
	Awards	Average Price*	Aggregate Intrinsic Value	Remaining Term**	Awards	Average Price*	Aggregate Intrinsic Value	Remaining Term**
Stock Options	1,287,605	\$ 8.98	\$ 366	5.8	809,512	\$ 8.85	\$ 67	4.2
Restricted stock units	110,550	–	785	2.4	–	–	–	–

* weighted average exercise price per share

** weighted-average contractual remaining term in years

Shares that are issued upon exercise of employee stock awards are newly issued shares and not issued from treasury stock. As of December 31, 2020, unrecognized compensation cost related to non-vested equity awards granted under our stock incentive plans is approximately \$1.9 million, which is expected to be recognized over a weighted average period of 2.2 years.

The total fair value of awards vested during the years ended December 31, 2020 and 2019 was \$1.7 million and \$1.6 million, respectively. The total intrinsic value (which is the amount by which the stock price exceeded the exercise price on the date of exercise) of stock options exercised during the years ended December 31, 2020 was \$174 thousand and cash received from option exercises was \$375 thousand in 2020. No stock options were exercised during the year ended December 31, 2019. We recorded a realized tax provision in 2020 from equity-based awards of \$14 thousand related to options exercised.

11. Income taxes

The components of the income tax benefit are as follows:

(In thousands)	December 31,	
	2020	2019
Current:		
Federal	\$ (2,141)	\$ 58
State	17	51
Foreign	(48)	(58)
	<u>(2,172)</u>	<u>51</u>
Deferred:		
Federal	(483)	(205)
State	(36)	5
Foreign	152	–
	<u>(367)</u>	<u>(294)</u>
Income tax benefit	<u>\$ (2,539)</u>	<u>\$ (149)</u>

Our effective tax rates were 31.1 % and (40.6)% for 2020 and 2019, respectively. The effective tax rate for 2020 included the impact of the net operating loss (“NOL”) that we expect to carry back to prior years. The CARES Act permits NOLs incurred in 2018, 2019 and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. We generated a NOL for 2020 which we will carry back to tax years that had a federal statutory tax rate of 34% compared to 21% in 2020. We recorded an unusually high tax benefit in 2019 due to the impact of R&D credits on a near break-even level of income before income tax.

At December 31, 2020, we have no federal net operating loss carryforwards and \$33 thousand of state net operating loss carryforwards, \$460 thousand in R&D credit carryforwards, and no state tax credit carryforwards. Foreign loss before taxes was \$468 thousand and \$515 thousand in 2020 and 2019, respectively.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the Consolidated Financial Statements. Our deferred tax assets and liabilities were comprised of the following:

<i>(In thousands)</i>	December 31,	
	2020	2019
Deferred tax assets:		
Foreign net operating losses	\$ 563	\$ 538
Depreciation	302	165
Inventory reserves	719	916
Deferred revenue	47	58
Warranty reserve	31	47
Stock compensation expense	731	701
Other accrued compensation	388	226
R&D credit carryforward	460	111
Other liabilities and reserves	394	276
Gross deferred tax assets	3,635	3,038
Valuation allowance	(659)	(444)
Net deferred tax assets	<u>2,976</u>	<u>2,594</u>
Deferred tax liabilities:		
Other	37	29
Net deferred tax liabilities	<u>37</u>	<u>29</u>
Total net deferred tax assets	<u>\$ 2,939</u>	<u>\$ 2,565</u>

As of December 31, 2020 a valuation allowance of \$659 thousand has been established for foreign net operating loss carryforwards that are not expected to be used. The following table summarizes the activity recorded in the valuation allowance on the deferred tax assets:

<i>(In thousands)</i>	Year Ended December 31,	
	2020	2019
Balance, beginning of period	\$ 444	\$ 390
Additions charged to income tax provision	215	54
Balance, end of period	<u>\$ 659</u>	<u>\$ 444</u>

Differences between the U.S. statutory federal income tax rate and our effective income tax rate are analyzed below:

	Year Ended December 31,	
	2020	2019
Federal statutory tax rate	21.0%	21.0%
U.S. corporate tax rate change	9.5	-
R&D credit	4.2	(83.2)
State income taxes, net of federal income taxes	0.2	12.0
Business meals and entertainment	0.1	5.4
Miscellaneous permanent items	-	1.4
Uncertain tax positions	(0.2)	1.0
Foreign-derived intangible income deduction	-	(5.4)
Stock award excess tax benefit	(0.3)	(8.4)
Stock option cancellations	(0.5)	0.8
Valuation allowance and tax accruals	(2.6)	14.8
Other	(0.3)	-
Effective tax rate	<u>31.1%</u>	<u>(40.6)%</u>

We had \$121 thousand and \$107 thousand of total gross unrecognized tax benefits at December 31, 2020 and 2019, respectively that, if recognized, would favorably affect the effective income tax rate in any future periods. We are not aware of any events that could occur within the next twelve months that could cause a significant change in the total amount of unrecognized tax benefits. A tabular reconciliation of the gross amounts of unrecognized tax benefits at the beginning and end of the year is as follows:

<i>(In thousands)</i>	December 31,	
	2020	2019
Unrecognized tax benefits as of January 1	\$ 107	\$ 104
Tax positions taken during the current period	41	28
Lapse of statute of limitations	(27)	(25)
Unrecognized tax benefits as of December 31	<u>\$ 121</u>	<u>\$ 107</u>

We expect \$24 thousand of the \$121 thousand of unrecognized tax benefits will reverse in 2021 upon the expiration of the statute of limitations.

We recognize interest and penalties related to uncertain tax positions in the income tax provision. We have accrued interest and penalties related to uncertain tax positions of \$19 thousand and \$18 thousand as of December 31, 2020 and 2019, respectively.

We are subject to U.S. federal income tax as well as income tax of certain state and foreign jurisdictions. We have substantially concluded all U.S. federal income tax, state and local, and foreign tax matters through 2016. However, our federal tax returns for the years 2017 through 2019 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 Consolidated Financial Statements.

12. Earnings per share

Earnings per share was computed as follows (in thousands, except per share amounts):

	Year Ended December 31,	
	2020	2019
Net (loss) income	\$ (5,630)	\$ 516
Shares:		
Basic: Weighted average common shares outstanding	7,827	7,466
Add: Dilutive effect of outstanding equity awards as determined by the treasury stock method	-	211
Diluted: Weighted average common and common equivalent shares outstanding	<u>7,827</u>	<u>7,677</u>
Net (loss) income per common share:		
Basic	\$ (0.72)	\$ 0.07
Diluted	(0.72)	0.07

The computation of diluted earnings per share excludes the effect of the potential exercise of stock awards, including stock options, restricted stock units and performance stock awards, 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. Anti-dilutive stock awards excluded from the computation of earnings per dilutive share were 1,284,000 and 447,000, at December 31, 2020 and 2019, respectively.

13. Stock repurchase program

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 2020 and 2019 we did not repurchase any shares of our common stock. From January 1, 2005 through December 31, 2020, we repurchased a total of 4,044,842 shares of common stock for \$32.1 million, at an average price of \$7.94 per share.

14. Geographic area information

Information regarding our operations by geographic area is contained in the following table. These amounts in the geographic area table are based on the location of the customer and asset.

(In thousands)	Year Ended December 31,	
	2020	2019
Net sales:		
United States	\$ 24,733	\$ 35,332
International	5,862	10,416
Total	<u>\$ 30,595</u>	<u>\$ 45,748</u>
Fixed assets, net:		
United States	\$ 1,079	\$ 1,326
International	871	918
Total	<u>\$ 1,950</u>	<u>\$ 2,244</u>

Sales to international customers were 19% and 23% of total sales in 2020 and 2019, respectively. Sales to Europe represented 45% and 44%, sales to the Pacific Rim (which includes Australia and Asia) represented 45% and 46%, and sales to Canada represented 8% of total international sales in both 2020 and 2019. International long-lived assets consist of net fixed assets located at our foreign subsidiary in the UK as well as our contract manufacturers in China, Thailand, Malaysia and Mexico.

15. Leases

Operating lease expense for the years ended December 31, 2020 and 2019 was \$1.0 million and \$1.0 million, respectively, and are reported as “Cost of sales,” “Engineering, design and product development expense,” “Selling and marketing expense,” and “General and administrative expense” in the Consolidated Statements of Operations. Operating costs include short-term lease costs which were immaterial during the period.

The following information represents supplemental disclosure for the statement of cash flows related to operating leases (in thousands):

	Year Ended December 31,	
	2020	2019
Operating cash outflows from leases	\$ 1,040	\$ 1,031

The following summarizes additional information related to our leases as of December 31, 2020:

	Year Ended December 31,	
	2020	2019
Weighted average remaining lease term (in years)	4.9	5.0
Weighted average discount rate	4.1%	3.7%

The maturity of the Company’s operating lease liabilities as of December 31, 2020 are as follows (in thousands):

	December 31, 2020
2021	\$ 971
2022	879
2023	713
2024	718
2025	464
Thereafter	180
Total undiscounted lease payments	3,925
Less imputed interest	224
Total lease liabilities	<u>\$ 3,701</u>

16. Quarterly results of operations (unaudited)

Our quarterly results of operations for 2020 and 2019 are as follows:

<i>(In thousands, except per share amounts)</i>	Quarter Ended			
	March 31	June 30	September 30	December 31
2020:				
Net sales	\$ 10,247	\$ 5,285	\$ 7,300	\$ 7,763
Gross profit	4,918	2,290	3,349	2,372
Net loss	(992)	(1,853)	(867)	(1,918)
Net loss per common share:				
Basic	(0.13)	(0.25)	(0.11)	(0.22)
Diluted	(0.13)	(0.25)	(0.11)	(0.22)
2019:				
Net sales	\$ 11,550	\$ 11,350	\$ 11,686	\$ 11,162
Gross profit	6,086	5,704	5,546	4,599
Net income (loss)	746	186	384	(800)
Net income (loss) per common share:				
Basic	0.10	0.02	0.05	(0.11)
Diluted	0.10	0.02	0.05	(0.11)

17. Subsequent events

The Company has evaluated all events or transactions that occurred up to the date the consolidated financial statements were available to issue. Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

[***] Certain information in this document has been excluded pursuant to Item (601)(b)(10) of Regulation S-K because it is not material and would likely cause competitive harm to the registrant if publicly disclosed.

MASTER LICENSE AGREEMENT

This Master License Agreement (this “**Agreement**”), dated as of February 22, 2019 (the “**Effective Date**”) by and between **TransAct Technologies Incorporated**, having an address at One Hamden Center, 2319 Whitney Avenue, Suite 3B, Hamden, Connecticut 06518, USA (“**TransAct**”) and [***], each a “**Party**” and collectively the “**Parties**.”

BACKGROUND

A. [***] has developed and is in the process of developing a suite of proprietary, web-based programs for use in the food service and food preparation industries (the “[***] **Solution**”), and is engaged in the business of continuing to develop such programs and other related and complimentary software applications, services and products, including hardware and other equipment; and

B. TransAct desires to retain [***] to provide a version of the [***] Solution to be rebranded and sold to TransAct customers as a TransAct branded platform called BOHA! (the “**BOHA! Solution**”) and to provide certain services and additional products related thereto, including software development for TransAct customers who wish to augment the functionality of the BOHA! Solution, from time to time as described herein, and [***] desires to provide the same to TransAct, each on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, the Parties, intending to be legally bound, agree as follows:

1. Services; Additional Agreements.

1.1 Services. TransAct hereby engages [***], and [***] accepts such engagement, to provide to TransAct certain Licensed Products (including the BOHA! Solution, a white labeled version of the [***] Solution) (as defined below) and the services to TransAct as set forth in Section 2 below and such other services as the Parties may agree from time to time (such services, the “**Services**”).

a. Software; Certain Definitions. For purposes of this Agreement, “**Software**” shall mean the computer programs, including programming tools, scripts, and routines that [***] has developed, develops or otherwise provides under this Agreement including, without limitation, the [***] Applications (as defined below) in white label form with BOHA! Solution rebranding (regardless of whether performed domestically or abroad and regardless of whether performed before or after execution of this Agreement), and all updates, upgrades, new versions, new releases, enhancements, improvements, and other modifications made or provided thereto and any New Products (as defined below) from time to time. Without limitation, the Software shall have the functionality and compatibilities set forth in Exhibit A hereto. “[***] **Applications**” means [***]’s [***] applications, including any new versions or updates of the same from time to time. “**New Products**” means any new software or applications developed by [***] during the Term that are used or useable in, related to, or otherwise complimentary to the [***] Solution.

1.2 **Documentation.** Prior to or concurrently with the delivery of any Software hereunder, [***] shall provide TransAct complete and accurate user manuals, operating manuals, and other instructions, specifications, documents and materials, in any form or media, that describe the components, features, requirements, and other aspects of the Software, including any functionality, testing, operation or use thereof (the “**Documentation**”) for such Software. Documentation shall include all such information as may be reasonably necessary for the effective testing, use, support, and maintenance of the applicable Software by TransAct and its customers, including the effective configuration, integration, and systems administration of the Software and performance of all other functions set forth in the Software specifications for use with a TransAct branded internet portal that hosts the BOHA! Solution or as otherwise reasonably requested by TransAct. Unless otherwise agreed in writing, [***] shall provide all Documentation in electronic form, in such formats and media as TransAct may reasonably request. “**Licensed Products**” (and individually, a “**Licensed Product**”) as used in this Agreement means the Software and the Documentation.

1.3 **Open-Source Components.** [***] has identified to TransAct all Open Source Components incorporated into, combined with or distributed with any Software and [***] represents and warrants to TransAct that [***] is in compliance with the terms and conditions of all licenses for such Open Source Components. “**Open Source Components**” means any software component that is subject to any open source copyright license agreement, including software available under the GNU Affero General Public License (AGPL), GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), Apache License, BSD licenses, or any other license that is approved by the Open Source Initiative.

1.4 **[***] Personnel.** [***] is solely responsible for all of its employees and sub-contractors (if permitted pursuant to Section 10.8) (the “[***] Personnel”) and for the payment of their compensation, including, if applicable, withholding of income taxes, and the payment and withholding of social security and other payroll taxes, unemployment insurance, workers compensation insurance and disability benefits. If TransAct assigns any of its employees to contribute to the development of any Licensed Products, TransAct shall be responsible for the payment of such TransAct employees’ compensation, including, if applicable, withholding of income taxes, and the payment and withholding of social security and other payroll taxes, unemployment insurance, workers compensation insurance and disability benefits.

1.5 **Change Orders.** The Parties may change the scope of the Services, Licensed Products and other matters specified in this Agreement (including feature changes to the Licensed Products used by an individual TransAct customer) by either a written change order signed by representatives of both Parties or an exchange of emails between representatives of both Parties (“**Change Order**”) (e.g. a request email for a change by a TransAct representative and a confirmatory email of the same by a [***] representative). In the event that [***] does not respond to a Change Order request from TransAct within fifteen (15) business days, [***] will be deemed to have confirmed and accepted such Change Order. [***] will use its best efforts to accommodate Change Order requests from TransAct. Any additional functionalities that a TransAct customer may request with respect to any Licensed Products that are the subject of a Change Order will be evaluated by [***] to determine whether such additional functionalities can be accommodated using reasonable time and efforts (each, an “**Ordinary Development Request**”) or whether such additional functionalities would require significant time and incur substantial costs to develop (each, a “**Substantial Development Request**”).

[***] will promptly notify TransAct whether such customer request is an Ordinary Development Request or a Substantial Development Request. Ordinary Development Requests will be developed in a timely manner by [***] following notification and at no additional cost to TransAct, it being agreed by the Parties that the Monthly Fees received by [***] pursuant to this Agreement are adequate compensation for such additional development activities. Any notification of a Substantial Development Request will include [***]'s good faith estimate of the development time and likely costs (based on [***]'s standard rates) involved in the development of the additional functionalities. TransAct will confer with the customer making the Substantial Development Request, and if the customer wishes to pursue such development, [***] and TransAct shall enter into a mutually acceptable separate agreement regarding such development, which among other things, will address the final price of, and ownership rights with respect to, such developed materials.

1.6 Standard of Performance. [***] will be responsible for overall management and performance of the Services. [***] will design, develop, create, test, deliver, configure, integrate, customize, and otherwise provide and make fully operational Licensed Products on a timely and professional basis in accordance with all terms, conditions, and specifications set forth in this Agreement. The [***] Personnel will perform the Services in a timely, professional and workmanlike manner, using the degree of skill, care, and judgment consistent with customarily accepted good business practices. All Services and Licensed Products provided hereunder will be subject to TransAct's review and approval in accordance with the terms contained herein. In addition to the warranty obligations contained herein, any claim made in good faith by TransAct regarding the deficiency of the Services or Licensed Products shall be resolved by [***] repairing the deficiency of the Services or Licensed Products at no additional cost to TransAct.

1.7 Confirmation Testing. TransAct shall have the right to test and evaluate the Licensed Products for operational compatibility with TransAct systems and white label branding as and when such Licensed Products are made available for use on in BOHA! Solution. [***] will provide to TransAct all relevant documents, deliverables and other information that is reasonably necessary for TransAct to make its evaluation. If TransAct determines that such Licensed Product is deficient in one or more respects, TransAct shall notify [***] in writing outlining each deficiency, and [***] shall use its reasonable best efforts to promptly repair the deficiency. Promptly following any initial testing and evaluation, or testing and evaluation following identification of any deficiencies (and after the same have been repaired) TransAct will confirm to [***] that such Licensed Products are ready to be used in a production environment. Notwithstanding the foregoing, TransAct's confirmation of Licensed Products shall in no way limit the performance and warranty obligations of [***] as identified in Section 1.7 and Section 8.

1.8 Data Security; Disaster Recovery.

(a) [***] will employ data security measures in accordance with applicable industry practice with respect to the delivery of Services hereunder (including the protection of the data of any customers of TransAct and hosting of the BOHA! Solution), but in no event less rigorous than those employed by [***] with respect to its internal systems. [***] maintains a data breach plan in accordance with applicable industry practice.

(b) [***] shall maintain or cause to be maintained disaster avoidance and recovery procedures designed to safeguard the data of TransAct and its customers and TransAct's other Confidential Information, and the availability of the Services and Licensed Product (including the operations of the BOHA! Solution), in each case throughout the Term and at all times in connection with its actual or required performance of the Services hereunder. [***] shall conduct or have conducted daily backups of TransAct's and its customer's data in the BOHA! Solution and store such backup data in a commercially reasonable location and manner. The force majeure provisions of Section 10.12 shall not limit [***]'s obligations under this Section 1.8(b).

1.9 Insurance. At all times during the Term and for a period of five (5) years thereafter, the Parties shall procure and maintain, at its sole cost and expense, from reputable insurance companies, insurance coverage in the following types and amounts : (i) Commercial General Liability with limits no less than \$1,000,000 per occurrence and \$4,000,000 in the aggregate, including bodily injury and property damage and products and completed operations and advertising liability, which policy will include contractual liability coverage insuring the activities of [***] under this Agreement, (ii) Cyber Liability Insurance, including first party and third party coverage, with limits no less than \$2,000,000 per occurrence and \$2,000,000 in the aggregate for all claims each policy year, and (iii) Errors and Omissions/Professional Liability with limits no less than \$2,000,000 per occurrence and \$2,000,000 in the aggregate for all claims each policy year.

1.10 [***] Hardware. The Parties agree that promptly following the execution of this Agreement they will negotiate in good faith one or more agreements to provide TransAct the right to sell certain equipment and hardware designed, owned or licensed by [***] for use with the Licensed Products, including, without limitation, a wireless printer, handheld device, temperature probe and case and wireless sensors and gateway.

2. Services including Training, Maintenance and Support; Hosting; Web Portal; White Labeling; Customer and Sales Support; Pricing; Non-Solicitation. All Services described in this Section 2 shall be provided at no additional charge to Transact, it being acknowledged and agreed that the fees to be paid to [***] pursuant to Section 4 include full consideration therefor.

2.1 Training. [***] shall provide TransAct and its designees with such training as it provides to other users of its [***] Solution.

2.2 Maintenance and Support. During the Term and following the termination or expiration of the Term, [***] agrees to provide TransAct and its customers with the product support and maintenance services, including those described in Schedule A hereto with respect to the Software and Licensed Products for as long as [***] receives its portion of the Monthly Fees paid by TransAct customers as described in Section 4.1. [***] shall offer such product support 24 hours per day, seven days per week, as described in Section 2.6.

2.3 Hosting. During the Term and following the termination or expiration of the Term for as long as [***] receives its portion of the Monthly Fees paid by TransAct customers as described in Section 4.1, [***] shall provide a web portal (“**Web Portal**”) for and host the BOHA! Solution (the “**Hosted Services**”) for the benefit of TransAct and its customers, including compliance with any service levels described on Schedule A hereto. The Hosted Services shall include a single production instance of the BOHA! Solution.

If a TransAct customer requires a separate production instance of the BOHA! Solution, [***] agrees to create such separate instance for a fee and within a timeframe to be reasonably and mutually agreed to by both Parties. In the event that [***] fails to provide the Hosted Services in accordance with Schedule A hereto, solely in order to allow TransAct to take over hosting the BOHA! Solution and allow TransAct customers to continue using such software on their TransAct products (i) [***] shall promptly and at no additional cost to TransAct assist TransAct to migrate all relevant data, such as our user profiles and analytics data, to TransAct; (ii) TransAct shall immediately be entitled to a complete duplicate of all source code and documentation for the BOHA! Solution, and (iii) [***] grants TransAct a limited, worldwide, irrevocable, fully-paid, non-exclusive, transferable, royalty-free right and license to, and to sublicense to third parties to, host, use, modify, operate, execute, reproduce, display, and perform the source code (and related documentation) for the BOHA! Solution until the earlier of such time as (i) TransAct has no customers for the BOHA! Solution who first became customers during the Term, and (ii) [***] resumes providing Hosting Services in accordance with Schedule A hereto.

2.4 Web Portal. The Web Portal will include (i) functionality that allows TransAct administrators and TransAct customers the ability to manage accounts, menu information, label designs, batch lists, documents, media and more and (ii) a section in the Web Portal for analytics that aggregates data for TransAct customers in specified reports as well as ability to export data. [***] will create the Web Portal with TransAct's input as to look and feel, design and functionality.

2.5 White Labeling. The white labeling of the [***] Solution for use as the BOHA! Solution will include rebranding of all trademarks and tradenames to the coordinate TransAct names, as well as trade dress and "look and feel" (including use of TransAct color schemes). [***] and TransAct will consult and coordinate on all white labeling matters.

2.6 Customer Support. TransAct will provide Low and Medium level customer support to TransAct customers, and [***] will provide High level customer support to TransAct customers, each as described on Schedule A hereto. [***] will cooperate with and assist TransAct in TransAct's provision of Low and Medium level customer support and TransAct will cooperate with and assist [***]'s provision of High level customer support.

2.7 Sales Support. TransAct is responsible for primary sales support during the Term. At TransAct's request, [***] will assist TransAct with initial customer demonstrations, pilot tests and evaluations and other customer prospecting support as TransAct may reasonably request from time to time.

2.8 Pricing. TransAct is solely responsible for the pricing of the BOHA! Solution offered to any TransAct customer, provided that the pricing for the applicable components of the BOHA! Solution meet the minimum requirements set forth on Exhibit B hereto. In the event that TransAct wishes to offer a customer pricing for one or more components of the BOHA! Solution that is less than the minimum requirements set forth on Exhibit B hereto, TransAct will obtain [***]'s prior approval for such pricing (not to be unreasonably conditioned, withheld or delayed).

2.9 Non-Solicitation.

(a) As long as [***] is receiving Monthly Fees arising from a subscription for the BOHA! Solution with respect to a TransAct customer (an "**Active TransAct Customer**") [***] agrees that it shall not sell or offer to sell any product similar to a Licensed Product, directly or indirectly, to any Active TransAct Customer.

(b) [***] agrees that it shall not sell or offer to sell any product that can substitute for a Licensed Product, directly or indirectly, to any Active TransAct Prospect. “**Active TransAct Prospect**” as used herein means a prospective customer of TransAct that (i) has been identified to [***] as an Active TransAct Prospect in writing, (ii) [***] has been engaged to assist in configuring the Licensed Products for such prospective customer’s use, and (iii) TransAct is actively engaged with communications with such prospective customer regarding the purchase of a subscription to the BOHA! Solution. A prospective customer shall cease to be an Active TransAct Prospect if there has been no forward sales progress or no bona fide negotiations with such prospective customer within any twelve (12) month period following the initial identification to [***].

(c) [***] will not, directly or indirectly, solicit any (i) Active TransAct Customer to terminate its relationship with TransAct or decrease its services with respect to the BOHA! Solution, or (ii) Active TransAct Prospect not to subscribe to the BOHA! Solution.

(d) For purposes of this Section 2.9, a “customer” or “prospective customer” of TransAct refers to an individual operator, a franchisee or a corporate-owned entity that is subject to an agreement with TransAct or considering such an agreement with respect to the BOHA! Solution. An “independent operator” means an operator that does not franchise its stores. Examples of independent operators would include [***] stores. A “franchisee” means an operator associated with one or more brands that is able to make a decision regarding subscribing to the BOHA! Solution separate and apart from the brands’ corporate decision-making. An example would be [***], which is a [***] franchisee ([***] would be prevented from soliciting [***], but not [***]). A “corporate-owned entity” means an organization that has both corporate owned stores and franchise-owned stores. An example would be [***], and if [***] was the customer, [***] would be prohibited from soliciting both corporate-owned and franchise-owned stores.

3. Independent Contractors; No Partnership.

3.1 Independent Contractors. This Agreement is intended to create an independent contractor relationship between the Parties for purposes of Federal, state and local law. The Parties understand and agree that [***] Personnel will be: (a) the employees or subcontractors of [***] only, and [***] alone will determine the terms and conditions of such employment or engagement; and (b) hired, paid, supervised, directed, controlled, promoted or demoted, terminated, engaged and otherwise managed solely by [***].

3.2 No Partnership. Nothing in this Agreement will be construed or implied to create a relationship of agency, affiliates, joint employers, or joint venturers. Each Party acknowledges that no legal partnership is created under any applicable law under this Agreement. Neither Party will have the power or authority to act for the other in any manner or to create obligations or debts which would be binding on the other. Neither Party will be responsible for any obligation of the other or be responsible for any act or omission of the other.

4. Fees; Expenses; Taxes.

4.1 Fees.

(a) In exchange for the provision of the Services and Licensed Products (including, without limitation, the software development, licenses, hosting, and support and maintenance services) described herein, TransAct shall pay [***] an aggregate fee consisting of the Base Fee, the Monthly Fees and the White Labeling Fee, each as described herein.

(b) “**Base Fee**” means a one-time fee in an amount equal to \$[***] payable within ten (10) business days following the execution by both Parties of this Agreement, and subject to repayment by [***] as provided below.

(c) “**Monthly Fees**” means an amount equal to [***]% of the monthly subscription fee invoiced by TransAct to, and collected from, each of its customers for use of the BOHA! Solution during the Term, which Monthly Fees will be calculated at the end of each calendar month following TransAct’s acquisition of its first subscribing customer with respect to each active subscribing customer and payable to [***] by the 20th day of the month following the month for which the subscription fee is collected; provided, that TransAct shall withhold and retain [***]% of such Monthly Fees until the earlier of such time as TransAct has retained an amount equal to the Base Fee; provided, further, that TransAct shall not retain any amount of such Monthly Fees payable with respect to periods after December 31, 2020 (the “**Repayment Period Termination**”), and any amount of the Base Fee not repaid following such date shall not be repaid to TransAct. Following the earlier of repayment in full to TransAct of the Base Fee or the Repayment Period Termination, [***] will be entitled to receive the full amount of such Monthly Fees. The foregoing notwithstanding, TransAct may suspend payment of Monthly Fees to [***] in the event, and for the duration, of any material breach by [***] of its representations and warranties that affects the provision of the Services or Licensed Products to TransAct customers, and such suspension shall not be deemed a breach of any other provisions hereof, including, but not limited to Sections 2.2 and 2.3 related to the continuation of certain services contingent upon the receipt of Monthly Fees. Upon satisfactory correction of the material breach by [***], Monthly Fees will resume and previously suspended amounts shall be paid.

(d) “**White Labeling Fee**” means a lump sum payment of \$[***] from TransAct to [***] that will be due and payable within ten (10) business days of January 1 of each year of the Term beginning on and after January 1, 2021. In the event that [***] provides a white label version of the [***] Solution to any other third party during the Term it will charge any such third party a white label fee that is not less than the White Labeling Fee, or it will reduce TransAct’s White Label Fee to the amount charged to such third party.

(e) The foregoing represents [***]’s sole compensation for the Services to be rendered and Licensed Products to be delivered under hereunder.

4.2 Expenses. [***]’s expenses, including actual travel or other transportation-related expenses incurred by [***] in performing the Services or providing the Licensed Products will be included in the fees paid by TransAct as set forth in Section 4.1. TransAct shall be responsible for the costs of establishing and maintaining a source code escrow (as described in Section 10.2 hereof) for the Licensed Products.

4.3 Taxes. All fees set forth herein are exclusive of taxes. [***] shall be responsible for all sales, use, VAT, gross receipts, real estate, personal property and any other similar taxes, duties, and charges of any kind imposed by any federal, state, or local governmental entity on any amounts payable by TransAct to [***] hereunder, other than any taxes imposed on, or with respect to, TransAct's income. [***] will indemnify and hold harmless TransAct for any loss or damage (including without limitation any penalties and interest) sustained because of [***]'s failure to pay such taxes, if any.

4.4 Reports. TransAct shall maintain complete, clear and accurate records of the information required or appropriate to determine the amounts of fees payable hereunder. TransAct will also provide [***], periodically upon reasonable request, a summary report of licenses for the BOHA! Solution sold and related terms.

4.5 Audits. Upon not fewer than five (5) business days' advance written notice from [***], TransAct will permit audits of TransAct financial records to be performed by external auditors designated by [***] (collectively, "**Auditors**") at [***]'s expense to verify TransAct's adherence to its obligations under Section 4.1 and related provisions of this Agreement (the "**Payment Obligations**"). The Auditors shall be subject to confidentiality obligations substantially similar to Section 6, and if not otherwise subject to such an obligation will execute and deliver to TransAct a confidentiality agreement regarding such obligations. Unless a breach of TransAct's Payment Obligations under this Agreement shall have occurred, [***] shall not be entitled to exercise its audit rights hereunder more than once in any calendar year. TransAct will, in a timely manner, fully cooperate with the Auditors and provide the Auditors all assistance as they may reasonably request in connection with an Audit. Any Audit shall be conducted during TransAct's regular business hours. The Auditors shall use commercially reasonable efforts to avoid disrupting TransAct's operations during any Audit. If the Auditors document an undercharge of more than [***] for the audited period then TransAct will promptly (a) reimburse [***] for its reasonable cost of performing the Audit, and (b) reimburse [***] for any underpayment as the case may be. For undercharges less than [***], the Parties agree to reasonably reconcile the outstanding amount.

4.6 Forecast. On a quarterly basis, TransAct shall provide a non-binding, rolling six-month forecast of sales opportunities of the Services and Licensed Products to [***].

5. Payment Terms.

5.1 Payments. Monthly Fees due [***], subject to the retention described in Section 4.1 with respect to repayment of the Base Fee, shall be payable by TransAct to [***] within twenty days (20) days after the end of each month.

5.2 Disputed Amounts. TransAct may withhold from payment any amount disputed by TransAct in good faith, pending resolution of the dispute, provided that TransAct: (a) timely pays all amounts not subject to dispute; (b) notifies [***] of the dispute prior to the due date, specifying in such notice (i) the amount in dispute, and (ii) the reason for the dispute; (c) works with [***] in good faith to resolve the dispute promptly; and (d) promptly pays any amount determined to be due by resolution of the dispute. [***] shall continue performing its obligations under this Agreement notwithstanding any such dispute or actual or alleged nonpayment that is the subject of the dispute, pending its resolution.

6. Confidential Information.

6.1 Definition. “**Confidential Information**” shall mean confidential or other proprietary information that is disclosed by one Party (the “**Disclosing Party**”) to the other Party (the “**Receiving Party**”) under this Agreement or relates to the Licensed Products or the Services, including without limitation, product specifications and documentation, financial data, business and product plans, each Party’s software source code, and other confidential business information. Without limitation, data and information concerning customers of TransAct (including, without limitation, (i) data entered by TransAct customers on TransAct terminals and software and hosted by [***], and (ii) information regarding how TransAct’s customers use TransAct-supplied terminals) constitutes Confidential Information of TransAct. Confidential Information shall not include information which the Receiving Party can demonstrate: (a) is or becomes public knowledge without any action by, or involvement of the Receiving Party; (b) is disclosed by the Receiving Party with the prior written approval of the Disclosing Party; (c) was previously known to the Receiving Party without an obligation of confidence; (d) is independently developed by the Receiving Party without use of the Confidential Information; or (e) was acquired by the Receiving Party from a third party which is not, under an obligation of confidence with respect to such information.

6.2 Restrictions. As a condition to being provided with any disclosure of or access to Confidential Information, the Receiving Party shall (a) not access or use Confidential Information other than as necessary to exercise its rights or perform its obligations under and in accordance with this Agreement; (b) except as may be permitted by and subject to its compliance with Section 6.4, not disclose or permit access to Confidential Information other than to its employees, officers, directors, consultants, legal advisors and permitted subcontractors (collectively, “**Representatives**”) who (i) need to know such Confidential Information for the performance of their obligations under and in accordance with this Agreement; (ii) have been informed of the confidential nature of the Confidential Information and their obligations under Section 6; and (iii) are bound by written confidentiality and restricted use obligations at least as protective of the Confidential Information as the terms set forth in Section 6; (c) safeguard the Confidential Information from unauthorized use, access or disclosure using at least the degree of care it uses to protect its own sensitive information and in no event less than a reasonable degree of care; and (d) ensure its Representatives’ compliance with, and be responsible and liable for any of its Representatives’ noncompliance with, the terms of Section 6.

6.3 Duration. The Receiving Party shall continue such confidential treatment of Confidential Information for a period of five (5) years from the date of termination, expiration or cancellation of this Agreement. Notwithstanding the foregoing, trade secrets of the Disclosing Party will remain Confidential Information for so long as they remain trade secrets under applicable law.

6.4 Compelled Disclosures. If the Receiving Party or any of its Representatives is compelled by applicable law to disclose any Confidential Information then, to the extent legally permitted, the Receiving Party shall: (a) promptly, and prior to such disclosure, notify the Disclosing Party in writing of such requirement so that the Disclosing Party can seek a protective order or other remedy, or waive its rights under Section 6.2; and (b) provide reasonable assistance to the Disclosing Party in opposing such disclosure or seeking a protective order or other limitations on disclosure. If the Disclosing Party waives compliance or, after providing the notice and assistance required under this Section 6.4, the Receiving Party remains required by law to disclose any Confidential Information, the Receiving Party shall disclose only that portion of the Confidential Information that the Disclosing Party is legally required to disclose and, upon the Receiving Party's request, shall use commercially reasonable efforts to obtain assurances from the applicable court or other presiding authority that such Confidential Information will be afforded confidential treatment.

7. Intellectual Property Rights.

7.1 Licensed Products.

(a) The Licensed Products shall be delivered in a form and format acceptable to TransAct (which shall include making such Licensed Products available for use by TransAct customers via the Web Portal). The Licensed Products shall be owned solely and exclusively by [***], including any product changes or customization requested by TransAct under Section 1.5, except that TransAct shall retain ownership of any of TransAct's Confidential Information or other proprietary information of TransAct (such as trademarks), subject to the license granted by TransAct to use such proprietary information as set forth in Section 7.2(b) below. Ownership terms of materials developed pursuant to a Substantial Development Request will be addressed in a separate agreement with TransAct. Licensed Products include, without limitation, the Software and Documentation. Notwithstanding the foregoing, any ancillary works to the Licensed Products (such as applications that run on the BOHA! Solution) created by TransAct shall belong exclusively to TransAct. TransAct will require that each of its customers subscribing to the BOHA! Solution will enter into an end user license agreement substantially in a form to be approved by [***].

(b) [***] shall not design, develop or provide to TransAct any Licensed Products that infringe upon or violates the rights of any person or entity, including rights relating to defamation, privacy, publicity, contract, patent, copyright, trademark, trade secret or other intellectual property rights (collectively, "**Third-Party Rights**"). If [***] becomes aware of any such possible violation or infringement, [***] shall immediately so notify TransAct in writing and correct the issue.

(c) TransAct shall not (i) modify, adapt, alter, translate, copy or create derivative works of the Licensed Products; (ii) merge or bundle the Licensed Products with other software without written consent of [***]; (iii) reverse engineer, decompile, disassemble, or otherwise attempt to derive the source code for the Licensed Products (except as otherwise permitted pursuant to the terms of the source code escrow to be entered into pursuant to Section 10.2).

7.2 License Grant.

(a) Upon the terms and conditions of this Agreement and in exchange for the payments set forth herein, [***] hereby grants to TransAct a limited, worldwide, irrevocable, non-exclusive, transferable, royalty-free right and license to, and to sublicense third parties to, make, have made, use, sell, offer for sale, export, import, execute, reproduce, distribute, display, perform and exploit the Licensed Products, including any enhancements thereto (i) during the Term of this Agreement, and (ii) thereafter for so long as TransAct customers continue to use the Licensed Products and the related Monthly Fees are paid to [***]. For purposes of clarification, TransAct shall have the right to create its own applications, or use third party applications, on TransAct's devices in connection with the Software.

(b) In connection with the Web Portal and BOHA! Solution, TransAct hereby grants to [***] a limited, revocable, worldwide, non-exclusive, non-transferable, royalty-free right and license to use the TransAct name and trademarks solely for the purposes of the Web Portal and BOHA! Solution during the period of time that the license granted by [***] in Section 7.2(a) remains in effect; provided that [***] shall comply with such guidelines for the use of the TransAct name and trademarks as TransAct may provide to [***] from time to time in writing. Subject to this clause (b), TransAct retains all right, title and interest in the TransAct name and trademarks.

8. Indemnification; Limitation of Liability; Warranties.

8.1 Indemnification by [***]. [***] shall defend, indemnify, and hold harmless TransAct and its officers, directors, employees, agents, contractors, successors, and assigns (each, a "**TransAct Indemnitee**") from and against any and all losses, damages, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees (together, "**Losses**") incurred by the TransAct Indemnitee resulting from any claim, action, cause of action, demand, suit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena, or investigation of any nature, civil, criminal, administrative, regulatory, or other, whether at law, in equity, (each an "**Action**") by a third party that arises out of or results from, or is alleged to arise out of or result from (a) [***]'s breach of any representation, warranty, covenant, or obligation of [***] (including any action or failure to act by any permitted subcontractor that, if taken or not taken by [***], would constitute such a breach by [***]) under this Agreement; or (b) the negligence or reckless or willful misconduct of [***] or its permitted subcontractors in connection with the Licensed Products or the performance of the Services, except (with regards to both (a) and (b) above) to the extent that Losses arise or result from (x) TransAct's breach of any representation, warranty, covenant, or obligation of TransAct under this Agreement; or (y) the negligence or reckless or willful misconduct of TransAct in connection with the Licensed Products or the Services.

8.2 Indemnification by TransAct. TransAct shall defend, indemnify, and hold harmless [***] and its officers, directors, employees, agents, contractors, successors, and assigns (each, a "**[***] Indemnitee**") from and against any and all Losses incurred by the [***] Indemnitee resulting from any Action by a third party that arises out of or results from, or is alleged to arise out of or result from (a) TransAct's breach of any representation, warranty, covenant, or obligation of TransAct under this Agreement; or (b) the negligence or reckless or willful misconduct of TransAct in connection with the Licensed Products or the Services, except (with regards to both (a) and (b) above) to the extent that Losses arise or result from (x) [***]'s breach of any representation, warranty, covenant, or obligation of [***] under this Agreement; or (y) the negligence or reckless or willful misconduct of [***] in connection with the Licensed Products or the Services.

8.3 Indemnification Procedure. The Party seeking indemnification hereunder (the “**Indemnified Party**”) will promptly notify the other Party (the “**Indemnifying Party**”) in writing of any Action for which it seeks to be indemnified pursuant to **Section 8** and cooperate with Indemnifying Party in the defense of such Action at the Indemnifying Party’s cost and expense (provided that the Indemnifying Party shall not be required to compensate the Indemnified Party for its personnel’s time spent providing such cooperation). The Indemnifying Party shall immediately take control of the defense and investigation of such Action and shall employ counsel reasonably acceptable to the Indemnified Party to handle and defend the same, at the Indemnifying Party’s sole cost and expense. The Indemnifying Party shall not settle any Action without the Indemnified Party’s prior written consent, unless such settlement is limited to monetary damages fully paid by the Indemnifying Party and does not include any admission of liability or equitable remedy. An Indemnified Party’s failure to give prompt notice under this **Section 8.3** will not relieve the Indemnifying Party of its obligations hereunder except to the extent that the Indemnifying Party can demonstrate that it has been materially prejudiced as a result of such failure. The Indemnified Party may participate in and observe the proceedings at its own cost and expense with counsel of its own choosing.

8.4 Infringement Remedy. If any of the Licensed Products, or any component thereof, other than any proprietary materials of TransAct, is found to be infringing or if any use of any Licensed Products or any component thereof is enjoined, threatened to be enjoined, or otherwise the subject of an infringement claim (collectively, an “**Infringement Claim**”), [***] shall, at [***]’s sole cost and expense, do one of the following as determined by [***]: (i) procure for TransAct and its customers the right to use the infringing Licensed Products, (ii) replace the infringing Licensed Products with a non-infringing, functionally equivalent one, (iii) suitably modify any infringing Licensed Products so that it is non-infringing, or (iv) refund to TransAct a pro-rata portion of any Monthly Fees paid to [***] with respect to the period remaining after the date of such Infringement Claim. The remedies set forth in this **Section 8.4** are in addition to, and not in lieu of, all other remedies that may be available to TransAct under this Agreement or otherwise, including TransAct’s right to be indemnified for such Actions.

8.5 Disclaimer; Limitation.

(a) EXCEPT AS SET FORTH BELOW, IN NO EVENT SHALL EITHER PARTY BE LIABLE UNDER THIS AGREEMENT TO THE OTHER PARTY FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL, OR INDIRECT DAMAGES, HOWEVER CAUSED, ON ANY THEORY OF LIABILITY, AND WHETHER OR NOT THAT PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THESE LIMITATIONS SHALL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

(b) EXCEPT AS SET FORTH BELOW, IN NO EVENT SHALL EITHER PARTY’S AGGREGATE LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT, WHETHER ARISING OUT OF OR RELATED TO BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, EXCEED SEVEN HUNDRED FIFTY THOUSAND DOLLARS (\$750,000).

(c) The limitations described in this Section 8.5 will not apply to: (i) claims of a breach of [***]'s or TransAct's obligations under Section 6 (Confidential Information); (ii) claims of infringement of a third party's intellectual property rights; (iii) [***]'s or TransAct's indemnification obligations under this Agreement; (iv) claims arising out of, in connection with or resulting from the misuse or appropriation of Confidential Information or any Licensed Products by either Party; (v) claims relating to property damage or personal injury; or (vi) either Party's intentional misconduct that is tortious or criminal, or committed with the knowledge that such misconduct was reasonably certain to materially damage the other Party.

8.6 Mutual Warranties. Each Party represents and warrants to the other Party as follows:

(a) it is duly organized, validly existing, and in good standing as a corporation or other entity as represented herein under the laws of its jurisdiction of incorporation or organization;

(b) it has the full right, power, and authority to enter into this Agreement, to grant the rights and licenses granted hereunder, and to perform its obligations hereunder;

(c) the execution of this Agreement by its representative whose signature is set forth at the end hereof has been duly authorized by all necessary action of the party;

(d) the execution, delivery and performance of its obligations hereunder will not violate any contractual or other legal obligation of [***] or any rights of any third parties, and

(e) when executed and delivered by both Parties, this Agreement will constitute the legal, valid, and binding obligation of such party, enforceable against such party in accordance with its terms.

8.7 [*] Warranties.** [***] represents and warrants to TransAct as follows:

(a) [***] shall perform the Services in a timely, professional and workmanlike manner, using a high degree of skill, care, consistent with standards for performance of the Services consistent with industry best practices and agreed to by the Parties in this Agreement (including the attachments).

(b) The Licensed Products shall materially conform to all relevant specifications, and be free of material or frequent defects, for a period of ten (10) years from delivery to TransAct. [***] agrees to correct promptly any such Licensed Products not in compliance with this warranty.

(c) The Licensed Products comply with, and [***] is in compliance with, and will perform all Services in compliance with, all applicable laws, rules and regulations, including all applicable data protection and privacy laws with respect to any data of TransAct customers, including, without limitation, the European Union's Data Protection Directive (95/46/EC), Directive on Privacy and Electronic Communications (2002/58/EC), General Data Protection Regulation (2016/679).

(d) [***] owns all proprietary rights, including any patent, copyright, trade secret, trademark and other proprietary rights, in and to the Licensed Products and has all requisite rights to grant the licenses to TransAct contemplated in this Agreement.

(e) The Licensed Products do not and will not infringe any Third-Party Rights.

(f) The Licensed Products shall not contain any viruses, worms, trap doors, timers, clocks, counters, time locks, time bombs, logic bombs, Trojan horses or other limiting code, design, instruction or routines which is designed, or intended to do any of the following either automatically or without the intentional action of TransAct: (i) altering, deleting or interfering with any data, information, software or subsystems; (ii) damaging, destroying, disabling, suspending the operation of, or altering the operation of the Licensed Products or other software or components thereof; or (iii) causing the Licensed Products or other software or components thereof to become inoperable or otherwise incapable of being used in the full manner for which they were provided under this Agreement.

(g) The Licensed Products will be, and as installed in the TransAct operating environment (or any successor thereto) and used in accordance with the Documentation will function in all respects in conformity with this Agreement (including the attachments) and the specifications and Documentation for the Licensed Products; and any media on which any Software is delivered will be free of damage or defect in design, material, and workmanship, and will remain so under ordinary use as contemplated by this Agreement and the specifications and, with respect to the Software component thereof, the Documentation therefor.

(h) [***] will have production-ready versions of the individual applications that comprise the BOHA! Solution listed on Exhibit C available for resale to TransAct customers not later than the dates indicated on Exhibit C unless [***] notifies TransAct in advance that despite reasonable best efforts an individual application will not be ready by the date specified on Exhibit C, in which case both Parties shall mutually agree upon a reasonable extension of such date for such application to be ready.

9. Term and Termination.

9.1 Term. Unless otherwise terminated as specified herein, the term of this Agreement will commence on the Effective Date and will continue through December 31, 2031 (this initial term and all renewal terms, if any, collectively, the “**Term**”). This Agreement shall continue in full force and effect for additional one-year terms thereafter unless either Party gives not less than ninety (90) days written notice of termination prior to expiration of the then-effective Term.

9.2 Termination for Breach. Either Party may cancel or terminate this Agreement, without liability, by giving written notice of breach or default if the other (a) becomes insolvent, unable to pay its debts when due, or the subject of bankruptcy proceedings not terminated within thirty (30) days of any filing; or makes a general assignment for the benefit of creditors; or if a receiver is appointed for substantially all of its property; or (b) breaches or defaults on any of its obligations under this Agreement and fails to cure such breach or default within forty five (45) days after receipt of written notice specifying the nature of such breach or default.

9.3 Effect of Termination. Upon termination of this Agreement for any reason, both Parties agree to: (a) return to the other Party or destroy all copies of any Confidential Information received from the other Party in connection with this Agreement (provided that each Party may retain such copies of Confidential Information as are resident on any electronic back-ups of its systems, provided further that any such Confidential Information so retained remains subject to the provisions of non-disclosure and non-use set forth in Section 6); (b) [***] agrees to provide reasonable cooperation and assistance to TransAct in transitioning the Services to an alternate service provider for compensation on a time and materials basis; (c) should TransAct receive fees from existing customers after this Agreement has been terminated or expires [***] shall support those customers as long as [***] is compensated with its share of Monthly Fees under Section 4.1; and (d) [***] will promptly refund to TransAct any unrepaid amount of the Base Fee should TransAct terminate this Agreement under Section 9.2 (Termination for Breach) above. Except for non-payment of amounts due hereunder, no expiration or termination of this Agreement will affect TransAct's rights in any of the Licensed Products so long as TransAct customers continue to use the Licensed Products and the related Monthly Fees are paid to [***]. Should TransAct terminate this Agreement for reasons other than Section 9.2 (Termination for Breach), then at the time if there are any Base Fees still due and outstanding to TransAct they will be forfeited. Termination of this Agreement by either Party will be without prejudice to that Party's other rights and remedies hereunder. The following Sections, and any other right or obligation of the Parties in this Agreement that, by its nature, should survive termination or expiration of this Agreement, shall survive the expiration or termination of this Agreement: Section 2.2 (Maintenance and Support); Section 4.1(c) (Monthly Fees); Section 6 (Confidential Information); Section 7 (Intellectual Property Rights); Section 8 (Indemnification; Limitation of Liability; Warranties); and Section 10 (Miscellaneous).

10. Miscellaneous.

10.1 Effect of Bankruptcy. All rights and licenses granted by [***] under this Agreement (including, without limitation, all rights and licenses to the Licensed Products) and the Escrow Agreement (as defined below) are and will be deemed to be rights and licenses to "intellectual property", and all Licensed Products are and will be deemed to be "embodiment(s) of intellectual property" for purposes of, and as such terms are used in and interpreted under, Section 365(n) of the United States Bankruptcy Code (the "**Code**") (11 U.S.C. § 365(n)). The non-bankrupt or insolvent Party shall have the right to exercise all rights and elections under the Code and all other applicable bankruptcy, insolvency and similar laws with respect to this Agreement and the subject matter hereof with respect to the other Party.

10.2 Escrow. In order to facilitate the agreements of the Parties hereunder and to provide continuity of services contemplated by this Agreement to any TransAct Active Customers or TransAct Active Prospects, the Parties agree to promptly and in good faith enter into a source code escrow agreement (the "**Escrow Agreement**") with a recognized escrow firm, on standard and commercially reasonable terms and conditions, with respect to the Software and Documentation licensed under this Agreement, including, but not limited to, the escrow release conditions set forth on Schedule B.

TransAct shall be responsible for the costs of maintaining such source code escrow, including the fees of the agent thereunder. The Parties agree to maintain such Escrow Agreement for the Term. In connection therewith, [***] represents and warrants that it shall store with such escrow firm the Software source code (including all project files required to build both the server and client components of the BOHA! Solution) and the accompanying Documentation. [***] represents and warrants that it shall keep such escrow up-to-date with the current Software source code and Documentation (new escrow deposits at least once each calendar quarter, unless there have not been any material changes to the Software source code or Documentation during such quarter).

10.3 Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Connecticut without regard to conflict of laws principles. Any claim or controversy arising out of or relating to this Agreement shall be brought exclusively in federal or state court located in Hartford, Connecticut.

10.4 Waiver. No failure or delay on the part of any Party in exercising any right hereunder, irrespective of the length of time for which such failure or delay shall continue, will operate as a waiver of, or impair, any such right. No single or partial exercise of any right hereunder shall preclude any other or further exercise thereof or the exercise of any other right. No waiver of any right hereunder will be effective unless given in a signed writing.

10.5 Further Assurances. Each Party to this Agreement will, at the request of the other Party and without charge (provided that the cost to the providing Party is reasonable under the circumstances), execute and deliver all such further instruments and documents as may be reasonably requested to further confirm, carry out and otherwise accomplish the intent and purpose of this Agreement.

10.6 Severability. If any provision of this Agreement is held to be invalid, illegal or unenforceable in any jurisdiction, such provision shall be deemed amended to conform to applicable laws so as to be valid and enforceable, or, if it cannot be so amended without materially altering the intention of the Parties, it shall be stricken, and the remainder of this Agreement shall remain in full force and effect.

10.7 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand; (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of receipt) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective Parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.7).

If to [***]:

[***]

If to TransAct:

TransAct Technologies Incorporated
One Hamden Center
2319 Whitney Avenue, Suite 3B
Hamden, CT 06518
Tel: (203) 859-6800
Fax: (203) 949-9048
E-Mail: sdemartino@transact-tech.com

10.8 Subcontractors. [***] may use subcontractors in its reasonable discretion to provide certain Services and development of Licensed Products. Notwithstanding any subcontracting of Services or development of Licensed Products, [***] shall not be relieved of its performance or obligations under this Agreement. [***] shall be solely responsible for each subcontractor's full and timely performance, and the acts and omissions of each subcontractor shall be deemed and treated as the acts and omissions of [***] itself. [***] shall also be solely responsible for compensating any subcontractors engaged by [***].

10.9 Headings. The section headings are intended for reference only and do not affect the meaning or interpretation of this Agreement.

10.10 Timing of Services. [***] acknowledges that with respect to [***]'s obligations hereunder that prompt and timely performance of all such obligations in accordance with this Agreement is required.

10.11 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective heirs, successors, representatives and assigns.

10.12 Force Majeure. Each Party hereto shall be excused from default or delay in the performance of its obligations hereunder, if and to the extent that such default or delay is: (i) caused by an act of God, or other causes beyond its reasonable control including, but not limited to, fires, riots, accident, explosion, flood, or storm. The operation of the preceding sentence shall not, however, relieve a Party from its obligation to meet the time schedules required herein unless the Party shall have taken reasonable precautions to anticipate and avoid the occurrence of the force majeure event and upon its occurrence shall have used all commercially reasonable efforts to ameliorate or eliminate its effect. In no event shall any postponement of either Party's obligations hereunder as a result of a force majeure event exceed the period of time that the force majeure had an effect on such Party. If a delay or interruption of performance by either Party resulting from a force majeure event exceeds thirty (30) days, then the other Party may terminate this Agreement by delivering written notice of termination specifying the date of termination, even though such event does not constitute a breach of this Agreement.

10.13 Assignment. Neither this Agreement, nor any of the rights or obligations hereunder, may be assigned or delegated by [***] without the prior written consent of TransAct, which consent shall not be unreasonably withheld. For purposes of the foregoing, a change in control or ownership (whether resulting from a merger, sale or otherwise) of [***], shall be deemed an assignment restricted hereunder. TransAct may assign or otherwise transfer this Agreement to an affiliate of TransAct or in connection with any merger, consolidation, or reorganization involving TransAct (regardless of whether TransAct is the surviving or disappearing entity), or a sale of all or substantially all of TransAct's assets or business relating to this Agreement to a third party. Any assignment or delegation in violation of the foregoing shall be null and void.

10.14 Entire Agreement. This Agreement sets forth the entire agreement and understanding of the Parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement shall be effective unless in writing signed by the Parties.

10.15 Non-Solicitation of Employees. During the Term of this Agreement and for twelve (12) months after any expiration or termination of this Agreement, neither Party shall, without the prior written consent of the other, solicit or hire any person employed by the other or formerly employed by the other within the preceding six months (for clarification, general advertisements shall not be considered solicitation of persons).

[signature page follows]

IN WITNESS WHEREOF the Parties have entered into this Agreement as of the Effective Date.

[***]

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ [***]_____

By: /s/ Steven A. DeMartino_____

Name: [***]_____

Name: Steven A. DeMartino_____

Title: President & CEO_____

Title: President and CFO_____

EXHIBIT A

[1] [Insert general description of [***] Applications' functionality, etc.]

[2] The Software shall be compatible with the following TransAct products:

- a. AccuDate XL2e (Android)
 - i. 203 dpi printing
 - ii. Android Lollipop (v5.x)
 - iii. XGA, 1024 x 768 and has a 4:3 aspect ratio
 - iv. 56 mm print head (= 448 dots/raster line)
 - v. Maximum label width = 59mm
 - b. AccuDate TXL / Project Nome (Android)
 - i. 300 dpi printing
 - ii. Android 8
 - iii. WXGA, 1280 x 800 with a 16:10 aspect ratio.
 - iv. 73.15 mm print head (= 864 dots/raster line)
 - v. Maximum label width = 80mm
-

EXHIBIT B

[*]**

EXHIBIT C

[*]**

Schedule A

Customer Support

Bug Classifications and Expected Response Times

The following sections define the SLA for 3 bug levels with their respective definitions provided.

HIGH

A problem that severely impacts the use of the software in a production environment, such as the inability to print labels or other parts of the standard workflow. The situation halts TransAct's customer's use of the product in its business operations and no procedural workaround exists.

First response: Acknowledgement of issue within 2 hours (resolution ETA may be unknown.)

Follow-up responses: Every 12 hours until resolved

MEDIUM

A problem where the software is functioning but TransAct's customer's use in a production environment is severely reduced, such as a label not printing correctly, a menu update not loading, or a problem with the web portal that impacts menu creation or device management. The situation is causing a high impact to portions of TransAct's customer's business operations and no procedural workaround exists.

First response: Acknowledgement of issue within 24 regular business hours (resolution ETA may be unknown.)

Follow-up responses: Every 24 hours until resolved

LOW

A problem that involves partial, non-critical loss of use of the software or a function thereof such as the inability to view media content on the terminal, or the label designer not placing objects where required in the web portal. For production environments, there is a medium-to-low impact on TransAct's customer's business, but your business continues to function, including by using a procedural workaround.

First response: Acknowledgement of issue within 48 regular business hours

Follow-up responses: When resolved

NOTE

The use of the term "software" in the definitions above includes both the Android application, as well as the Web Portal and other associated apps.

Service Levels

System Uptime SLA

This section addresses [***]'s responsibilities for system uptime. As part of this, [***] will make available a web page where TransAct's customers can check uptime for the month and current status.

UPTIME

Availability Standard. "**Available**" means the Hosted Services are available and operable for remote electronic access and use by Transact and its customers. Excluding Scheduled Downtime and Third Party Outages, [***] shall make the Hosted Services available in the following monthly uptime percentages (the "**Monthly Uptime Percentages**") measured in total minutes during the applicable month.

- (i) [***] commits to a monthly uptime of 97.75% (or 120 minutes of permitted downtime)
- (ii) In case of special large contracts (between TransAct and its customers), [***] will work with Transact to address any special SLA requirements the TransAct customer has.

"**Scheduled Downtime**" means all scheduled outages, in whole or in part, for maintenance and support, provided that

- (i) [***] shall notify Transact at least 5 days in advance of all scheduled outages,
- (ii) No such scheduled outage shall last longer than one hour or occur more frequently than once a week, and
- (iii) They are scheduled between the hours of 11:00 p.m. and 7:00 am (US EST).

"**Third Party Outages**" means periods of downtime caused, in whole or in part, by

- (i) Transact, its customers or any of their respective employees, agents, or affiliates, or
 - (ii) Internet or other network traffic problems which are completely outside of the control of [***] and cannot be mitigated by [***]. An example of network traffic problems completely outside of the control of [***] is the Transact Identity that will be provided by Transact.
-

Schedule B

Source Code Escrow Release Conditions:

- [***] publicly announces its intention to cease its ongoing business operations or such intention or actual cessation of business is reported by the news media;
 - [***] publicly announces its intention to cease providing, or refuses to provide to TransAct, maintenance or other support of the Software substantially on the terms and conditions described in the Agreement;
 - [***] makes a general assignment for the benefit of its creditors;
 - [***] is unable or admits in writing its inability to pay its debts as they become due;
 - [***] is dissolved, insolvent, bankrupt or the subject of receivership;
 - [***] authorizes, applies for, or consents to the appointment of a trustee or liquidator of all or a substantial part of its assets or has proceedings seeking such appointment commenced against it which are not dismissed within sixty (60) days of such commencement;
 - [***] files a voluntary petition under title 11 of the United States Code or under any bankruptcy, insolvency, or any similar law of any jurisdiction or has proceedings under any such law instituted against it, which, if such proceedings are instituted against [***], are not terminated within sixty (60) days of such commencement;
 - Any substantial part of [***]'s property is or becomes subject to any levy, seizure, assignment or sale for or by any creditor or governmental agency without being released or satisfied within sixty (60) days thereafter;
 - TransAct terminates the Agreement pursuant to Section 9.2(b) thereof;
 - [***] transfers of all or substantially all of its assets to a third party except in connection with a continuation of [***]'s business;
 - Joint written instructions from [***] and TransAct.
-

[*] Certain information in this document has been excluded pursuant to Item (601)(b)(10) of Regulation S-K because it is not material and would likely cause competitive harm to the registrant if publicly disclosed.**

AMENDMENT NO. 1 TO MASTER LICENSE AGREEMENT

This Amendment No. 1 to Master License Agreement, dated as of February 22, 2019 (this "**Amendment**") is dated as of May 5th, 2019 (the "**Amendment Effective Date**") by and between **TransAct Technologies Incorporated**, having an address at One Hamden Center, 2319 Whitney Avenue, Suite 3B, Hamden, Connecticut 06518, USA ("TransAct") and [***], each a "Party" and collectively the "Parties."

BACKGROUND

- A. The Parties have entered into a Master License Agreement, dated as of February 22, 2019 (as amended or otherwise modified from time to time, the "**Existing Agreement**");
- B. TransAct proposed to enter into an agreement with [***] pursuant to which TransAct will provide the BOHA! MTO Labeling application to [***] subject to certain customized service levels;
- C. The Parties desire to amend the Existing Agreement to reflect certain changes to the Existing Agreement on the terms and subject to the conditions set forth herein; and
- D. Pursuant to Section 10.14 of the Existing Agreement, amendments to the Existing Agreement must be in writing and signed by the Parties.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the Parties, intending to be legally bound, agree as follows:

1. **Definitions.** Capitalized terms used and not defined in this Amendment have the respective meanings assigned to them in the Existing Agreement.

2. **Amendments to the Existing Agreement.** As of the Amendment Effective Date, the Existing Agreement is hereby amended or modified as follows:

(a) Section 2.2 of the Existing Agreement is hereby amended by inserting immediately following the words "[***] shall offer such product support 24 hours per day, seven days per week, as described in Section 2.6." the words "The Parties may provide, in any amendment to or modification of Schedule A, for specific mutually agreed remedies in the event of a breach of Schedule A."

(b) Schedule A of the Existing Agreement is hereby amended by adding the following provision at the end of the portion of such Schedule A called "UPTIME" under "Service Levels":

"Availability Standard for [***]"

Notwithstanding the availability provisions set forth above, with respect to TransAct's provision of the BOHA! MTO Labeling application to [***] pursuant to a written agreement between TransAct and [***], [***] shall make the Hosted Services available, as measured over the course of each calendar month, at least 99.95% of the time between the hours of 6:00 AM to 9:00 PM (Eastern time) Monday through Friday during weekdays (Monday through Friday) (the "[***] Uptime Requirements"). In the event that under any such agreement with [***], TransAct is required to pay any penalties or credits to [***] (whether by direct payment or setoff against amounts owed by [***] to TransAct) as a result of [***]'s breach of the [***] Uptime Requirements ("[***] Credits"), TransAct shall have the right to setoff [***] of the amount of such [***] Credits against amounts owed by TransAct to [***] under this Agreement."

3. Effect of Amendment. Except as expressly provided in this Amendment, all of the terms and provisions of the Existing Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the Parties. Without limiting the generality of the foregoing, the amendments contained herein will not be construed as an amendment to any other provision of the Existing Agreement. On and after the Effective Date, each reference in the Existing Agreement to "this Agreement," "the Agreement," "hereunder," "hereof," "herein," or words of like import will mean and be a reference to the Existing Agreement as amended by this Amendment.

4. Miscellaneous.

- (a) This Amendment shall be governed by, and construed and interpreted in accordance with, the laws of the State of Connecticut without regard to conflict of laws principles.
 - (b) This Amendment shall inure to the benefit of and be binding upon each of the Parties and each of their respective permitted successors and permitted assigns.
 - (c) The headings in this Amendment are for reference only and do not affect the interpretation of this Amendment.
 - (d) This Amendment may be executed in counterparts, each of which is deemed an original, but all of which constitute one and the same agreement. Delivery of an executed counterpart of this Amendment electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Amendment.
 - (e) This Amendment constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.
-

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the Amendment Effective Date.

[***]

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ [***]_____

By: /s/ Steven A. DeMartino_____

Name: [***]_____

Name: Steven A. DeMartino_____

Title: President & CEO_____

Title: President and CFO_____

[***] Certain information in this document has been excluded pursuant to Item (601)(b)(10) of Regulation S-K because it is not material and would likely cause competitive harm to the registrant if publicly disclosed.

AMENDMENT NO. 2 TO MASTER LICENSE AGREEMENT

This Amendment No. 2 to Master License Agreement, dated as of February 22, 2019 (this "**Amendment**") is dated as of August 15, 2019 (the "**Amendment Effective Date**") by and between **TransAct Technologies Incorporated**, having an address at One Hamden Center, 2319 Whitney Avenue, Suite 3B, Hamden, Connecticut 06518, USA ("TransAct") and [***], each a "Party" and collectively the "Parties."

BACKGROUND

- A. The Parties have entered into a Master License Agreement, dated as of February 22, 2019, as amended by an Amendment No. 1 thereto, dated May 5, 2019 (as amended or otherwise modified from time to time, the "**Existing Agreement**");
- B. TransAct and [***] are parties to a certain Loan and Security Agreement, dated as of August 15, 2019 (the "**Loan Agreement**") pursuant to which TransAct has agreed to make certain advances of funds to [***] as set forth therein;
- C. The Loan Agreement requires that the Existing Agreement be amended to provide for a right of setoff by TransAct against amounts due to [***] under the Existing Agreement in certain events as described therein;
- D. The Parties desire to amend the Existing Agreement to reflect certain changes to the Existing Agreement on the terms and subject to the conditions set forth herein; and
- E. Pursuant to Section 10.14 of the Existing Agreement, amendments to the Existing Agreement must be in writing and signed by the Parties.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, the Parties, intending to be legally bound, agree as follows:

1. Definitions. Capitalized terms used and not defined in this Amendment have the respective meanings assigned to them in the Existing Agreement.
2. Amendments to the Existing Agreement. As of the Amendment Effective Date, the Existing Agreement is hereby amended to add a new Section 4.7 to read entirely as follows:

"4.7 Right of Setoff. TransAct and [***] are parties to a certain Loan and Security Agreement, dated as of August 15, 2019 (the "**Loan Agreement**") pursuant to which TransAct has agreed to make certain advances of funds to [***] as set forth therein. In the event that [***] has not repaid the Obligations (as defined in the Loan Agreement) in full within thirty (30) days of the Maturity Date (as defined in the Loan Agreement) TransAct shall be entitled to setoff the amount of such unpaid Obligations from time to time against any amounts otherwise payable to [***] hereunder, including, without limitation, the Monthly Fees and White Label Fees ("**Setoff Amounts**"), and to retain such amounts setoff as payment of such Obligations, in which case any amounts which are setoff by Transact shall automatically be credited towards the amounts of the Obligations otherwise owed and payable by [***] under the Loan Agreement and such amounts shall be deemed repaid by [***] under the Loan Agreement. TransAct shall provide [***] a written record of any Setoff Amounts describing the source and amount of such Setoff Amounts promptly following such setoff. The setoff rights of TransAct under this Section 4.7 shall terminate automatically on the earlier of (i) the closing of the Transaction (as defined in the Loan Agreement), and (ii) such time as the Obligations have been paid to TransAct in full pursuant to the terms of the Loan Agreement (other than contingent indemnification obligations for which no claim has been made).

3. Effect of Amendment. Except as expressly provided in this Amendment, all of the terms and provisions of the Existing Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the Parties. Without limiting the generality of the foregoing, the amendments contained herein will not be construed as an amendment to any other provision of the Existing Agreement. On and after the Effective Date, each reference in the Existing Agreement to "this Agreement," "the Agreement," "hereunder," "hereof," "herein," or words of like import will mean and be a reference to the Existing Agreement as amended by this Amendment.

4. Miscellaneous.

- (a) This Amendment shall be governed by, and construed and interpreted in accordance with, the laws of the State of Connecticut without regard to conflict of laws principles.
- (b) This Amendment shall inure to the benefit of and be binding upon each of the Parties and each of their respective permitted successors and permitted assigns.
- (c) The headings in this Amendment are for reference only and do not affect the interpretation of this Amendment.
- (d) This Amendment may be executed in counterparts, each of which is deemed an original, but all of which constitute one and the same agreement. Delivery of an executed counterpart of this Amendment electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Amendment.
- (e) Except as provided in the Loan Agreement, this Amendment constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

[signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the Amendment Effective Date.

[***]

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ [***]_____

By: /s/ Steven A. DeMartino_____

Name: [***]_____

Name: Steven A. DeMartino_____

Title: President & CEO_____

Title: President and CFO_____

*****] Certain information in this document has been excluded pursuant to Item (601)(b)(10) of Regulation S-K because it is not material and would likely cause competitive harm to the registrant if publicly disclosed.**

**THIRD AMENDMENT
TO
MASTER LICENSE AGREEMENT**

This Third Amendment to Master License Agreement (this “**Third Amendment**”) is made and entered into as of September 8, 2020 (the “**Third Amendment Effective Date**”), by and between [***], and TransAct Technologies Incorporated (“**TransAct**”).

WHEREAS, [***] and TransAct previously entered into that certain Master License Agreement, fully executed as of February 22, 2019 (the “**Original Agreement**”) and amended by an Amendment No. 1 dated May 5, 2019 and by an Amendment No. 2 dated August 15, 2019; and

WHEREAS, the Original Agreement had pricing set at specified levels, and [***] and TransAct now wish to modify the pricing of some of the licensed products.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, [***] and TransAct agree as set forth in this Third Amendment.

1. Exhibit B of the Original Agreement is hereby deleted in its entirety and replaced with the following:

[***]

* [***] and TransAct will review this pricing 18 months from the Third Amendment Effective Date and will work together in good faith to adjust pricing to a mutually agreeable level if either party believes a change is necessary

2. All other terms and provisions of the Original Agreement are hereby ratified, adopted and reaffirmed and shall remain in full force and legal effect, except only those which are explicitly changed by this Third Amendment. To the extent that there is a conflict between the terms and provisions of the Original Agreement and this Third Amendment, the terms and provisions of this Third Amendment shall govern for purposes of the subject matter of this Third Amendment only.
3. This Third Amendment and the Original Agreement constitute the entire understanding and agreement, and supersede any and all prior or contemporaneous representations, understandings, and agreements, whether oral or written, between [***] and TransAct relating to the subject matter of this Third Amendment and the Original Agreement. This Third Amendment may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document.

IN WITNESS WHEREOF, [***] and TransAct, by their duly authorized representatives, have executed this Third Amendment as of the Third Amendment Effective Date.

***]	TransAct Technologies Incorporated
/s/ [***]	/s/ Steven A. DeMartino
Authorized Signatory [***]	Authorized Signatory Steven A. DeMartino
Name President and CEO	Name President and CFO
Title	Title

[***] Certain information in this document has been excluded pursuant to Item (601)(b)(10) of Regulation S-K because it is not material and would likely cause competitive harm to the registrant if publicly disclosed.

MASTER DEVELOPMENT AND LICENSE AGREEMENT

This Master Development and License Agreement (this “**Agreement**”), dated as of July 20th, 2018 (the “**Effective Date**”) by and between **TransAct Technologies Incorporated**, having an address at One Hamden Center, 2319 Whitney Avenue, Suite 3B, Hamden, CT 06518, USA (“**TransAct**”) and [***] (“**Developer**”), each a “**Party**” and collectively the “**Parties.**”

BACKGROUND

A. Developer is engaged in the business of providing software development and related services and work product; and

B. TransAct desires to retain Developer to provide the software development and related services and work product described herein from time to time in separately executed Statements of Work, and Developer desires to provide the same to TransAct, each on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, the Parties, intending to be legally bound, agree as follows:

1. Services.

1.1 Statement(s) of Work. TransAct hereby engages Developer, and Developer accepts such engagement, to develop Software (as defined below) and provide services to TransAct as set forth in the initial Statement of Work attached hereto as Exhibit A (with the exhibits thereto, the “**Statement of Work**”), which Exhibit is hereby made a part of this Agreement as if fully included herein. Additional statements of work entered into pursuant to this Agreement may also be referred to herein as “**Statements of Work.**” The services to be provided by Developer as set forth in a Statement of Work are hereinafter referred to as the “**Services.**” The Parties may agree on additional Statements of Work from time to time. No Statement of Work shall be effective unless signed by duly authorized representatives of both Parties. Any such additional statement of work shall be made a part of this Agreement as if fully included herein and shall be subject to the terms of this Agreement.

1.2 Software. For purposes of this Agreement, “**Software**” shall mean the computer programs, including programming tools, scripts, and routines that Developer develops or otherwise provides under this Agreement (regardless of whether performed domestically or abroad and regardless of whether performed before or after execution of this Agreement or the applicable Statement of Work) as described more fully in each Statement of Work, including all updates, upgrades, new versions, new releases, enhancements, improvements, and other modifications made or provided thereto.

1.3 Documentation. Prior to or concurrently with the delivery of any Software hereunder, Developer shall provide TransAct complete and accurate user manuals, operating manuals,

and other instructions, specifications, documents and materials, in any form or media, that describe the components, features, requirements, and other aspects of the Software, including any functionality, testing, operation or use thereof (the “**Documentation**”) for such Software. Documentation shall include all such information as may be reasonably necessary for the effective installation, testing, use, support, and maintenance of the applicable Software by TransAct and its customers, including the effective configuration, integration, and systems administration of the Software and performance of all other functions set forth in the Software specifications. Unless otherwise agreed in writing, Developer shall provide all Documentation in both hard copy and electronic form, in such formats and media as are set forth in the relevant Statement of Work, or as TransAct may otherwise reasonably request. “**Work Product**” means the Software and the Documentation.

1.4 Open-Source Components. Developer shall not include in any Software, and operation of all Software in accordance with its specifications and Documentation shall not require the use of, any software component that is subject to any open source copyright license agreement, including software available under the GNU Affero General Public License (AGPL), GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), Apache License, BSD licenses, or any other license that is approved by the Open Source Initiative, other than as may be specifically described in a Statement of Work for such Software, and for which the relevant open source license(s) are included in such Statement of Work. Developer shall provide TransAct with a complete, machine-readable copy of the source code for any approved open source components in accordance with the terms of the Open Source License(s) therefor at no cost to TransAct. To the extent any open source software components are provided for in a Statement of Work or other written permission issued by TransAct, Developer shall assure that any such Software, including any source code, complies with all attribution and other requirements and meets available exceptions set forth in any applicable open source license agreement such that the Software, including any source code, remains “closed source.”

1.5 Developer Personnel. Developer is solely responsible for all of its employees and sub-contractors (if permitted pursuant to Section 10.8) (the “**Developer Personnel**”) and for the payment of their compensation, including, if applicable, withholding of income taxes, and the payment and withholding of social security and other payroll taxes, unemployment insurance, workers compensation insurance and disability benefits. If TransAct assigns any of its employees to contribute to the development of any Work Product, TransAct shall be responsible for the payment of such TransAct employees’ compensation, including, if applicable, withholding of income taxes, and the payment and withholding of social security and other payroll taxes, unemployment insurance, workers compensation insurance and disability benefits.

1.6 Change Orders. The Parties may change the scope of the Services, Work Product and other matters specified in a Statement of Work only by a written amendment executed by authorized representatives of both Parties (“**Change Order**”). If any Change Order would, in the reasonable judgment of either Party, result in substantial additional expenses or substantial cost savings, then the Parties shall meet to discuss, in good faith, an increase or reduction, as the case may be, in fees under such Statement of Work.

1.7 Standard of Performance. Developer will be responsible for overall management and performance of the Services. Developer will design, develop, create, test, deliver, configure,

integrate, customize, and otherwise provide and make fully operational Work Product as described in each Statement of Work on a timely and professional basis in accordance with all terms, conditions, and specifications set forth in this Agreement and such Statement of Work. The Developer Personnel will perform the Services in a timely, professional and workmanlike manner, using the degree of skill, care, and judgment consistent with customarily accepted good business practices and otherwise in accordance with all standards for performance of the Services established by TransAct in each Statement of Work. All Services and Work Product provided under any Statement of Work will be subject to TransAct's review and approval in accordance with the terms contained herein. In addition to the warranty obligations contained herein, any claim made in good faith by TransAct regarding the deficiency of the Services or Work Product, shall be resolved by Developer repairing the deficiency of the Services or Work Product at no additional cost to TransAct.

1.8 Acceptance Testing. Unless otherwise set forth in the applicable Statement of Work, the procedures in this Section will apply for all TransAct acceptances contemplated in connection with Work Product hereunder or any Services for which the applicable Statement of Work contemplates acceptance testing. For any Work Product, or portion thereof presented for acceptance by TransAct, Developer will provide to TransAct all relevant documents, deliverables and other information that is reasonably necessary for TransAct to make its evaluation. TransAct shall, upon receipt of a Work Product that Developer designates as "final," have thirty (30) business days to complete acceptance testing thereof (the "**Acceptance Period**"). If TransAct determines that such Work Product does not conform to the specifications and any acceptance criteria set forth in the applicable Statement of Work, TransAct shall notify Developer in writing outlining each deficiency and failure to comply with the Statement of Work and Developer shall, within twenty (20) business days after receipt of written notification of TransAct's non-acceptance, repair the deficiency. A Work Product shall be deemed accepted by TransAct if written notification of TransAct's non-acceptance is not received by Developer within the Acceptance Period. Notwithstanding the foregoing, TransAct's acceptance of a Work Product shall in no way limit the performance and warranty obligations of Developer as identified in Section 1.7 and Section 8.

1.9 Access to Works-in-Process. Developer will deliver all Work Product, and provide access to all works-in-process, to TransAct as set forth in each applicable Statement of Work and if not so set forth, upon the written request of TransAct.

2. Training, Maintenance and Support.

2.1 Training. Developer shall provide TransAct and its designees with such training as set forth in the applicable Statement of Work. Unless expressly provided in any Statement of Work, all training shall be provided at no additional charge to Transact, it being acknowledged and agreed that the fees include full consideration therefor.

2.2 Maintenance and Support. Developer offers product support 24 hours per day, seven days per week, without additional charge. Developer agrees to provide TransAct with such support services (as described in more detail in the Statement of Work set forth in Exhibit A hereto) with respect to the Software and Work Product for ten (10) years from acceptance of the Software. The Parties acknowledge and agree that Developer is not responsible for direct support of the customers of TransAct.

3. Independent Contractors; No Partnership.

3.1 Independent Contractors. This Agreement is intended to create an independent contractor relationship between the Parties for purposes of Federal, state and local law. The Parties understand and agree that Developer Personnel will be: (a) the employees or subcontractors of Developer only, and Developer alone will determine the terms and conditions of such employment or engagement; and (b) hired, paid, supervised, directed, controlled, promoted or demoted, terminated, engaged and otherwise managed solely by Developer.

3.2 No Partnership. Nothing in this Agreement will be construed or implied to create a relationship of agency, partners, affiliates, joint employers, or joint venturers. Neither Party will have the power or authority to act for the other in any manner or to create obligations or debts which would be binding on the other. Neither Party will be responsible for any obligation of the other or be responsible for any act or omission of the other.

4. Compensation; Expenses; Taxes.

4.1 Fees. The Services and Work Product will be provided either on a flat fee basis or on a time and materials basis and will be charged at the rates set out in the applicable Statement of Work. All rates, charges and/or fees for any and all Work Product, deliverables and/or Services performed by Developer must be listed in a Statement of Work. Any attempt to alter rates, charges and other fees in any document other than in a Change Order shall be void and non-binding on TransAct.

4.2 Expenses. Unless otherwise specified, the Developer's expenses will be included in the fees charged by Developer, as set forth in Statements of Work. Notwithstanding the foregoing, TransAct shall reimburse Developer for any actual travel or other transportation-related expenses that (i) Developer incurs in performing the Services or developing Work Product, and (ii) TransAct has pre-approved in writing. Any such reimbursable expenses shall be subject to TransAct's reimbursement policies in effect from time to time.

4.3 Taxes. All fees set forth herein are exclusive of taxes. Developer shall be responsible for all sales, use, VAT, gross receipts, real estate, personal property and any other similar taxes, duties, and charges of any kind imposed by any federal, state, or local governmental entity on any amounts payable by TransAct hereunder, other than any taxes imposed on, or with respect to, TransAct's income. Developer will indemnify and hold harmless TransAct for any loss or damage (including without limitation any penalties and interest) sustained because of Developer's failure to pay such taxes.

5. Payment Terms.

5.1 Invoices. Unless otherwise stated in the Statement of Work, Developer shall issue invoices within thirty (30) days following the end of the period covered by each applicable invoice. The length of such billing period will be as specified in the applicable Statement of Work or, if none is specified, a billing period shall be defined as a calendar month. Developer shall submit each invoice in both hard copy and electronic format, via such delivery means and to such address as are specified by TransAct in writing from time to time. No term or condition of any invoice shall be binding upon TransAct, and TransAct hereby rejects any terms inconsistent with or additional to the terms and conditions of this Agreement. Except as otherwise set forth in a Statement of Work, TransAct will pay all undisputed amounts owed to Developer within thirty (30) days' receipt of the invoices.

5.2 Disputed Amounts. TransAct may withhold from payment any amount disputed by TransAct in good faith, pending resolution of the dispute, provided that TransAct: (a) timely pays all amounts not subject to dispute; (b) notifies Developer of the dispute prior to the due date, specifying in such notice (i) the amount in dispute, and (ii) the reason for the dispute; (c) works with Developer in good faith to resolve the dispute promptly; and (d) promptly pays any amount determined to be due by resolution of the dispute. Developer shall continue performing its obligations in accordance with the applicable Statement of Work notwithstanding any such dispute or actual or alleged nonpayment that is the subject of the dispute, pending its resolution.

5.3 Right of Set-off. Without prejudice to any other right or remedy it may have, TransAct reserves the right to set-off at any time any amount owing to it by Developer against any amount payable by TransAct to Developer under this Agreement.

6. Confidential Information.

6.1 Definition. “**Confidential Information**” shall mean confidential or other proprietary information that is disclosed by one Party (the “**Disclosing Party**”) to the other Party (the “**Receiving Party**”) under this Agreement or relates to the Work Product or the Services, including without limitation, product specifications and documentation, financial data, business and product plans, each Party’s software source code, and other confidential business information. Without limitation, data and information concerning customers of TransAct (including, without limitation, (i) data entered by TransAct customers on TransAct terminals and hosted by Developer, and (ii) information regarding how TransAct’s customers use TransAct-supplied terminals) constitutes Confidential Information of TransAct. Confidential Information shall not include information which the Receiving Party can demonstrate: (a) is or becomes public knowledge without any action by, or involvement of the Receiving Party; (b) is disclosed by the Receiving Party with the prior written approval of the Disclosing Party; (c) was previously known to the Receiving Party without an obligation of confidence; (d) is independently developed by the Receiving Party without use of the Confidential Information; or (e) was acquired by the Receiving Party from a third party which is not, under an obligation of confidence with respect to such information.

6.2 Restrictions. As a condition to being provided with any disclosure of or access to Confidential Information, the Receiving Party shall (a) not access or use Confidential Information other than as necessary to exercise its rights or perform its obligations under and in accordance with this Agreement; (b) except as may be permitted by and subject to its compliance with Section 6.4, not disclose or permit access to Confidential Information other than to its employees, officers, directors, consultants, legal advisors and permitted subcontractors (collectively, “**Representatives**”) who (i) need to know such Confidential Information for the performance of their obligations under and in accordance with this Agreement; (ii) have been informed of the confidential nature of the Confidential Information and their obligations under Section 6; and (iii) are bound by written confidentiality and restricted use obligations at least as protective of the Confidential Information as the terms set forth in Section 6; (c) safeguard the Confidential Information from unauthorized use, access or disclosure using at least the degree of care it uses to protect its own sensitive information and in no event less than a reasonable degree of care; and (d) ensure its Representatives’ compliance with, and be responsible and liable for any of its Representatives’ noncompliance with, the terms of Section 6.

6.3 Duration. The Receiving Party shall continue such confidential treatment of Confidential Information for a period of five (5) years from the date of termination, expiration or cancellation of this Agreement. Notwithstanding the foregoing, trade secrets of the Disclosing Party will remain Confidential Information for so long as they remain trade secrets under applicable law.

6.4 Compelled Disclosures. If the Receiving Party or any of its Representatives is compelled by applicable law to disclose any Confidential Information then, to the extent legally permitted, the Receiving Party shall: (a) promptly, and prior to such disclosure, notify the Disclosing Party in writing of such requirement so that the Disclosing Party can seek a protective order or other remedy, or waive its rights under Section 6.2; and (b) provide reasonable assistance to the Disclosing Party in opposing such disclosure or seeking a protective order or other limitations on disclosure. If the Disclosing Party waives compliance or, after providing the notice and assistance required under this Section, the Receiving Party remains required by law to disclose any Confidential Information, the Receiving Party shall disclose only that portion of the Confidential Information that the Disclosing Party is legally required to disclose and, upon the Receiving Party's request, shall use commercially reasonable efforts to obtain assurances from the applicable court or other presiding authority that such Confidential Information will be afforded confidential treatment.

7. Intellectual Property Rights.

7.1 Work Product.

(a) The Work Product shall be delivered in a form and format acceptable to TransAct. Work Product shall be owned solely and exclusively by Developer (other than any Work Product components that contain Confidential Information of TransAct, which shall remain proprietary to TransAct), subject to the license set forth below. Work Product includes, without limitation, the Software, Documentation and all deliverables provided under any Statement of Work. Notwithstanding the foregoing, any ancillary works to the Work Product (such as applications that run on the Software platform) created by TransAct shall belong exclusively to TransAct.

(b) Developer shall not design, develop or provide to TransAct any Work Product that infringes upon or violates the rights of any person or entity, including rights relating to defamation, privacy, publicity, contract, patent, copyright, trademark, trade secret or other intellectual property rights (collectively, "**Third-Party Rights**"). If Developer becomes aware of any such possible violation or infringement, Developer shall immediately so notify TransAct in writing and correct the issue.

7.2 License Grant.

(a) In exchange for the payments set forth in Statements of Work, Developer hereby grants to TransAct a perpetual, worldwide, irrevocable, fully-paid, exclusive (as set forth in an applicable Statement of Work), transferable, royalty-free right and license to, and to sublicense third parties to, make, have made, use, sell, offer for sale, export, import, execute, reproduce, distribute, display, perform and exploit the Work Product, including any enhancements thereto. For purposes of clarification, TransAct shall have the right to create its own applications, or use third party applications, on TransAct's devices in connection with the Software.

(b) In the event that a Statement of Work specifies that a Work Product shall be TransAct-branded or "white labeled," TransAct hereby grants to Developer a perpetual, revocable, worldwide, fully-paid, non-exclusive, non-transferable, royalty-free right and license to use the TransAct name and trademarks solely for the purposes of white labeling Work Product. Subject to this clause (b), TransAct retains all right, title and interest in the TransAct name and trademarks.

8. Indemnification; Limitation of Liability; Warranties.

8.1 Indemnification by Developer. Developer shall defend, indemnify, and hold harmless TransAct and its officers, directors, employees, agents, contractors, successors, and assigns (each, a "**TransAct Indemnitee**") from and against any and all losses, damages, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees (together, "**Losses**") incurred by the TransAct Indemnitee resulting from any claim, action, cause of action, demand, suit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena, or investigation of any nature, civil, criminal, administrative, regulatory, or other, whether at law, in equity, (each an "**Action**") by a third party that arises out of or results from, or is alleged to arise out of or result from (a) Developer's breach of any representation, warranty, covenant, or obligation of Developer (including any action or failure to act by any permitted subcontractor that, if taken or not taken by Developer, would constitute such a breach by Developer) under this Agreement; or (b) the negligence or reckless or willful misconduct of Developer or its permitted subcontractors in connection with the Work Product or the performance of the Services, except (with regards to both (a) and (b) above) to the extent that Losses arise or result from (x) TransAct's breach of any representation, warranty, covenant, or obligation of TransAct under this Agreement; or (y) the negligence or reckless or willful misconduct of TransAct in connection with the Work Product or the Services.

8.2 Indemnification Procedure. TransAct will promptly notify Developer in writing of any Action for which it seeks to be indemnified pursuant to Section 8 and cooperate with Developer in the defense of such Action at Developer's cost and expense (provided that Developer shall not be required to compensate TransAct for its personnel's time spent providing such cooperation). Developer shall immediately take control of the defense and investigation of such Action and shall employ counsel reasonably acceptable to TransAct to handle and defend the same, at Developer's sole cost and expense. Developer shall not settle any Action without TransAct's prior written consent, unless such settlement is limited to monetary damages fully paid by Developer and does not include any admission of liability or equitable remedy. TransAct's failure to give prompt notice under this Section 8.2 will not relieve Developer of its obligations hereunder except to the extent that Developer can demonstrate that it has been materially prejudiced as a result of such failure. TransAct may participate in and observe the proceedings at its own cost and expense with counsel of its own choosing.

8.3 **Infringement Remedy.** If any of the Work Product, or any component thereof, other than any proprietary materials of TransAct, is found to be infringing or if any use of any Work Product or any component thereof is enjoined, threatened to be enjoined, or otherwise the subject of an infringement claim, Developer shall, at Developer's sole cost and expense (i) procure for TransAct the right to use the infringing Work Product, (ii) replace the infringing Work Product with a non-infringing, functionally equivalent one, (iii) suitably modify the infringing Work Product so that it is non-infringing, or (iv) accept return of the infringing Work Product and refund a pro-rata portion (based on a five-year straight line depreciation commencing upon delivery) of any fees paid by TransAct to Developer with respect to such Work Product and all other affected Work Products. The remedies set forth in this Section 8.3 are in addition to, and not in lieu of, all other remedies that may be available to TransAct under this Agreement or otherwise, including TransAct's right to be indemnified for such Actions.

8.4 **Indemnification by TransAct.** TransAct shall defend, indemnify, and hold harmless Developer and its officers, directors, employees, agents, contractors, successors, and assigns (each, a "**Developer Indemnitee**") from and against any and all Losses incurred by the Developer Indemnitee resulting from any Action by a third party that arises out of or results from, or is alleged to arise out of or result from (a) TransAct's breach of any representation, warranty, covenant, or obligation of TransAct under this Agreement; or (b) the negligence or reckless or willful misconduct of TransAct in connection with the Work Product or the Services, except (with regards to both (a) and (b) above) to the extent that Losses arise or result from (x) Developer's breach of any representation, warranty, covenant, or obligation of Developer under this Agreement; or (y) the negligence or reckless or willful misconduct of Developer in connection with the Work Product or the Services.

8.5 **Disclaimer; Limitation.**

(a) EXCEPT AS SET FORTH BELOW, IN NO EVENT SHALL EITHER PARTY BE LIABLE UNDER THIS AGREEMENT OR ANY STATEMENT OF WORK TO THE OTHER PARTY FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL, OR INDIRECT DAMAGES, HOWEVER CAUSED, ON ANY THEORY OF LIABILITY, AND WHETHER OR NOT THAT PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THESE LIMITATIONS SHALL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

(b) EXCEPT AS SET FORTH BELOW, IN NO EVENT SHALL EITHER PARTY'S AGGREGATE LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT OR ANY STATEMENT OF WORK, WHETHER ARISING OUT OF OR RELATED TO BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, EXCEED SEVEN HUNDRED FIFTY THOUSAND DOLLARS (\$750,000).

(c) The limitation described in this Section 8.5 will not apply to: (i) claims of a breach of Developer's obligations under Section 6 (Confidential Information); (ii) claims of infringement of a third party's intellectual property rights; (iii) Developer's indemnification obligations under this Agreement; (iv) claims arising out of, in connection with or resulting from Developer's misuse or appropriation of TransAct's Confidential Information or any Work Product; (v) claims relating to property damage or personal injury; or (vi) either Party's intentional misconduct that is tortious or criminal, or committed with the knowledge that such misconduct was reasonably certain to materially damage the other Party.

8.6 Mutual Warranties. Each Party represents and warrants to the other Party as follows:

- (a) it is duly organized, validly existing, and in good standing as a corporation or other entity as represented herein under the laws of its jurisdiction of incorporation or organization;
- (b) it has the full right, power, and authority to enter into this Agreement, to grant the rights and licenses granted hereunder, and to perform its obligations hereunder;
- (c) the execution of this Agreement by its representative whose signature is set forth at the end hereof has been duly authorized by all necessary action of the party;
- (d) the execution, delivery and performance of its obligations hereunder will not violate any contractual or other legal obligation of Developer or any rights of any third parties, and
- (e) when executed and delivered by both Parties, this Agreement will constitute the legal, valid, and binding obligation of such party, enforceable against such party in accordance with its terms.

8.7 Developer Warranties. Developer represents and warrants to TransAct as follows:

- (a) Developer shall perform the Services in accordance with the applicable Statement of Works and in a timely, professional and workmanlike manner, using a high degree of skill, care, consistent with standards for performance of the Services established by TransAct and agreed to by the Parties in each Statement of Work.
- (b) The Work Product shall materially conform to all relevant specifications, and be free of material or frequent defects, for a period of ten (10) years from delivery to TransAct. Developer agrees to correct promptly any such Work Product not in compliance with this warranty.
- (c) Developer is in compliance with, and will perform all Services in compliance with, all applicable laws, rules and regulations.
- (d) Except as otherwise expressly set forth in a Statement of Work, the Work Product is and will be the original work of Developer or its permitted subcontractors.
- (e) The Work Product does not and will not infringe any Third-Party Rights.
- (f) The Work Product shall not contain any viruses, worms, trap doors, timers, clocks, counters, time locks, time bombs, logic bombs, Trojan horses or other limiting code, design, instruction or routines which is designed, or intended to do any of the following either automatically or without the intentional action of TransAct: (i) altering, deleting or interfering with any data, information, software or subsystems; (ii) damaging, destroying, disabling, suspending the operation of, or altering the operation of the Work Product or other software or components thereof; or (iii) causing the Work Product or other software or components thereof to become inoperable or otherwise incapable of being used in the full manner for which they were provided under this Agreement.

(g) The Work Product will be, and as installed in the TransAct operating environment (or any successor thereto) and used in accordance with the Documentation will function in all respects in conformity with this Agreement, the applicable Statement of Work and the specifications and Documentation therefor; and any media on which any Software is delivered will be free of damage or defect in design, material, and workmanship, and will remain so under ordinary use as contemplated by this Agreement, the applicable Statement of Work and the specifications and, with respect to the Software component thereof, the Documentation therefor.

9. Term and Termination.

9.1 Term. Unless otherwise terminated as specified herein, the term of this Agreement will commence on the Effective Date and will continue through December 31, 2021 (this initial term and all renewal terms, if any, collectively, the “**Term**”). This Agreement shall continue in full force and effect for additional one-year terms thereafter unless either Party gives not less than ninety (90) days written notice of termination prior to expiration of the then-effective Term. This Agreement shall continue to govern any outstanding Statements of Work until their expiration or termination.

9.2 Termination for Breach. Either Party may cancel or terminate the affected Statement of Work(s) or this Agreement as a whole, without liability, by giving written notice of breach or default if the other (a) becomes insolvent, unable to pay its debts when due, or the subject of bankruptcy proceedings not terminated within thirty (30) days of any filing; or makes a general assignment for the benefit of creditors; or if a receiver is appointed for substantially all of its property; or (b) breaches or defaults on any of its obligations under this Agreement and fails to cure such breach or default within thirty (30) days after receipt of written notice specifying the nature of such breach or default. Notwithstanding the foregoing, in the event that a breach by TransAct relates to non-payment under a specific Statement of Work, Developer’s termination rights under this Section 9.2 shall extend only to the Statement of Work affected by such breach.

9.3 Effect of Termination. Upon termination of this Agreement for any reason, Developer agrees to immediately discontinue performance under all Statements of Work. Upon termination for any reason of a Statement of Work or this Agreement in its entirety, Developer agrees to: (a) return to TransAct all copies of any Confidential Information received from TransAct in connection with the terminated agreement(s); (b) deliver to TransAct all Work Product and all works-in-process related to the applicable Statement(s) of Work; (c) provide reasonable cooperation and assistance to TransAct in transitioning the Services to an alternate service provider; and (d) on a pro rata basis, repay all amounts, if any, paid in advance for any Services or Work Product that have not been provided. Except for non-payment of amounts due hereunder, no expiration or termination of this Agreement will affect TransAct’s rights in any of the Work Product. Termination of this Agreement by either Party will be without prejudice to that Party’s other rights and remedies hereunder. The following Sections shall survive the expiration or termination of this Agreement: Section 2.2 (Maintenance and Support); Section 6 (Confidential Information); Section 7 (Intellectual Property Rights); Section 8 (Indemnification; Limitation of Liability; Warranties); and Section 10 (Miscellaneous).

10. Miscellaneous.

10.1 Effect of Developer Bankruptcy. All rights and licenses granted by Developer under this Agreement (including, without limitation, all rights and licenses to the Work Product) are and will be deemed to be rights and licenses to “intellectual property”, and all Work Product is and will be deemed to be “embodiment(s) of intellectual property” for purposes of, and as such terms are used in and interpreted under, Section 365(n) of the United States Bankruptcy Code (the “Code”) (11 U.S.C. § 365(n)). TransAct shall have the right to exercise all rights and elections under the Code and all other applicable bankruptcy, insolvency and similar laws with respect to this Agreement and the subject matter hereof. Without limiting the generality of the foregoing, Developer acknowledges and agrees that, if Developer or its estate shall become subject to any bankruptcy or similar proceeding, or Developer otherwise ceases to conduct its business in the ordinary course:

- (a) subject to TransAct’s rights of election, all rights and licenses granted to TransAct under this Agreement will continue subject to the terms and conditions of this Agreement, and will not be affected, even by Developer’s rejection of this Agreement; and
- (b) TransAct shall be entitled to a complete duplicate of (or complete access to, as appropriate) all such intellectual property and embodiments of intellectual property, and the same, if not already in TransAct’s possession, shall be promptly delivered to TransAct, unless Developer elects to and does in fact continue to perform all of its obligations under this Agreement.
- (c) Unless Developer elects to and does in fact continue to perform all of its obligations under this Agreement, Developer automatically grants TransAct a perpetual, worldwide, irrevocable, fully-paid, non-exclusive, transferable, royalty-free right and license to use, modify, create derivative works of, operate, sublicense, sell, offer for sale, export, import, execute, reproduce, distribute, display, perform and exploit all such intellectual property and embodiments of intellectual property.

10.2 Escrow. In order to facilitate delivery of intellectual property as set forth in Section 10.1 (Effect of Developer Bankruptcy) of this Agreement and Section 7 (Hosting) of the Statement of Work attached hereto as Exhibit A, the Parties agree to promptly and in good faith enter into a source code escrow agreement with a recognized escrow firm, on standard and commercially reasonable terms and conditions, with respect to the Software and Documentation licensed under this Agreement. The Parties agree to maintain such escrow agreement for the Term. In connection therewith, Developer represents and warrants that it shall store with such escrow firm the Software source code (including all project files required to build both the server and client components of the [***] solution) and the accompanying Documentation. Developer represents and warrants that it shall keep such escrow up-to-date with the current Software source code and Documentation (new escrow deposits at least once each calendar quarter, unless there have not been any material changes to the Software source code or Documentation during such quarter).

10.3 Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York without regard to conflict of laws principles. Any claim or controversy arising out of or relating to this Agreement shall be brought exclusively in federal or state court located in New York, New York.

10.4 Waiver. No failure or delay on the part of any Party in exercising any right hereunder, irrespective of the length of time for which such failure or delay shall continue, will operate as a waiver of, or impair, any such right. No single or partial exercise of any right hereunder shall preclude any other or further exercise thereof or the exercise of any other right. No waiver of any right hereunder will be effective unless given in a signed writing.

10.5 Further Assurances. Each Party to this Agreement will, at the request of the other Party and without charge (provided that the cost to the providing Party is reasonable under the circumstances), execute and deliver all such further instruments and documents as may be reasonably requested to further confirm, carry out and otherwise accomplish the intent and purpose of this Agreement.

10.6 Severability. If any provision of this Agreement is held to be invalid, illegal or unenforceable in any jurisdiction, such provision shall be deemed amended to conform to applicable laws so as to be valid and enforceable, or, if it cannot be so amended without materially altering the intention of the Parties, it shall be stricken, and the remainder of this Agreement shall remain in full force and effect.

10.7 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand; (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of receipt) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.7).

If to Developer:

[***]

If to TransAct:

TransAct Technologies Incorporated
One Hamden Center
2319 Whitney Avenue, Suite 3B
Hamden, CT 06518
Tel: (203) 859-6800
Fax: (203) 949-9048
E-Mail: dblock@TransAct-tech.com

with a copy to: sdemartino@transact-tech.com

10.8 Subcontractors. TransAct agrees that Developer will subcontract to [***] certain Services and development of Work Product described in the Statement of Work set forth in Exhibit A hereto. Except as set forth above, Developer shall not subcontract this Agreement, any Statement of Work or any Services or Work Product to be provided hereunder to any third party without: (a) the prior written consent of TransAct, which may be withheld at its sole discretion, and (b) the prior written agreement of the proposed subcontractor to be bound by the provisions of this Agreement. Notwithstanding any subcontracting, Developer shall not be relieved of its performance or obligations under this Agreement or any Statement of Work. Developer shall be solely responsible for each subcontractor's full and timely performance, and the acts and omissions of each subcontractor shall be deemed and treated as the acts and omissions of Developer itself. Developer shall also be solely responsible for compensating any subcontractors.

10.9 Headings. The section headings are intended for reference only and do not affect the meaning or interpretation of this Agreement.

10.10 Time of the Essence. Developer acknowledges that time is of the essence with respect to Developer's obligations hereunder and agrees that prompt and timely performance of all such obligations in accordance with this Agreement and each Statement of Work is strictly required.

10.11 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective heirs, successors, representatives and assigns.

10.12 Force Majeure. Each Party hereto shall be excused from default or delay in the performance of its obligations hereunder, if and to the extent that such default or delay is: (i) caused by an act of God, or other causes beyond its reasonable control including, but not limited to, fires, riots, accident, explosion, flood, or storm. The operation of the preceding sentence shall not, however, relieve a Party from its obligation to meet the time schedules required herein unless the Party shall have taken reasonable precautions to anticipate and avoid the occurrence of the force majeure event and upon its occurrence shall have used all commercially reasonable efforts to ameliorate or eliminate its effect. In no event shall any postponement of either Party's obligations hereunder as a result of a force majeure event exceed the period of time that the force majeure had an effect on such Party. If a delay or interruption of performance by either Party resulting from a force majeure event exceeds thirty (30) days, then the other Party may terminate this Agreement and/or any Applicable Statement of Work by delivering written notice of termination specifying the date of termination, even though such event does not constitute a breach of this Agreement or any Statement of Work.

10.13 Order of Precedence. In the event of a conflict between the terms and conditions in this Agreement and any Statement of Work, the terms and conditions of this Agreement shall control, except to the extent that specific language in Statement of Work executed by TransAct expressly states that it supersedes particular language in this Agreement.

10.14 Assignment. Neither this Agreement, any Statement of Work, nor any of the rights or obligations hereunder or thereunder, may be assigned or delegated by Developer without the prior written consent of TransAct, which consent shall not be unreasonably withheld. Any assignment or delegation in violation of the foregoing shall be null and void. For purposes of the foregoing, a change in control or ownership (whether resulting from a merger, sale or otherwise), shall be deemed an assignment restricted hereunder.

10.15 Entire Agreement. This Agreement sets forth the entire agreement and understanding of the Parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement shall be effective unless in writing signed by the Parties.

10.16 Non-Solicitation. During the term of this Agreement and for twelve (12) months after any expiration or termination of this Agreement, neither Party shall, without the prior written consent of the other, solicit or hire any person employed by the other or formerly employed by the other within the preceding six months (for clarification, general advertisements shall not be considered solicitation of persons).

IN WITNESS WHEREOF the Parties have entered into this Agreement as of the Effective Date.

[***]

TRANSACT TECHNOLOGIES INCORPORATED

By: /s/ [***]_____

By: /s/ Steven A. DeMartino_____

Name: [***]_____

Name: Steven A. DeMartino_____

Title: President & CEO_____

Title: President and CFO_____

EXHIBIT A

Statement of Work

[***]

TransAct Technologies**Subsidiaries of the Company****as of December 31, 2020**

<u>Name</u>	<u>Jurisdiction of Incorporation</u>
TransAct.com, Inc.	United States - Delaware
TransAct Technologies (Macau) Limited	Macau
TransAct Technologies (United Kingdom) Limited	United Kingdom

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Transact Technologies Incorporated on Form S-8 (File Nos. 333-203184, 333-132624, 333-170515, 333-221514 and 333-248054) and Form S-3 (File No. 333-248055) of our report dated March 12, 2021, with respect to our audit of the consolidated financial statements of Transact Technologies Incorporated as of December 31, 2020 and for the year ended December 31, 2020, which report is included in this Annual Report on Form 10-K of Transact Technologies Incorporated for the year ended December 31, 2020.

/s/ Marcum LLP

Marcum LLP
Hartford, CT
March 12, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (333-248055) and Form S-8 (Nos. 333-248054, 333-221514, 333-203184, 333-170515, and 333-132624) of TransAct Technologies Incorporated of our report dated March 16, 2020 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut

March 12, 2021

**RULE 13a-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER
IN ACCORDANCE WITH SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bart C. Shuldman, certify that:

1. I have reviewed this Annual Report on Form 10-K of TransAct Technologies Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2021

/s/ Bart C. Shuldman

Bart C. Shuldman
Chairman and Chief Executive Officer

**RULE 13a-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER
IN ACCORDANCE WITH SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven A. DeMartino, certify that:

1. I have reviewed this Annual Report on Form 10-K of TransAct Technologies Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2021

/s/ Steven A. DeMartino

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

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
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 Annual Report of TransAct Technologies Incorporated (the "Company") on Form 10-K for the period ending December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company, certify, 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: March 12, 2021

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

Date: March 12, 2021

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