

TRANSACT TECHNOLOGIES INCORPORATED
CORPORATE GOVERNANCE PRINCIPLES

INTRODUCTION

These Corporate Governance Principles describe the principles and practices that the TransAct Technologies Incorporated Board of Directors will follow in carrying out its responsibilities. These Principles supplement the Company's By-Laws and the charters of the Board's committees.

BOARD COMPOSITION

Size of the Board

The By-Laws provide that the Board of Directors shall consist of not less than five (5) members or as the Board may determine by resolution from time to time. The charter of the Compensation and Corporate Governance Committee provides that it will recommend to the Board changes in the size of the Board.

In determining whether to change the size of the Board, the Compensation and Corporate Governance Committee and the Board will be guided by the following principles:

- The Board should generally have neither fewer than five (5) nor more than ten (10) directors.
- The number of directors at any time will depend upon several factors, including (a) resignations, retirements and the availability of appropriate, qualified candidates; (b) assuring that the Board has a small enough number to facilitate active discussions and decision-making; and (c) assuring that the Board has a sufficient number of directors to fulfill committee assignments and to provide an appropriate mix of continuity, experience, skills and diversity for the Board and its committees to perform their responsibilities in light of regulatory requirements and current business needs.

Mix of Inside and Independent Directors

Under the listing standards of The Nasdaq Stock Market, a majority of the Company's directors must be independent. It is the Board's objective, however, that a substantial majority of the directors be independent.

On at least an annual basis (and whenever an individual is considered by the Nominating Committee for election as a director), management will collect information from the Company's records and, as appropriate, from the individual directors, to conduct an analysis of each current or prospective director's eligibility to be classified as "independent" under the listing standards

of The Nasdaq Stock Market, the rules and regulations issued by the Securities and Exchange Commission and Internal Revenue Service, other applicable laws and regulations, and these Corporate Governance Principles. This analysis shall address each individual's eligibility to be classified as "independent" for purposes of serving on the Board and on each of the Board's committees. This analysis shall be submitted to the Nominating Committee, which shall make a recommendation regarding each individual's independence to the full Board of Directors, which in turn shall make the final determination of each individual's independence.

To supplement the annual process described above, it shall be the responsibility of each director to inform promptly the Secretary of the Company of any development that may affect the director's independence.

Selection and Election of Directors

The Nominating Committee shall identify, review and recommend candidates to be nominated for election to the Board. The Committee shall take the following criteria into consideration, along with such other criteria as the Board may establish from time to time:

- **Regulatory Requirements.** The Board shall have directors who meet the criteria for committee or Board membership established by The Nasdaq Stock Market, the Securities and Exchange Commission, the Internal Revenue Service and other applicable regulatory entities.
- **Independence.** At least a majority of the Board will be independent under the listing standards of The Nasdaq Stock Market.
- **Overall Board Composition.** The Committee will consider the Board's overall composition in light of current and future needs. Among the characteristics the Committee should consider are professional skills and background, experience in relevant industries, age and diversity.
- **Performance.** In regard to incumbent directors, the Committee shall consider past performance. Directors are expected: (a) to have regular attendance at Board and committee meetings; (b) to stay informed about the Company and its business; (c) to participate in the discussions of the Board and its committees; (d) to take an interest in the Company's business and provide advice and counsel to the Chief Executive Officer; and (e) to comply with these Corporate Governance Principles and such other policies, including codes of ethics, as the Board may approve from time to time for the directors.
- **Other Criteria.** Particularly with regard to new directors, the Committee will assess whether the candidates have the qualities expected of all directors, including integrity, judgment, acumen, and the time and ability to make a constructive contribution to the Board. The Committee may adopt such further criteria as it deems appropriate. The Board does not believe it is appropriate to establish a single standard regarding the number of boards on which a director may sit or whether a director should be required to

submit a resignation upon a significant change in professional responsibilities, but these are factors that the Nominating Committee may take into consideration.

The Nominating Committee will report to the Board on the application of these criteria at the time of submitting its recommendation on each candidate to the Board.

Board Leadership

The Compensation and Corporate Governance Committee may, from time to time, make recommendations to the Board of Directors regarding the leadership structure of the Board.

Term

As set forth in the Company's Certificate of Incorporation, directors shall generally hold office until the annual stockholders meeting held in the third year following the year of their election.

Individuals will not be eligible for nomination or re-nomination to the Board after they reach the age of 75.

Director Compensation

The Compensation and Corporate Governance Committee will review, at least every two years, the compensation for non-employee directors and will make recommendations to the Board for its approval. As part of its review, the Committee will receive from management information on compensation provided to non-employee directors at a peer group of companies.

It is the view of the Board that non-employee directors' compensation should be largely equity-based.

BOARD RESPONSIBILITIES

General

The Board's primary responsibility is to maximize long-term value for the Company's stockholders. The Board selects the senior management of the Company, monitors senior management's and the Company's performance, and provides advice and counsel to senior management.

Specific responsibilities

The Board's responsibilities include, but are not limited to, the following:

- **Strategy, Business Plan & Budget.** The Board shall review the Company's long-term strategy periodically. It shall also approve a business plan and operating budget annually.

- **CEO Performance.** The Compensation and Corporate Governance Committee will review the performance of the CEO at least annually.
- **CEO Succession.** The Compensation and Corporate Governance Committee will review succession plans for the CEO position. The CEO will recommend to the Compensation and Corporate Governance Committee one or more individuals to fulfill the CEO's responsibilities on an interim basis in the event that the CEO is disabled or otherwise incapacitated. The Compensation and Governance Committee will report on this subject to the Board of Directors. The full Board will be responsible for selecting the CEO, whether on a permanent or interim basis.
- **Board and Committee Performance Evaluations.** Under the auspices of the Compensation and Corporate Governance Committee, the Board and each committee shall periodically evaluate its composition, responsibilities, structure, processes and effectiveness.
- **Other Actions.** The Board (or a committee designated by the Board) may review and approve other transactions not included in the Company's business plan or budget.

Communication with Stockholders and Third Parties

The Board believes that it is, in general, the responsibility of management to speak for the Company in communications with outside parties, e.g., investors, the press, analysts and industry associations. Directors should only engage in such communications at the request of management.

The Compensation and Corporate Governance Committee shall recommend a policy regarding communications between stockholders and the Board for approval by the Board and the independent directors. Directors are encouraged and expected to attend the Company's annual stockholders meeting.

BOARD MEETINGS

Schedule and Agendas for Board Meetings

The Board shall hold at least five scheduled meetings each year, including four quarterly meetings, and one or more meetings devoted to addressing the Company's strategy, business plan and annual budget, and matters relating to the Corporation's annual stockholders meeting and filings with the Securities and Exchange Commission.

The Chairman shall set the agenda for each Board meeting. Any directors may suggest agenda items.

Briefing Materials and Presentations

To the extent possible and appropriate, management should provide directors with an agenda and written briefing materials (including a financial report) in advance of each Board meeting.

At each regular Board meeting, the Board should receive reports on the overall financial and operating performance of the Company. In addition, management is encouraged to provide the Board with other presentations on important aspects of the Company's operations and business/regulatory environment.

Access to Management

Directors shall have full access to any member of management for the purpose of understanding issues facing the Company. Directors who contact subordinate levels of management should, if appropriate, inform the Chairman and CEO of such interactions. Directors, especially those on the Audit Committee, have complete access to the Company's independent auditors and internal auditor.

Executive Sessions

Non-employee directors will meet by themselves, without management or employee-directors present, at every regularly scheduled Board meeting. Non-employee directors and independent directors may hold other such sessions at the request of any non-employee director or independent director. Non-employee and independent directors shall notify the Chairman if they would like to hold such a session, and the Chairman shall facilitate the scheduling of such a session.

Executive sessions (whether of the non-employee directors or independent directors) will be led by the Chair of the committee that has primary responsibility for the issue being discussed (e.g., the Audit Committee Chair would lead discussion on audit-related matters). In the event that it is not apparent which committee has responsibility, discussion shall be led by the Chair of the Compensation and Corporate Governance Committee.

BOARD COMMITTEES

Number of Committees

The Board has four standing committees: Executive, Audit, Compensation and Corporate Governance, and Nominating. The Board may create additional committees as it deems appropriate, and the Board or committees may create subcommittees as they deem appropriate.

Committee Purpose and Responsibilities

The purpose and responsibilities of each committee are set forth in its written charter or authorizing resolution. Each committee will periodically evaluate its performance, including its composition, responsibilities, structure, processes and effectiveness. As part of this evaluation, each committee will review its charter or authorizing resolution. Any changes to those charters or authorizing resolutions must be approved by the full Board. Each committee Chair (or designee) shall report on the committee's deliberations to the full Board of Directors.

Committee Membership

The Compensation and Corporate Governance Committee will, after consultation with the Chairman (and others as the Committee may see fit), recommend committee assignments (including Chairs) for each committee to the Board for its approval.

Only independent directors may serve on the Audit Committee, the Nominating Committee, and the Compensation and Corporate Governance Committee. In addition, committee members shall meet applicable regulatory requirements imposed by The Nasdaq Stock Market, the Securities and Exchange Commission, the Internal Revenue Service and other applicable regulatory entities.

The Chairs and memberships of committees shall be rotated periodically.

Committee Meetings, Schedules and Agendas

Each committee will determine the schedule for its meetings with the input of management. Committee Chairs will determine the agendas for the committee meetings, taking into account the recommendations of management and the other members of the Committee. Committee members are encouraged to suggest items for agendas.

DIRECTOR ORIENTATION AND EDUCATION

Director Orientation

The Secretary shall assure that each individual, upon joining the Board of Directors, is provided with an orientation regarding the Board and the Company's operations. As part of this orientation, each new director shall have an opportunity to meet with members of senior management of the Corporation.

Ongoing Education

The Board of Directors shall receive presentations from time to time by senior management regarding their respective areas of responsibility. In addition, the Company shall reimburse directors for reasonable expenses relating to ongoing director education.

CORPORATE GOVERNANCE REVIEW AND DISCLOSURE

The Compensation and Corporate Governance Committee shall review these Corporate Governance Principles periodically and shall recommend any changes to the Board for its approval. As part of its review, the Committee will consider whether the principles and practices have been, and are likely to continue to be, effective in enabling the Board to fulfill its responsibilities. The Committee should also consider the expectations of stockholders, changes in applicable laws or regulations, and the practices of boards of other public companies. These Corporate Governance Principles shall be posted on the Company's website.