TRANSACT TECHNOLOGIES INC
Form DEF 14A
April 19, 2019

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant To Section 14(a) Of The Securities Exchange Act Of 1934
(Amendment No.___)

Filed by the Registrant   Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (As Permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction:
(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 28, 2019

To the Stockholders of TransAct Technologies Incorporated:

Notice is hereby given that the 2019 Annual Meeting of Stockholders (the “Annual Meeting”) of TransAct Technologies Incorporated (the “Company”), a Delaware corporation, will be held on May 28, 2019 at 10:00 a.m. Eastern Time, at the Company's executive offices located at One Hamden Center, 2319 Whitney Avenue, Suite 3B, Hamden, CT 06518.
At the Annual Meeting, stockholders will be asked to consider and vote upon the following matters:

(1) To elect two directors to each serve a three-year term until the 2022 Annual Meeting of Stockholders and until their successors have been duly elected and qualified;

(2) To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2019;

(3) To approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement;

(4) To vote, on an advisory basis, on the frequency of future non-binding advisory votes on compensation for our named executive officers;

(5) To transact such other business as may properly come before the Annual Meeting and any adjournment thereof.

Stockholders of record at the close of business on April 1, 2019 are entitled to notice of and to vote at the Annual Meeting.

By Order of the Board of Directors,

STEVEN A. DEMARTINO
Secretary

Hamden, Connecticut
April 19, 2019

YOUR VOTE IS IMPORTANT.

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, OR ANY ADJOURNMENT THEREOF, THE COMPANY REQUESTS THAT YOU FILL IN, DATE, SIGN AND RETURN THE ENCLOSED

PROXY CARD. A POSTAGE-PAID RETURN ENVELOPE IS ENCLOSED FOR THAT PURPOSE. IF YOU DO ATTEND THE ANNUAL MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON. PROMPT RESPONSE IS HELPFUL, AND YOUR COOPERATION IS APPRECIATED.

---

TRANSACT TECHNOLOGIES INCORPORATED
One Hamden Center
2319 Whitney Avenue
Suite 3B
Hamden, CT 06518

PROXY STATEMENT FOR ANNUAL MEETING
OF STOCKHOLDERS TO BE HELD ON MAY 28, 2019

This Proxy Statement is being mailed to our stockholders in connection with a solicitation of proxies by the Board of Directors (the "Board") of TransAct Technologies Incorporated ("TransAct" the "Company," "we," "us," or "our") for use at tl 2019 Annual Meeting of Stockholders of the Company (the "Annual Meeting") and at any adjournment, postponement, rescheduling or continuation of the Annual Meeting. The Annual Meeting will be held on Tuesday, May 28, 2019, beginning at 10:00 a.m. Eastern Time, at the Company's executive offices located at One Hamden Center, 2319 Whitney Avenue, Suite 3B, Hamden, CT 06518. This Proxy Statement, the foregoing Notice of Annual Meeting, the enclosed proxy card and the Company's 2018 Annual Report to Stockholders are first being mailed or given to stockholders on or about April 19, 2019.

All proxies will be voted in accordance with the instructions they contain. If you execute your proxy but do not specify your voting instructions on your proxy card with respect to a particular matter, your shares will be voted in accordance with the recommendations of our Board. The Board recommends that you vote:

- Proposal 1 – FOR the election of Haydee Ortiz Olinger and Emanuel P. N. Hilario as directors of the Company for a term of three years;
- Proposal 2 – FOR the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2019;
- Proposal 3 – FOR the approval, on an advisory basis, of the compensation of our named executive officers as disclosed in this Proxy Statement; and
- Proposal 4 – FOR the approval, on an advisory basis, on the frequency of future non-binding advisory votes on compensation for our named executive officers.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders
To Be Held on May 28, 2019.

This Proxy Statement, the TransAct Technologies Incorporated 2018 Annual Report and the means to vote by Internet are available at www.proxyvote.com. This Proxy Statement and the TransAct Technologies Incorporated 2018 Annual Report are also available at www.transact-tech.com.

## SOLICITATION AND REVOCATION OF PROXY

The proxy will be voted as specified on the proxy unless such proxy is timely revoked as provided herein. A specification on the proxy may be made (i) to vote "for" or "withhold" for the election of each director nominee; (ii) to vote "for" or "against" or to abstain from the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered accounting firm, and the approval, on an advisory basis, of the compensation of our named executive officers; and (iii) to vote for "one year", "two years" or "three years" or to abstain from voting, for the frequency of future advisory votes on the compensation of our named executive officers. Where an executed proxy has been received, but a choice is not specified, the shares represented by the proxy will be voted to elect the two director nominees recommended by the Board, to ratify the selection of PricewaterhouseCoopers LLP as the

Company's independent registered accounting firm, to approve, on an advisory basis, the compensation of our named executive officers and to approve, on an advisory basis, future advisory votes on the compensation of our named executive officers to be held every year.

As of the date of this Proxy Statement, the Board is not aware of any matter which is to be presented for action at the Annual Meeting other than the matters described in this Proxy Statement. Should any other matter requiring a vote of the stockholders arise at the Annual Meeting, the proxies confer upon the persons named in the accompanying proxy the authority to vote in respect of any such other matter in accordance with the recommendation of the Board.

If your shares are held in more than one account, you will receive more than one proxy card. In that case, you are urged to vote all of your shares by signing, dating and returning all proxy cards you receive from the Company in the postage-paid envelope provided. If you vote via the Internet by visiting www.proxyvote.com, please vote once for each proxy card you receive to ensure that all of your shares are voted.

Broker Non-Votes

Brokers are not permitted to vote your shares with respect to matters which are deemed “non-routine” without instructions from you. A broker non-vote occurs when a broker or other nominee submits a proxy that states that the broker does not vote for “non-routine” matters because the broker has not received timely voting instructions from the beneficial owner on the proposal and does not have discretionary authority to vote in the absence of instructions. The election of directors, the advisory vote on the compensation of our named executive officers, and the advisory vote on the frequency of future advisory votes on the compensation of our named executive officers are deemed to be “non-routine” matters. Accordingly, if your shares are held in the name of a broker or nominee and you do not instruct the broker or nominee how to vote with respect to the election of directors, the advisory vote on the compensation of our named executive officers or the advisory vote on the frequency of future advisory votes on the compensation of our named executive officers, your shares will not be counted as having been voted on those matters. Ratification of PricewaterhouseCoopers LLC as our independent registered public accounting firm is a routine matter; therefore, brokers would have discretion to vote on this proposal without having received timely voting instructions from you. Broker non-votes, as well as abstentions, are counted as present for the purpose of determining a quorum.

Required Vote

Directors are elected by a plurality of the votes cast at the Annual Meeting.

The affirmative vote of the holders of a majority of the stock having voting power present in person or by proxy at the Annual Meeting is required to ratify the selection of PricewaterhouseCoopers LLC as the Company’s independent registered public accounting firm for the 2019 fiscal year and to approve the compensation of our named executive officers.

For the proposal regarding the frequency of future advisory votes on executive compensation, the choice receiving the highest number of votes cast will be considered by the Board as the preference of stockholders. The vote for the approval of the compensation of our named executive officers and the vote for the frequency of future advisory votes on executive compensation are on an advisory basis and are therefore non-binding.

For the election of directors and the proposal regarding the frequency of future advisory votes on executive compensation, abstentions and broker non-votes, if any, will not be counted as votes and, accordingly, will have no effect on the outcome of the vote on these two proposals.

For the proposals to ratify the selection of the Company’s independent registered public accounting firm and to approve the compensation of our named executive officers, abstentions will have the effect of a negative vote. Broker non-votes, if any, will not be counted as votes and, accordingly, will have no effect on the outcome of the vote.

Revocation of Proxies

A stockholder who has given a proxy may revoke it at any time prior to its exercise at the Annual Meeting by: (i) giving written notice of revocation to the Secretary of the Company, (ii) properly submitting to the Company a duly executed proxy bearing a later date, or (iii) voting in person at the Annual Meeting. All written notices of revocation and other communications with respect to revocation of proxies should be addressed to the Company as follows: TransAct Technologies Incorporated, One Hamden Center, 2319 Whitney Avenue, Suite 3B, Hamden, CT 06518, Attention: Secretary. A later-dated proxy or written revocation must be received before the Annual Meeting by the

Secretary of the Company, or it must be delivered to the Secretary of the Company at the Annual Meeting before proxies are voted. A stockholder may also revoke a proxy by submitting a new proxy via the Internet at www.proxyvote.com no later than 11:59 P.M. Eastern Time on May 27, 2019. Attendance at the Annual Meeting does not, without further action, revoke the appointment of a proxy; however it may be revoked by voting in person at the Annual Meeting before your proxy is exercised. A proxy appointment will not be revoked by death or supervening incapacity of the stockholder executing the proxy unless, before the shares are voted, notice of such death or incapacity is filed with the Company's Secretary or other person responsible for tabulating votes on behalf of the Company.

ATTENDING THE ANNUAL MEETING

Only stockholders of record or their proxy holders and TransAct guests may attend the Annual Meeting. If you plan to attend the Annual Meeting, please allow time for registration. In order to be admitted to the Annual Meeting, you will be asked to present valid government-issued picture identification, such as a driver's license or passport, and proof of ownership of shares of our common stock as of April 1, 2019, the record date for the Annual Meeting.

If your TransAct shares are held in "street name" through a broker, bank or other nominee, your name does not appear on our list of shareholders, and these proxy materials are being forwarded to you by your broker, bank or other nominee. If you hold in "street name" and wish to attend the annual meeting, in addition to a valid form of picture identification, you will be required to present a letter or account statement showing that you were a beneficial owner of our shares on the record date.

For security purposes, you and your bags are subject to search prior to your admittance to the meeting. Use of mobile phones, cameras, recording equipment and other electronic devices will not be permitted in the meeting without the express permission of the Company.

VOTING SECURITIES

Stockholders of record on April 1, 2019 (the "Record Date") are entitled to vote at the Annual Meeting. Each holder of common stock is entitled to cast one vote for each share of common stock held on the Record Date. There were 7,455,660 shares of common stock issued and outstanding and entitled to vote at the close of business on the Record Date. Shares representing a majority of the shares issued, outstanding and entitled to be voted at the Annual Meeting, present in person or represented by proxy, will constitute a quorum to transact business at the Annual Meeting. Abstentions and broker non-votes are counted towards a quorum.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information known to the Company regarding the beneficial ownership of the Company's common stock as of April 1, 2019 by: (i) each person known by the Company to own beneficially more than 5% of the Company's common stock; (ii) each director or nominee for director of the Company; (iii) each executive officer of the Company named in the Summary Compensation Table; and (iv) all current directors and executive officers of the Company as a group. Except as otherwise indicated, each of the persons named in the table has sole voting power and sole dispositive power with respect to the shares set forth opposite such person's name and the address of the holder is One Hamden Center, 2319 Whitney Avenue, Suite 3B, Hamden, CT 06518.

| Name of Beneficial Owner | Shares Beneficially Owned | Percent of Class | |
|---|---|---|---|
| More than 5% Stockholders: | | | |
| Grand Slam Asset Management, LLC and Mitchell Sacks (1) | 544,239 | 7.30 | % |
| Renaissance Technologies Holding Corporation (2) | 418,200 | 5.61 | % |
| | | | |
| Directors, Executive Officers and Director Nominees: | | | |
| Bart C. Shuldman (3) | 353,150 | 4.56 | % |
| Steven A. DeMartino (4) | 234,624 | 3.08 | % |
| Graham Y. Tanaka (5) | 134,898 | 1.80 | % |
| Thomas R. Schwarz (6) | 84,234 | 1.12 | % |
| John M. Dillon (7) | 70,375 | * | |
| Donald E. Brooks (8) | 45,250 | * | |
| Andrew J. Hoffman (9) | 37,291 | * | |

| | | |
|---|---|---|
| Tracey S. Chernay (10) | 23,125 | * |
| Haydee Ortiz Olinger | 1,000 | * |
| Emanuel P. N. Hilario (11) | 0 | * |
| All current directors and executive officers as a group (11 persons) (12) | 992,988 | 12.14 % |

*Less than 1% of the outstanding common stock.

(1) This information listed in the table and this footnote is based solely on the Schedule 13D filed on December 18, 2018 by Grand Slam Asset Management, LLC ("GSAM") and Mitchell Sacks. GSAM serves as the investment manager for a private investment fund and Mitchell Sacks is the Chief Investment Officer of GSAM. The GSAM Schedule 13D reports that Mitchell Sacks has sole voting power over 3,900 shares and GSAM and Mitchell Sacks share voting and dispositive authority over 540,339 shares. The address of GSAM and Mitchell Sacks reported in the GSAM Schedule 13D is 2160 North Central Road, Suite 306, Fort Lee, NJ 07024.

5

(2) This information listed in the table and this footnote is based solely on the Schedule 13G/A filed on February 13, 2019 by Renaissance Technologies Holding Corporation (“Renaissance”). The Renaissance Schedule 13G/A reports that Renaissance serves as the investment manager for a private investment fund, with which it shares voting and dispositive authority over 27,700 shares, and has sole voting and dispositive power over 390,500 shares. The address of Renaissance as reported in the Renaissance Schedule 13G/A is 800 Third Avenue, New York, NY 10022.

(3) Includes 1,500 shares owned by his spouse in an individual retirement account, 4,800 shares owned by his minor children and 3,750 shares owned by his mother. Includes 296,300 shares subject to options currently exercisable or to become exercisable within 60 days of April 1, 2019 granted under the Company’s 2005 Equity Incentive Plan and 2014 Equity Incentive Plan and 4,050 restricted stock units (“RSUs”) that will convert into shares of common stock within 60 days of April 1, 2019 granted under the Company’s 2014 Equity Incentive Plan.

(4) Includes 172,475 shares subject to options currently exercisable or to become exercisable within 60 days of April 1, 2019 granted under the Company’s 2005 Equity Incentive Plan and 2014 Equity Incentive Plan and 1,275 RSUs that will convert to shares of common stock within 60 days of April 1, 2019 granted under the Company’s 2014 Equity Incentive Plan.

(5) Mr. Tanaka will retire from the Board effective May 28, 2019, at which time all his stock options and awards will vest and all outstanding stock options will expire one year after the date of his retirement. Includes 52,500 shares subject to options currently exercisable or to become exercisable as of May 28, 2019 granted under the Company’s 2005 Equity Incentive Plan and 2014 Equity Incentive Plan and 7,225 RSUs that will convert into shares of common stock as of May 28, 2019 granted under the Company’s 2014 Equity Incentive Plan. Mr. Tanaka maintains margin securities accounts at brokerage firms, and the positions held in such margin accounts, which may from time to time include shares of common stock, are pledged as collateral security for the repayment of debt balances, if any, in the accounts. At April 1, 2019, Mr. Tanaka held 30,000 shares of common stock in such accounts.

(6) Includes 43,125 shares subject to options currently exercisable or to become exercisable within 60 days of April 1, 2019 granted under the Company’s 2005 Equity Incentive Plan and 2014 Equity Incentive Plan and 1,675 RSUs that will convert to shares of common stock within 60 days of April 1, 2019 granted under the Company’s 2014 Equity Inventive Plan.

(7) Includes 45,625 shares subject to options currently exercisable or to become exercisable within 60 days of April 1, 2019 granted under the Company’s 2005 Equity Incentive Plan and 2014 Equity Incentive Plan and 1,675 RSUs that will convert to shares of common stock within 60 days of April 1, 2019 granted under the Company’s 2014 Equity Incentive Plan.

(8) Includes 45,000 shares subject to options currently exercisable or to become exercisable within 60 days of April 1, 2019 granted under the Company’s 2005 Equity Incentive Plan and 2014 Equity Incentive Plan.

(9) Includes 23,750 shares subject to options currently exercisable or to become exercisable within 60 days of April 1, 2019 granted under the Company’s 2005 Equity Incentive Plan and 2014 Equity Incentive Plan.

(10) Includes 23,125 shares subject to options currently exercisable or to become exercisable within 60 days of April 1, 2019 granted under the Company’s 2005 Equity Incentive Plan and 2014 Equity Incentive Plan.

(11) The principal business address of Mr. Hilario is C/O The ONE Group Hospitality, Inc., 411 West 14th Street, New York, New York 10014.

(12)

Includes 709,941 shares subject to options currently exercisable or to become exercisable within 60 days of April 1, 2019 granted under the Company's 2005 Equity Incentive Plan and 2014 Equity Incentive Plan, and 16,900 RSUs that will convert to shares of common stock within 60 days of April 1, 2019 granted under the Company's 2014 Equity Incentive Plan.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's directors, executive officers and persons who beneficially own more than 10% of the Company's common stock to file with the SEC and the Nasdaq Global Market ("Nasdaq") reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. To the Company's knowledge, based solely on a review of such reports, or written representations that no other reports were required to be filed by those persons, the Company believes that, during the fiscal year ended December 31, 2018 each of the Company's officers, directors and greater than 10% stockholders timely complied with all applicable Section 16(a) filing requirements.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company maintains written policies that relate to the identification, review and approval of related party transactions, in addition to the requirements of Nasdaq and the SEC.  As part of a review of possible related person transactions, the Company periodically distributes and collects questionnaires that solicit information about any direct or indirect transactions with the Company from each of our directors and officers.

Our Standards of Business Conduct require all directors, officers and employees to avoid any situation that involves an actual or apparent conflict of interest in personal and professional relationships or with their duty to, or with any interest of, the Company.  Under our Standards of Business Conduct, situations that involve, or may reasonably be inferred to involve, a conflict between a director, officer or employee's personal interests and the interests of the Company should be disclosed to the Chair of the Audit Committee.  The Audit Committee is then responsible for reviewing the transaction.  No transaction determined to be a related party transaction will be approved or ratified if the transaction is contrary to the best interests of the Company.  In determining whether to approve or ratify a related party transaction, the Audit Committee takes into account such factors as it deems appropriate, which may include whether the interested transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction.

From January 1, 2017 to the date of this Proxy Statement, there have not been any transactions subject to the Company's related party transaction policy or of the type described in Item 404 of Regulation S-K, and currently no such transactions are proposed.

## CORPORATE GOVERNANCE

The Company strives to maintain corporate governance practices that benefit the long-term interests of the Company's stockholders by clearly outlining the Company's duties and responsibilities, providing a framework for active and fruitful discussions among the members of the Board and between the Board and management, and avoiding conflicts of interest and other legal and ethical problems. Accordingly, the Company's corporate governance practices are designed not only to satisfy regulatory requirements, but also to provide for effective management of the Company.

Information on the Company's corporate governance practices is available under the "Corporate Governance" tab on the "Investor Relations" page of our website at www.transact-tech.com.  The information on the website includes the Company's Corporate Governance Principles, the charters of each of the Company's Committees, and the Company's Standards of Business Conduct, which includes a code of ethics applicable to the officers responsible for financial reporting, the Chief Executive Officer (Principal Executive Officer) ("CEO"), Chief Financial Officer (Principal Financial Officer) ("CFO"), Chief Accounting Officer (Principal Accounting Officer) and Controller.  Due to the geographical dispersion of our directors, the directors' attendance at the Annual Meeting of Stockholders is encouraged, but we have no formal policy that requires attendance.  None of the directors attended the Company's 2018 Annual Meeting of Stockholders.

### Board Leadership Structure

At present, the Board has chosen to combine the positions of Chairman of the Board and CEO of the Company, with Mr. Shuldman serving in both capacities.  Although the Company had separated the roles of Chairman and CEO in the past, the Board subsequently determined, and continues to believe, that the most effective leadership structure for the Company is to combine these responsibilities, as it is more productive and efficient to have one person serve in both capacities given the size of the Company.  The Board believes this structure avoids duplication of efforts and promotes better alignment of strategic development and execution, more effective implementation of strategic initiatives, greater accountability for the Company's performance and clearer communication of the Company's business and long-term strategies with management, customers and stockholders.  Moreover, the Board believes that combining the Chairman and CEO positions does not impede independent oversight.

The Board believes it is important to retain the organizational flexibility to determine whether the roles of Chairman and CEO should be separated or combined in one individual. While there may be circumstances in which an independent Chairman is appropriate, the Board currently believes that our CEO is the individual with the necessary experience, insight, commitment and support of the other Board members to carry out effectively the role of Chairman. Nevertheless, depending upon the circumstances, the Board could determine to separate the roles of Chairman and CEO in the future, as the Board reexamines its corporate governance policies and leadership structures on an ongoing basis to ensure that they continue to meet our needs.

All of our directors and director nominees are independent under Nasdaq rules except for Mr. Shuldman. Our independent directors meet in executive session, without management or employee directors present, following most regularly scheduled Board meetings and following all Audit Committee meetings. In addition, independent directors may convene additional executive sessions at any time. The executive sessions are led by the Chair of the committee who is responsible for the subject matter at issue (e.g., the Audit Committee Chair would lead a discussion of audit-related matters). When the subject matter at issue does not fall within one committee’s responsibilities, the Chair of the Compensation and Corporate Governance Committee presides. For this reason, and because of the small size of the Board, the Company has not designated any of the independent directors as a “lead director.”

Board's Role in Risk Oversight

The Company has a strong internal control environment to identify and manage risk. Senior management is responsible for assessing and managing the various exposures to risk on a day-to-day basis, including the creation of appropriate risk management policies and programs. These include Standards of Business Conduct, robust product quality standards and processes, and a comprehensive internal and external audit process. Management communicates routinely with the Board, Board Committees and individual directors on the significant risks identified and how they are being managed. The Board is responsible for overseeing management in the execution of its responsibilities and for assessing the overall approach to risk management. The Board exercises these responsibilities periodically as part of its meetings and also through its four committees, each of which examines various components of enterprise risk as part of its responsibilities. The Compensation and Corporate Governance Committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements. The Audit Committee oversees management of financial risks, as well as our policies with respect to risk assessment and risk management. The Nominating Committee manages risks associated with board independence and potential conflicts of interest. In addition, an overall review of risk is inherent in the Board's consideration of our long-term strategies and in the transactions and other matters presented to the Board, including capital expenditures, acquisitions and divestitures, and financial matters. The Board of Director's role in risk oversight is consistent with our leadership structure, with the CEO, President and other members of senior management having responsibility for assessing and managing our risk exposure, and the Board and its committees providing oversight in connection with these efforts.

Board Size

Our By-laws provide that the Board should not have fewer than five members (or as the Board shall determine by resolution) and our Corporate Governance Principles provide that the Board should generally have between five and ten members. In establishing the appropriate number of directors, the Board along with the Compensation and Corporate Governance Committee consider (i) resignations and retirements from the current Board, (ii) the availability of appropriate, qualified candidates, and (iii) the goal of ensuring that the Board is small enough to facilitate active discussions and decision-making while, at the same time, it is large enough to provide an appropriate mix of continuity, experience, skills and diversity so that the Board and its Committees can effectively perform their responsibilities. Our Board is currently set at five directors. On July 27, 2018, the Board appointed a fifth director, Haydee Ortiz Olinger. On January 15, 2019, the Board announced the retirement of Graham Y. Tanaka from the Board effective as of the date of the Annual Meeting. To fill the vacancy resulting from Mr. Tanaka's retirement, the Nominating Committee has recommended, and the Board has voted to nominate, Mr. Emanuel P. N. Hilario to stand for election at the Annual Meeting.

Criteria for Membership on the Board

The Board and its Nominating Committee consider a number of different factors in selecting nominees for director. Some of these factors, such as integrity, are applied uniformly to all prospective candidates. Others, such as specific industry experience, may be adopted on a case-by-case basis by the Board and the Nominating Committee based on the Company's business needs and makeup at the time a nomination is under consideration. The Nominating Committee and the Board apply the same criteria to each candidate for the Board, regardless of whether the candidate is proposed by a stockholder or another source. Specific criteria considered by the Nominating Committee and the Board include:

Independence. The Board, in its Corporate Governance Principles and Committee charters, has established a policy that requires a substantial majority of the directors to be "independent" members of the Board, and only "independent" directors may serve on the Audit Committee, the Nominating Committee and the Compensation and Corporate Governance Committee. The Nominating Committee and the Board consider the independence of each prospective director before election and further consider the independence of all continuing directors on at least an annual basis. The Board has determined that Messrs. Dillon, Schwarz, Tanaka and Hilario and Ms. Olinger are independent in accordance with the standards of Nasdaq and the Company's criteria and that Mr. Shuldman, the Company's Chairman and CEO, is not independent. The Board applies the following criteria in determining independence, which criteria are derived from Nasdaq's listing standards as well as additional requirements that are imposed on members of certain Committees under the rules and regulations of the SEC and the Internal Revenue Service (the "IRS"):

- Independent Judgment. The director must not have any relationship with the Company that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making this determination, the Board considers all relevant facts and circumstances, including commercial, charitable and familial relationships that might have an impact on the director's judgment.

- Employment. The director must not have been an employee of the Company or any parent or subsidiary of the Company at any time during the past three years. In addition, a member of the director's immediate family (including the director's spouse, parents, stepparents, children, stepchildren, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law and anyone who resides in the director's home other than a tenant or employee) must not have been an executive officer of the Company during the past three years.

- Other Payments. Neither the director nor a member of his or her immediate family may have received compensation of more than $120,000 from the Company during any period of 12 consecutive months during the past three years, except for director fees, payments arising solely from investments in the Company's securities, benefits under certain Company plans and non-discretionary compensation, certain permitted loans and compensation paid to a family member who is not an executive officer of the Company.

- Auditor Affiliation. Neither the director nor a member of his or her immediate family may be a current partner of the Company's independent auditors or have been a partner or employee of the Company's independent auditors who worked on the Company's audit at any time during the past three years.

- Interlocking Directorships. Neither the director nor any member of his or her immediate family may be employed as an executive officer by another entity where, at any time during the past three years, any of the Company's executive officers served on the compensation committee.

- Transactions. Neither the director nor any member of his or her immediate family may be a partner in, or a controlling stockholder or executive officer of, any organization that, during the current or any one of the past three years, received payments from the Company, or made payments to the Company, for property or services that exceed the greater of $200,000 or 5% of the recipient's annual consolidated gross revenues for such year (excluding payments arising solely from investments in the Company's securities or paid under a non-discretionary charitable matching program).

- Additional Standards for Audit Committee Members. Any director who serves on the Board's Audit Committee may not, directly or indirectly, have received any consulting, advisory or other compensatory fee from the Company (other than certain retirement benefits and deferred compensation) or be an affiliate of the Company (except as a director, but including by way of stock ownership). In addition, no such director may have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

Overall Board Composition. The Board believes it is important to consider the professional skills and background, experience in relevant industries, age and diversity of its directors in light of the Company's current and future business needs.

Personal Qualities. Each director must possess certain personal qualities, including integrity, judgment and business acumen. In addition, each director must be no older than 80 years of age at the time of nomination or re-nomination.

Diversity. Although the Board has not adopted a formal diversity policy, the Board and the Nominating Committee value diversity and consider diversity as a factor in identifying and evaluating director nominees. The Company considers diversity in a broad sense in terms of differences of viewpoint, skills, professional experience, background and tenure, as well as diversity of race, gender, national origin and age. The Board and Nominating Committee use their judgment to identify nominees whose backgrounds, attributes and experiences, taken as a whole, will contribute to high standards of Board service.

Commitments. Each director must have the time and ability to make a constructive contribution to the Board. While the Board does not believe it is appropriate to establish a single standard regarding the number of other boards on which a director may sit, this is a factor that may be considered in reviewing a candidate's suitability.

Additional Criteria for Incumbent Directors. During their terms, all incumbent directors on the Company's Board are expected to attend Board and Committee meetings regularly, to stay informed about the Company and its business, to participate in discussions of the Board and its Committees, to take an interest in the Company's business and provide advice and counsel to the Company's CEO, and to comply with the Company's Corporate Governance Principles and other applicable policies.

Regulatory Requirements.  The Board must have directors who meet the criteria established from time to time by Nasdaq, the SEC, the IRS and other applicable regulatory entities for service on the Board and its Committees.

Director Nomination Process

Under its charter, the Nominating Committee is responsible for identifying, reviewing and recommending individuals to the Board for nomination or election as directors. This typically involves the following steps:

- Specific Criteria. The Nominating Committee and the Board review the overall composition of the Board in light of the Company's current and expected business needs and, as a result of such assessments, may establish specific qualifications that the Committee will seek in Board candidates.

- Identifying New Candidates. The Nominating Committee may seek to identify new candidates for the Board (i) who possess the desired qualifications and (ii) who satisfy the other requirements for Board service. In identifying new director candidates, the Committee may seek advice and names of candidates from Committee members, other members of the Board, members of management, and other public and private sources. The Committee may also, but need not, retain a search firm in order to assist in these efforts.

- Reviewing New Candidates. The Nominating Committee reviews the potential new director candidates identified through the process described above. This involves reviewing the candidates' qualifications, responses to prospective director questionnaires, and conducting an appropriate background investigation. The Committee may also select certain candidates to be interviewed by one or more Committee members.

- Reviewing Incumbent Candidates. On an annual basis, the Nominating Committee also reviews incumbent candidates for re-nomination to the Board. This review involves an analysis of the criteria described above that apply to incumbent directors.

- Recommending Candidates. The Nominating Committee recommends a slate of candidates for the Board to submit for approval to the stockholders at the Annual Meeting. This slate of candidates may include both incumbent directors and new nominees. In addition, apart from this annual process, the Committee may, in accordance with the Corporate Governance Principles, recommend that the Board elect new members of the Board who will serve until the next annual meeting of stockholders. At the time of making any recommendation to the Board, the Committee reports on the criteria that were applied in making the recommendation and its findings concerning each candidate's qualifications.

- Stockholder Nominations Submitted to the Committee. Stockholders may also submit names of director candidates, including their own, to the Nominating Committee for its consideration. The process for stockholders to use in submitting suggestions to the Nominating Committee is set forth below under "Procedures for Submitting Director Nominations and Recommendations." Candidates who are nominated for the Board by stockholders are evaluated in the same manner as recommendations received from other sources.

Board Meetings and Executive Sessions

The Board holds regular quarterly meetings, as well as periodic special meetings. In 2018, the Board held six meetings. Each director attended 75% or more of the aggregate number of meetings of the Board and applicable committee meetings and their average attendance was 98% during 2018.

Committees of the Board

The Board has four standing committees: the Audit Committee, the Compensation and Corporate Governance Committee, the Nominating Committee and the Executive Committee.

Each Committee is composed entirely of independent directors and operates under a written charter. The Chair of each Committee is selected by the Board. Each Committee, except the Executive Committee, holds regular executive sessions at which only Committee members are present. Each Committee is authorized to retain its own outside counsel and other advisors as it desires.

Charters for the Audit Committee, the Compensation and Corporate Governance Committee, and the Nominating Committee are available on the Company's website under the "Corporate Governance" tab on the "Investor Relations" page at www.transact-tech.com/corporate-governance. A brief summary of the committees' responsibilities follows:

Audit Committee. The Audit Committee assists the Board in fulfilling its responsibilities to oversee the quality and integrity of the Company's financial statements and accounting practices, the Company's compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence, and the performance of the Company's independent registered public accounting firm and internal audit function. Messrs. John M. Dillon, Thomas R. Schwarz and Graham Y. Tanaka and Ms. Haydee Ortiz Olinger serve as the members of the Audit Committee, with Mr. Dillon serving as Chair. The Board has determined that each member of the Audit Committee is an independent director under the standards of Nasdaq and the SEC and meets the financial literacy requirements of Nasdaq. In addition, the Board has determined that Mr. Dillon is an "audit committee financial expert" as defined under the rules of the SEC. The Audit Committee met four times during 2018.

Compensation and Corporate Governance Committee. The Compensation and Corporate Governance Committee oversees the hiring and termination of all executive officers of the Company, the Company's corporate governance practices, CEO performance review and succession planning, director compensation, Board and Compensation and Corporate Governance Committee performance evaluations, stockholder communication matters, the design and management of the executive compensation programs, and the philosophy and programs for all employee compensation and benefit programs worldwide. The Compensation and Corporate Governance Committee is responsible for determining the compensation (including salary, bonus, equity-based grants, and any other long-term cash compensation) for the Company's CEO and our other senior executives. The Compensation and Corporate Governance Committee is comprised of Messrs. John M. Dillon, Thomas R. Schwarz and Graham Y. Tanaka and Ms. Haydee Ortiz Olinger, with Mr. Schwarz serving as Chair. The Board has determined that each member of the Compensation and Corporate Governance Committee is an independent director under the standards of Nasdaq and the SEC. The Compensation and Corporate Governance Committee met four times during 2018.

Nominating Committee. The Nominating Committee assists the Board in carrying out its responsibilities relating to the composition of the Board, including identifying, reviewing and recommending candidates to the Board for nomination as directors. The Nominating Committee is comprised of Messrs. John M. Dillon, Thomas R. Schwarz and Graham Y. Tanaka and Ms. Olinger, with Mr. Tanaka serving as Chair, until his retirement from the Board, effective May 28, 2019 at which time a new Nominating Committee Chair will be determined. The Board has determined that each member of the Nominating Committee is an independent director under the standards of Nasdaq and the SEC. The Nominating Committee met five times during 2018.

Executive Committee. The Executive Committee meets between scheduled meetings of the Board and has the power and authority of the Board, except as limited by the Company's By-Laws. It is comprised of Messrs. John M. Dillon, Thomas R. Schwarz and Graham Y. Tanaka and Ms. Haydee Ortiz Olinger. The Executive Committee did not meet during 2018.

Standards of Business Conduct

To ensure the highest levels of business ethics at the Company, the Board has approved and the Company has adopted Standards of Business Conduct (the "Standards"), which apply to the Company's directors, officers and employees. The Standards provide an overview of the Company's policies related to employee conduct in the workplace, regulatory compliance and investigations; the Company's relationships with its customers, vendors, competitors and the public; insider trading; conflicts of interest; lobbying; political activities and contributions; accuracy of books, records and financial statements; confidentiality; and the protection of all who come forward to report suspected violations of the Standards. In addition, the Standards are a code of ethics promoting honest and ethical conduct on the part of the Company's officers who are responsible for financial reporting, including the CEO and CFO. The Standards mandate that these officers avoid conflicts of interest and disclose any relationship that could give rise to a conflict, protect the confidentiality of non-public information about the Company, work to achieve responsible use of the Company's assets and resources, comply with all applicable governmental rules and regulations, and promptly report any possible violation of the Standards. The Standards require these individuals to promote full, fair, understandable and accurate disclosure in the Company's publicly filed reports and other public communications. It sets forth standards for accounting practices and maintenance of records. Individuals who fail to observe the terms of the Standards may face disciplinary action, including possible employment termination.

We will disclose on our website any amendment to or waiver from a provision of our Standards of Business Conduct as may be required and within the time period specified under applicable Nasdaq and SEC rules. The Standard of Business Conduct is available under the "Corporate Governance" tab on the "Investor Relations" page of our website at www.transact-tech.com.

11

PROPOSAL 1:

ELECTION OF DIRECTORS

The Board currently consists of five directors and is divided into three classes. Each class of directors is elected by the holders of the Company's common stock to serve a staggered three-year term. At the Annual Meeting, two individuals are to be elected to hold office as directors until the 2022 Annual Meeting of Stockholders and until their successors are duly elected and qualified. The nominees for election are Haydee Ortiz Olinger and Emanuel P. N. Hilario. Ms. Olinger, who joined the Board on July 27, 2018, was initially recommended to the Nominating Committee by our CEO. Mr. Hilario was recommended to the Nominating Committee by a stockholder of the Company.

Should the nominees become unavailable, which is not anticipated, the shares represented by the enclosed proxy card will be cast for a substitute candidate as may be designated by the Board, or in the absence of such designation, in such other manner as the Board may determine in its sole discretion. Alternatively, in such a situation, the Board may take action to fix the number of directors for the ensuing year at the number of nominees and incumbent directors who are then able to serve.

Graham Y. Tanaka, 71, has been a director of the Company since its formation in June 1996. As previously reported, Mr. Tanaka will not seek re-election to the Board due to his retirement effective as of the date of the Annual Meeting. We thank Mr. Tanaka for his 22 years of service on the Board and for his many contributions to the Company's strategic direction and successes.

Information Concerning Our Director Nominees

Haydee Ortiz Olinger, 61, was appointed to the Board as a director of the Company on July 27, 2018. Ms. Olinger has served as a Senior Advisor for BarkerGilmore LLC, a consulting firm specializing in recruiting, advising and coaching for legal and compliance talent, since September 2017. Ms. Olinger served in senior management roles for more than twenty years at the McDonald's Corporation, most recently as Global Chief Compliance and Privacy Officer from 2002 to 2015, during which time she successfully developed and implemented best in class compliance and ethics programs. Ms. Olinger earned both her Juris Doctor and Bachelor of Science in Management and Business Administration degrees at DePaul University. Additionally, she earned a Master of Science in Leadership and Business Ethics at Duquesne University.

Ms. Olinger's qualifications for election to the Company's Board include extensive global restaurant industry experience. She currently serves on the board of DePaul University Institute of Business and Professional Ethics, is the former chairperson of the Illinois Lottery Control Board and has also served on the boards of the Society of Corporate Compliance and Ethics/Healthcare Compliance Association (Minnesota) and the National Hispana Leadership Institute (Virginia). From her past executive and director positions, Ms. Olinger brings to our Board her extensive operational and legal experience and knowledge in the restaurant industry. Ms. Olinger has consented to be named in this Proxy Statement and to serve if elected. If elected, Ms. Olinger's term as a director of the Company would expire at the 2022 Annual Meeting of Stockholders.

Emanuel P. N. Hilario, 51, currently serves as a director and as President and Chief Executive Officer of The ONE Group Hospitality, Inc. (NASDAQ: STKS), parent to the STK steakhouse chain, in which roles he has served since April 10, 2017 and October 30, 2017, respectively. Prior to becoming the President and Chief Executive Officer of The ONE Group Hospitality, Mr. Hilario had served as Chief Financial Officer of Sizzling Platter, a restaurant management company operating over 400 franchised restaurants in the United States, Mexico, and China under the brand names of Red Robin, Sizzler, Little Caesars, Dunkin Donuts, and Wingstop, from February 2015 to October 2017. Before joining Sizzling Platter, Mr. Hilario served as Chief Operating Officer for Einstein Noah Restaurant

Group, Inc. (formerly listed on the NASDAQ Global Stock Market under the symbol "BAGL") from 2013 to 2014 and served as its Chief Financial Officer from 2010 to 2013. He previously served as Chief Financial Officer for McCormick & Schmick's Seafood Restaurants, Inc. (formerly listed on the NASDAQ Global Stock Market under the symbol "MSSR") from April 2004 through May 2009 and also served on its board of directors from May 2007 to July 2009. For the preceding four years, Mr. Hilario served as Chief Financial Officer of Angelo and Maxie's, Inc., where he managed the day-to-day operations of the Angelo and Maxie's steakhouse concept from 2002 to 2004. Mr. Hilario began his career at McDonald's. Since 2013, Mr. Hilario has served on the board of the Denver Public School Foundation, a nonprofit organization. He received a Bachelor of Science and Commerce degree in accounting from Santa Clara University in 1990.

Mr. Hilario's qualifications for election to the Company's Board include extensive global restaurant industry experience. From his past executive and director positions, Mr. Hilario brings to our Board his extensive operational, financial and accounting experience and knowledge in the restaurant industry. Mr. Hilario has consented to be named in this Proxy Statement and to serve if elected. If elected, Mr. Hilario's term as a director of the Company would expire at the 2022 Annual Meeting of Stockholders.

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF HAYDEE ORTIZ OLINGER AND EMANUEL P. N. HILARIO AS DIRECTORS OF THE COMPANY FOR A THREE-YEAR TERM.

Information Concerning Directors Whose Terms Expires at the 2020 Annual Meeting of Stockholders

Thomas R. Schwarz, 82, has been a director of the Company since its formation in June 1996 and was Chairman of the Board from June 1996 to February 2001. Mr. Schwarz was Chairman and Chief Executive Officer of Grossman's Inc., a retailer of building materials, from 1990 until his retirement in 1994. From 1980 to 1990, he was President, Chief Operating Officer and a director of Dunkin' Donuts Incorporated, a food service company. Mr. Schwarz is a director of Tanaka Growth Fund and another privately held company. Mr. Schwarz graduated from Williams College in 1958 and Harvard Business School in 1964.

Mr. Schwarz's qualifications for election to the Company's Board include public company leadership experience as President, Chief Operating Officer of Dunkin' Donuts Incorporated and outside board experience as a director of Dunkin' Donuts Incorporated, Grossman's Inc., and The Tanaka Growth Fund. He has been a director of the Company since its inception and is Chairman of the Compensation and Corporate Governance Committee. From his past executive positions, Mr. Schwarz brings to our Board his extensive executive experience and knowledge of operating and managing complex operating companies.

Bart C. Shuldman, 62, has been Chief Executive Officer and a director of the Company since its formation in June 1996 and has been Chairman of the Board since February 2001. Mr. Shuldman also served as the Company's President from 1996 until June 2010. Previously, Mr. Shuldman was Vice President of Sales and Marketing of Magnetec Corporation, a former subsidiary of Tridex, from April 1993 to August 1993, and served as President of Magnetec, and later the combined operations of Magnetec and Ithaca Peripherals Incorporated, another former Tridex subsidiary, from August 1993 to June 1996.

Mr. Shuldman's qualifications for election to the Company's Board include public company leadership experience as CEO of the Company since its inception and board experience as a director and currently Chairman of the Board of the Company. Mr. Shuldman is also a director of a privately-held company. Mr. Shuldman brings to our Board his experience and knowledge of our business derived from his current position as CEO.

Information Concerning Directors Whose Terms Expire at the 2021 Annual Meeting of Stockholders

John M. Dillon, 69, has been a director of the Company since 2011. Mr. Dillon is currently the CEO of Aerospike, the world's first flash-optimized database and the fastest database at scale. Prior to joining Aerospike, Mr. Dillon served as CEO of Engine Yard, Inc., the leading cloud platform for automating and developing Ruby on Rails and PHP applications, from 2009 to 2014. He served as CEO for Navis, Inc., a private company specializing in software systems for operating large marine container terminals and distribution centers, from 2002 to 2008. Before Navis, he also served as CEO for Salesforce.com and President and CEO of Hyperion Solutions. He began his career as a Systems Engineer for EDS (Electronic Data Systems) and then moved into a variety of sales management positions for various high-tech companies, including Oracle Corporation. Mr. Dillon holds a Bachelor's degree in Engineering from the United States Naval Academy and an MBA from Golden Gate University. He served on active duty in the nuclear submarine service for five years before beginning his civilian career.

Mr. Dillon's qualifications for election to the Company's Board include private company leadership in his current CEO role at Aerospike and in his previous CEO roles as previously discussed. Mr. Dillon is a former director at Intacct Corporation and Centerpointe Community Bank and has also served as director of several other companies. From his past executive and director positions, Mr. Dillon brings to our Board his extensive executive experience and knowledge operating and managing complex software and technology companies.

PROPOSAL 2:

RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2019

The Audit Committee has selected PricewaterhouseCoopers LLP as the independent registered public accounting firm to audit the financial statements of the Company for the 2019 fiscal year. This selection is being presented to the stockholders for ratification at the Annual Meeting. PricewaterhouseCoopers LLP has audited the Company's financial statements since the Company's formation in 1996. In the event stockholders do not ratify the appointment, the Audit Committee will reconsider the appointment.

No director or executive officer of the Company has any direct or indirect substantial interest, whether by security holdings or otherwise, in the ratification of PricewaterhouseCoopers LLP as independent registered public accounting firm for the Company's 2019 fiscal year.

A representative of PricewaterhouseCoopers LLP is expected to be present in person during the Annual Meeting, will have the opportunity to make a statement, and is expected to be available to respond to appropriate questions.

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE "FOR" RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2019.

POLICY REGARDING PRE-APPROVAL OF SERVICES PROVIDED
BY THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has established a policy requiring its pre-approval of all audit services and permissible non-audit services provided by the independent registered public accounting firm, along with the associated fees for those services (the "Policy"). The Policy provides for the annual pre-approval of specific types of services pursuant to policies and procedures adopted by the Audit Committee, and gives detailed guidance to management as to the specific services that are eligible for such annual pre-approval. The Policy requires the specific pre-approval of all other permitted services. For both types of pre-approval, the Audit Committee considers whether the provision of a non-audit service is consistent with the SEC's rules on auditor independence, including whether provision of the service (i) would create a mutual or conflicting interest between the independent registered public accounting firm and the Company, (ii) would place the independent registered public accounting firm in the position of auditing its own work, (iii) would result in the independent registered public accounting firm acting in the role of management or as an employee of the Company, or (iv) would place the independent registered public accounting firm in a position of acting as an advocate for the Company. In addition, the Audit Committee considers whether the independent registered public accounting firm is best positioned and qualified to provide the most effective and efficient service, based on factors such as the independent registered public accounting firm's familiarity with the Company's business, personnel, systems or risk profile and whether provision of the service by the independent registered public accounting firm would enhance the Company's ability to manage or control risk or improve audit quality or would otherwise be beneficial to the Company.

The Audit Committee may delegate to one of its members the authority to address certain requests for pre-approval of services between meetings of the Committee, and such Committee member is required to report his or her pre-approval decisions to the Committee at its next regular meeting. The Policy is designed to ensure that there is no delegation by the Audit Committee of authority or responsibility for pre-approval decisions to management of the Company. The Audit Committee monitors compliance by management with the pre-approval Policy by requiring management, pursuant to the Policy, to report to the Audit Committee on a regular basis regarding the pre-approved services rendered by the independent registered public accounting firm.

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S SERVICES AND FEES

The Audit Committee is responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm.  Accordingly, the Audit Committee has appointed PricewaterhouseCoopers LLP to perform audit and other services for the Company.  In addition, the Audit Committee has procedures in place for the pre-approval by the Audit Committee of all services provided by PricewaterhouseCoopers LLP.  These pre-approval procedures, as amended, are described above under "Policy Regarding Pre-Approval of Services Provided by the Independent Registered Public Accounting Firm."

The aggregate fees billed by PricewaterhouseCoopers LLP to the Company for the years ended December 31, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| Audit Fees (1) | $512,475 | $429,618 |
| Audit-Related Fees (2) | 25,000 | 50,000 |
| Tax Fees (3) | 3,575 | 3,581 |
| All Other Fees (4) | 2,718 | 1,818 |
| Total Fees for Services Provided | $543,768 | $485,017 |

(1) Audit Fees consist of fees related to: (i) the annual audit of the Company's financial statements, (ii) reviews of the Company's quarterly financial statements, and (iii) statutorily required audits for the Company's UK subsidiary.

(2) Audit-Related Fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements.

(3) Tax Fees consist of fees for the preparation of tax returns for our UK subsidiary.

(4) All Other Fees include software license fees for the use of a web-based accounting research tool and financial statement disclosure tool.

The Audit Committee has considered whether the provision of the above services, other than Audit Fees, is compatible with maintaining the auditors' independence and has determined that, in its opinion, they are compatible. All of the above services during the year ended December 31, 2018 were either approved by the Audit Committee or were performed pursuant to pre-approval policies and procedures.

AUDIT COMMITTEE REPORT

Under its charter, the Audit Committee is responsible for assisting the Board in fulfilling its responsibilities to oversee the internal controls over financial reporting and quality and integrity of the Company's financial statements and accounting practices, the Company's compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence, and the performance of the Company's independent registered public accounting firm and internal audit function.

Management is responsible for preparing complete and accurate consolidated financial statements in accordance with generally accepted accounting principles. The independent registered public accounting firm is responsible for performing independent audits of the Company's consolidated financial statements and for issuing reports about those financial statements. The Audit Committee meets with the independent registered public accounting firm, the Chief Executive Officer and the Chief Financial Officer of the Company to review the scope and the results of the annual audit, the amount of audit fees, the Company's system of internal accounting controls over financial reporting, the financial statements contained in the Company's Annual Report to Stockholders and other related matters. Separate meetings are held with the independent registered public accounting firm and management.

In connection with its duties, the Audit Committee has taken the following actions:

- It has reviewed and discussed the audited financial statements, as well as the assessment of internal controls over financial reporting, with management.

- It has discussed with the independent registered public accounting firm, which is responsible for expressing an opinion on the financial statements in accordance with generally accepted accounting principles, the matters required to be discussed by the statement on Auditing Standards No. 1301, "Communication with Audit Committees," as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

- It has received from the independent registered public accounting firm the written disclosures describing any relationships between the independent registered public accounting firm and the Company and the letter confirming their independence as required by applicable legal requirements of the Public Company Accounting Oversight Board and has discussed with the independent registered public accounting firm matters relating to their independence.

· Based on its review and discussions described above, the Audit Committee recommended to the Board that the audited financial statements of the Company for the year ended December 31, 2018 be included in the Company's Annual Report on Form 10-K for filing with the SEC.

AUDIT COMMITTEE

John M. Dillon, Chair
Haydee Ortiz Olinger
Thomas R. Schwarz
Graham Y. Tanaka

PROPOSAL 3:

ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with Section 14A of the Exchange Act, we seek your advisory vote on the compensation of the Company's named executive officers as described in this Proxy Statement, including the information provided in the Section entitled, "Executive Compensation," which includes our "Compensation, Discussion and Analysis," and tabular and narrative disclosures regarding the compensation of our named executive officers. We ask that you support the compensation of our named executive officers as disclosed herein. Your vote is advisory, and therefore non-binding, but whatever the outcome of the vote, the Compensation and Corporate Governance Committee (the "Compensation Committee") and the Board will review the results carefully and take the results into account in future compensation decisions. The Compensation Committee believes the Company's executive compensation program reflects a strong pay-for-performance philosophy and is aligned with the stockholders' long-term interests.
We believe that our programs are currently structured in the best manner possible to sustain our organizational and strategic goals, as well as to support our unique culture. Elements of our compensation program and philosophy include:

- Seeking alignment between short-term incentive metrics such as EBITDA and stock price and stockholder value over the long term.

- Regular review of our executive compensation programs by our independent Compensation Committee and engagement of an independent compensation consultant, as necessary or appropriate.

- Monitoring our programs against other companies in the marketplace with whom we compete for talent and against whom we measure our success, noting in particular that this group of companies may change rapidly as the Company experiences its own growth.

- Engaging in rigorous talent reviews of our senior executives to ensure they remain committed to the Company's short and long-term goals, developing or obtaining the skills to manage in the current economy and preparing for the inevitable succession that naturally occurs in any organization.

- Maintaining conservative benefit programs primarily directed and offered to all employees.

- Providing executive officers nominal perquisites.

Stockholders are being asked to vote on the following resolution:

RESOLVED: That the stockholders of the Company approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure.

Because this vote is advisory, it will not be binding upon the Board or the Compensation Committee. However, the Board values stockholders' opinions and the Board and Compensation Committee will take into account the outcome of the advisory vote when considering future executive compensation decisions.

We currently hold an annual advisory vote on the compensation of our named executive officers and anticipate that we will hold our next advisory vote at our 2020 Annual Meeting of Stockholders. In making this determination, we will take into account the results of Proposal 4, our advisory vote on the frequency of future advisory votes on the compensation of our named executive officers.

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE "FOR" THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

PROPOSAL 4:

ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON EXECUTIVE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

The Company also seeks your advisory input with regard to the frequency of future advisory votes on our executive compensation provided for in PROPOSAL 3 above. The applicable rules allow us to ask you for your input on having you give us your advisory vote on our executive compensation every one, two, or three years. The Board has adopted a policy of providing for annual advisory votes on our executive compensation.

An advisory vote on executive compensation is very important to the Board. We greatly appreciate the support our stockholders have provided to us in the past by approving all of the required incentive plans we have put before you. These plans have been designed to provide, and we believe have provided, a strong alignment between executive compensation and financial performance results.

As noted in the Compensation Discussion and Analysis, one of the core principles of our executive compensation is creating long-term sustainable earnings growth. Consequently, by setting a one-year period for holding this advisory vote, we will enhance stockholder communication by providing a clear, simple means for the Company to obtain information on investor sentiment about our executive compensation philosophy on an annual basis. We will continue to carefully review our executive compensation programs during the period between advisory votes and review these programs against the marketplace to ensure ourselves that such programs are properly designed and implemented and delivering the appropriate value to our named executive officers and you, our stockholders. By then getting your feedback annually, we will have the benefit of your views, on the effectiveness of our programs, and be able to efficiently and effectively respond to shareholders' feedback.

The proxy card provides stockholders with the opportunity to choose among four options (holding the advisory vote every one, two or three years, or abstaining) and, therefore, stockholders will not be voting to approve or disapprove the Board's recommendation.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE, ON AN ADVISORY BASIS, FOR A FREQUENCY OF "ONE YEAR" FOR FUTURE NON-BINDING ADVISORY VOTES ON COMPENSATION FOR OUR NAMED EXECUTIVE OFFICERS.

# EXECUTIVE COMPENSATION

## Compensation Discussion and Analysis

### Overview

This Compensation Discussion and Analysis describes the philosophy, approach, and elements used by us and the Compensation Committee of our Board, which is composed entirely of independent directors of the Company, to define, manage, and review the compensation paid to our executives. Our philosophy and approach to executive compensation apply to all executive officers of the Company, including those executives designated as named executive officers ("NEOs"). The Company's NEOs are the CEO, CFO and each of the other three most highly compensated officers.

### Philosophy and Objectives of the Compensation Program

The philosophy behind our executive compensation program is premised on the belief that our compensation should be primarily performance-based and should be competitive with other similarly-sized companies in similar industries. The primary objectives of our compensation program are to:

- Attract, engage, retain, and reward executive officers;
- Motivate employees and encourage individual initiative and effort;
- Help to achieve key business objectives and attain Company goals; and
- Align executives' interests closely with those of the Company and its stockholders to drive long term sustainable earnings growth.

Our executive compensation program principally includes base salary, an annual incentive cash performance bonus and equity incentive awards. The Compensation Committee believes that each element of the total compensation program helps to ensure that the efforts of our executive officers support the creation of stockholder value by focusing on short-term and long-term performance goals, promoting retention of Company stock and an ownership mentality, and linking individual performance to the Company's overall performance. The Committee retains its discretion to modify the compensation program elements in response to the needs of the Company. Except as otherwise prohibited by law or the Company's organizational documents, the Compensation Committee may delegate any or all of its responsibilities to a subcommittee of the Compensation Committee.

The elements of our executive compensation program are periodically reviewed and analyzed using current publicly available market data, contemporary market trends in the industries in which the Company operates and periodic reviews of compensation and benefit surveys. Although we perform periodic reviews of salary surveys and occasionally use compensation consultants to analyze elements of our compensation program, we do not believe that it is appropriate to establish compensation levels based solely on the use of such surveys or analysis or to specifically target any particular market compensation level. This information is used as a market check and as one data point in reviewing our executive compensation program.

The Compensation Committee reviews Company executive officer compensation and performance data to determine whether the Company's executive compensation program is competitive and reasonable. The Compensation Committee, on occasion, meets with the CEO and CFO to obtain recommendations with respect to the Company's compensation programs, practices and packages for the other executive officers, senior managers and other employees. Our CEO and CFO, with the assistance and support of the human resources department, provide recommendations regarding the design of the Company's compensation program to the Compensation Committee. The Compensation Committee considers, but is not bound to accept, management's recommendations with respect to executive compensation.

During 2015, the Compensation Committee retained Compensation Advisory Partners, an independent compensation consultant, to assist the Compensation Committee in assessing the competitiveness of the Company's total compensation program for the Company’s CEO, CFO and Executive Vice President, Sales and Marketing. Compensation Advisory Partners’ work included a review of total compensation paid to the Company’s CEO and CFO, assessing their compensation relative to individuals holding similar positions at companies in similar industries and size and providing market-based compensation data for base salaries, annual cash incentive awards and long-term equity awards for the CEO and CFO.

Compensation Advisory Partners used two sources to develop their recommendations to the Compensation Committee. The first source was Towers Watson’s 2015 CSR General Industry Top Management Compensation Survey Report-U.S. which is based on the responses of 410 organizations, both publically and privately held, reporting data on 7,374 incumbents. Of the 410 organizations surveyed by Towers Watson, Compensation Advisory Partners used benchmarking data from those companies with reported annual revenue of approximately $70 million. The second source was Compensation Advisory Partners’ own proprietary database of public general industry companies, excluding financial service companies, using benchmarking data from those companies that have annual revenue between $30 million and $175 million and a market capitalization between $30 million and $175 million. This benchmarking data resulted in the use of 62 companies for the CEO position and 53 companies for the CFO position.

Beginning in 2016, based on the review conducted by Compensation Advisory Partners, the Compensation Committee revised the elements of the Company's annual and long-term incentive compensation programs to further align the Company's CEO and CFO annual incentive compensation with the goal of building stockholder value.

During 2018, the Compensation Committee retained Compensation Advisory Partners to assist the Compensation Committee in reassessing the competitiveness of the Company's total compensation program for the Company's CEO and CFO, with the goal of implementing compensation changes based on Compensation Advisory Partners' advice and/or recommendations, if any, in 2019.

The Compensation Committee similarly engaged Compensation Advisory Partners in 2017 in connection with the review of the compensation of our directors, as discussed below under "Director Compensation for Fiscal Year 2017."

Compensation Advisory Partners did not advise management of the Company, and neither Compensation Advisory Partners nor its affiliates received any compensation from the Company for services other than those performed for the Compensation Committee. The Committee reviewed the independence of Compensation Advisory Partners and concluded that no conflict of interest was raised by the services provided by Compensation Advisory Partners.

Elements of the Company's Compensation Program

The principal elements of the Company's compensation program are base salary, an annual incentive cash bonus and equity incentive awards.

Base Salary: In general, base salaries for employees, including executive officers, are established based on the scope of their responsibilities, individual contribution, prior experience, sustained performance, external market data and anticipated level of difficulty of replacing the employee with someone of comparable experience and skill. Base salary for each executive is reviewed on an annual basis as part of our Company-wide merit review process. The amount of any merit increase to an executive's base salary is determined based on a combination of the current position of the executive's pay against market data and the executive's performance and results during the past year. Our CEO is responsible for assessing the performance of each executive reporting to him. Our Compensation Committee assesses the performance of our CEO.

Annual Incentive Cash Bonus: We have historically maintained an annual incentive cash bonus program for all executive officers, except for those who receive sales commissions, which provides our executives with the opportunity to receive performance bonuses in the form of cash upon the attainment of certain annual financial objectives, as well as performance and business objectives. The incentive bonus opportunity is designed to be a significant portion of executive compensation in order to create and maintain a strong incentive for our executives to achieve or exceed our business strategic and annual financial objectives. Fifty percent of each executive's Target Bonus (as defined below) is based on achievement of a specified level of earnings before interest, taxes, depreciation and amortization ("EBITDA") and fifty percent is based solely on achievement of specific individual strategic performance and business objectives.

To ensure alignment of compensation with our business objectives, our CEO and other executive officers establish specific quantitative and qualitative performance metrics for our business each fiscal year. These performance metrics as used for incentive bonus targets are then reviewed and approved by our Compensation Committee. The metrics are aligned with our strategic and annual business plans and are reviewed by our Board and Compensation Committee. For 2018, the quantifiable metric of our annual incentive bonus program consisted of a target level of EBITDA of $9,400,000, excluding the effect of external acquisition related expenses, severance and certain legal fees (the "EBITDA Target"). The threshold and maximum EBITDA performance metrics set forth in the incentive bonus program by our Compensation Committee were $7,050,000 and $14,185,000, respectively, excluding the effect of external acquisition related expenses, severance and certain legal fees.

Our executive officers, except for those that receive sales commissions, participate in the incentive bonus program. Each of our NEOs participates in the incentive bonus program, with the exception of Ms. Chernay, who is eligible to earn sales commission on our casino and gaming annual sales. Bonuses are paid under the incentive bonus program only if the Company meets the specified quantifiable performance objectives and/or the executive meets specified individual strategic performance and business objectives. The incentive cash bonus that any particular executive is eligible to earn is established as a percentage of the individual's base salary ("Target Bonus"). The Target Bonus percentages for 2018 for each of our NEOs who participated in the incentive bonus program were as follows: Mr. Shuldman, 75%; Mr. DeMartino, 50%; Mr. Hoffman, 30%; and Mr. Brooks, 30%. For 2018, 50% of each executive's Target Bonus was based on achievement of the EBITDA Target (the "EBITDA Bonus Amount") and 50% was based solely on achievement of individual strategic performance and business objectives established by the CEO and the Compensation Committee for each participant (the "Performance Bonus Amount"). No EBITDA Bonus Amount is payable unless adjusted EBITDA exceeds the specified threshold ($7,050,000 for 2018), however the executive may still earn the Performance Bonus Award based solely on the achievement of certain qualitative non-financial objectives. Above the threshold, the EBITDA Bonus Amount is adjusted upward on a sliding scale ranging from 3% up to a maximum of 150% of the Target Bonus for 2018. Adjusted EBITDA is defined as net income before net interest expense, income taxes, depreciation and amortization and is adjusted for share-based compensation and the effect of external acquisition related expenses, severance and certain legal fees. The Company adjusts EBITDA for share-based compensation because the Company considers share-based compensation to be a non-cash expense similar to depreciation and amortization. The Company adjusts EBITDA for external acquisition related expenses, severance and certain legal fees to provide a measure of our ongoing performance of our existing business. A reconciliation of adjusted EBITDA to net income, the most comparable GAAP financial measure, can be found in the "2018 Executive Compensation" section.

With respect to the Performance Bonus Amount, performance objectives include personal goals that support the Company's overall business objectives as well as other financial and non-financial measurements. The Compensation Committee is responsible for determining achievement of performance objectives for the CEO. The CEO is responsible for determining achievement of performance objectives for each of his direct reports. For other participants, achievement of performance objectives will be determined by the President or the appropriate Vice President or manager. For 2018, the Performance Bonus Amount ranged from 0% to 50% of the Target Bonus depending on the level of achievement.

Equity Incentive Awards: The goal of our equity-based incentive awards is to align the interests of our executives with our stockholders and to provide executives with a long-term incentive to manage the Company from the perspective of an owner with an equity stake in the business. Because vesting of our stock awards is based on continued employment, our equity-based incentives also facilitate the retention of executives through the term of the awards. Generally, we believe that stock options have proven to be an effective tool for meeting our compensation goal of increasing long-term stockholder value by tying the value of stock options to our future stock price performance – i.e. executives are able to profit from stock options only if our stock price increases in value over the stock option's exercise price.

Since 2016, based on the review conducted by Compensation Advisory Partners, the Company's CEO and CFO are awarded three types of long-term equity awards: (1) non-qualified stock options ("NQSOs"), (2) restricted stock units ("RSUs") and (3) performance share awards ("PSAs"). We believe these elements of long-term compensation for the CEO and CFO provide further alignment with stockholders' interests and enhance our pay for performance objectives.

Grants of long-term incentive awards are approved annually by the Compensation Committee at its regularly scheduled meeting typically held on or about March 1. While the majority of equity awards (historically, stock options) to our employees are made under our annual grant program, the Compensation Committee may grant equity awards to employees at other times, including at the time of hire of an employee, promotion of an employee, to reward an employee, for retention purposes or in other circumstances as recommended by the CEO or the Compensation Committee. In determining the size of the long-term equity incentives to be awarded to employees, we take into consideration a number of factors including, but not limited to, relative job scope, individual performance level, prior contributions to the Company, the need to retain the employee, the size of prior grants and competitive market data. Based upon these factors, the Compensation Committee determines the size of the equity incentives at levels it considers appropriate to create meaningful opportunity for reward predicated on the creation of long-term stockholder value.

The total dollar value of each executive's equity incentive award is set based on competitive market data provided by Compensation Advisory Partners during their compensation study and is divided in the following proportions: 40% NQSOs, 30% RSUs and 30% PSAs. NQSOs vest 25% per year over four years and have a ten-year term. The exercise price of options granted is set at the closing price of our common stock on the date of grant. RSUs convert to common stock on a one-to-one basis and vest 25% per year over four years. PSAs are earned on a variable basis dependent upon level of achievement against a long-term performance metric, which for 2018 was a two-year combined EBITDA target for 2018 and 2019. Vesting of PSAs ranges from a threshold payout of 50% of target to a maximum payout of 200% of target, depending on the level of performance achievement. Below threshold-level performance will result in a payout of 0% of target. Earned PSAs convert to shares of common stock on a one-for-one basis. As of December 31, 2018 we are estimating that our two-year EBITDA for 2018 and 2019 will be below the threshold-level performance which will result in a payout of 0% of the PSAs granted during 2018. As of December 31, 2018, we achieved approximately 94% of our two-year EBITDA target for 2017 and 2018 which will result in a payout of approximately 85% of the PSAs granted during 2017. The PSAs converted to shares of common stock upon approval of the audited financial statements by the Board on February 27, 2019.

2018 Executive Compensation

The specific compensation decisions made for each of our executive officers for 2018 reflect the performance of the Company against key financial and operational measurements, as well as performance against objectives.

Base Salary: The Company's Director, Human Resources and the CEO and CFO review and discuss the NEOs' (other than the CEO and CFO) base salaries. In connection with establishing the NEOs' (other than the CEO and CFO) base salary adjustments, the Director, Human Resources provides merit increase percentage guidelines based on market compensation data, knowledge of competitive market practices and the Company's salary budget. The merit increase percentage guidelines (the "Merit Increase Guideline") for the 2018 base salary increases for all NEOs serving at the time were from 0% to 3% and took effect on March 1, 2018. After considering the Merit Increase Guideline and evaluating each NEO's performance and the position of his or her current base salary, the CEO, as direct supervisor, makes a specific base salary adjustment recommendation to the Compensation Committee (other than for himself). Each NEO's actual base salary adjustment, if any, is determined by the Compensation Committee.

In determining the base salary of the NEOs for 2018, the Compensation Committee evaluated the overall performance of the Company, each NEO's contributions to that performance, including the performance of the sales unit or function that such NEO leads when relevant, and market data. Based on individual considerations with respect to each NEO, such as his or her experience and contributions to the Company, and recognizing that the Company must also react to a competitive marketplace on a case-by-case basis when seeking to recruit and retain executives, the Compensation Committee strives to set each NEO's base salary within the Merit Increase Guidelines, if warranted. In 2018, Ms. Chernay's base salary was increased an additional 9% above the 3% merit increase amount due to her expanded role of leading global gaming sales upon the termination of our world-wide distributor, Suzo-Happ Group, effective December 31, 2017. Other than Ms. Chernay's increase, no additional adjustments above the Merit Increase Guidelines were made in 2018 to our NEO's base salaries.

Annual Incentive Cash Bonus Program: For 2018, the Company achieved adjusted EBITDA of $8,314,000, as reviewed and approved by the Compensation Committee. These results were approximately 12% below the EBITDA Target of $9,400,000, resulting in a payout at 54% of the EBITDA Target for the EBITDA bonus amount. Each NEO achieved all of his or her performance objectives set for 2018. Therefore, for 2018, the incentive cash bonus payout for all eligible employees based on both financial and performance objectives achievement was approved at 77% of each individual's annual Target Bonus. For 2018, Mr. Shuldman, Mr. DeMartino, Mr. Hoffman and Mr. Brooks were paid cash incentive bonuses of $297,412, $131,808, $53,786 and $45,435, respectively. These amounts are shown in the "Summary Compensation Table" below under the "Non-Equity Incentive Plan Compensation" column. These bonuses were calculated as a percentage of each executive's base salary in effect as of March 2018. Ms. Chernay was not eligible to participate in the incentive bonus program as she earned commissions based on annual sales from her sales unit. Ms. Chernay received a commission, paid monthly, equal to approximately 0.4% of sales achieved by her sales unit during 2018, resulting in the payout amount shown in the "Summary Compensation Table" under the "Bonus" column. The following is a reconciliation of the non-GAAP financial measure, adjusted EBITDA for the year ended December 31, 2018:

| | Year Ended December 31, 2018 |
|---|---|
| Net income | $5,426,000 |
| Interest expense, net | 27,000 |
| Income tax provision | 1,040,000 |
| Depreciation and amortization | 997,000 |
| EBITDA | 7,490,000 |
| Share-based compensation expense, acquisition, severance and certain legal expenses | 824,000 |
| Adjusted EBITDA | $8,314,000 |

Equity Incentive Awards: For 2018, our CEO recommended to the Compensation Committee a total equity award dollar value range for each executive officer, other than the CEO and CFO, primarily based on the compensation study performed by Compensation Advisory Partners as discussed above. After considering our CEO's recommendations and the compensation study, the Compensation Committee, with our CEO's participation, determined the total equity award dollar value for each NEO other than our CEO. The Compensation Committee determined our CEO's total equity award dollar value without input of management. The Compensation Committee considered several factors in making its determinations, including our CEO's recommendations, the Compensation Advisory Partners compensation study, the Company's performance, each NEO's position within the Company and his or her perceived potential contributions to the Company, and the Compensation Committee's subjective understanding of competitive practices in the marketplace with respect to equity awards. The factors used by our CEO to determine recommendations regarding total equity award dollar value ranges for each NEO and by the Compensation Committee to establish each NEO's total equity award dollar value were assessed by our CEO and the Compensation Committee, respectively, on a subjective basis.

On March 1, 2018, the Compensation Committee awarded a grant to Mr. Shuldman, Mr. DeMartino, Mr. Hoffman, Ms. Chernay and Mr. Brooks of stock options to purchase 76,400, 36,400, 5,000, 5,000, and 5,000 shares, respectively. On March 1, 2018, the Compensation Committee awarded a grant of restricted stock units to Mr. Shuldman and Mr. DeMartino of 9,400 and 3,000, respectively. On March 1, 2018, the Compensation Committee awarded a grant of performance stock awards to Mr. Shuldman and Mr. DeMartino of 9,300 and 2,900, respectively. The vesting terms of the grant of each stock award are outlined in the table entitled “Grants of Plan-Based Awards in 2018.” The stock options granted to Mr. Shuldman and Mr. DeMartino included additional special awards of 40,000 and 25,000 shares, respectively, in recognition of their performance and the Company exceeding its operating plan for 2017. The level of awards granted to all the other NEOs was in line with the recommendations received from Compensation Advisory Partners’ study performed in 2015. The Compensation Committee’s decision to grant three types of equity awards in the following proportions, excluding the additional special award, was based on the recommendation of Compensation Advisory Partners: 40% NQSO, 30% RSUs and 30% PSAs.

Results of 2018 Annual Meeting

At our 2018 Annual Meeting of stockholders, 95.2% of the votes cast by stockholders voted, on an advisory basis, to approve the compensation of the Company's NEOs (sometimes referred to as a "say-on-pay vote"). The Board considered these voting results and evaluated our executive compensation practices. After considering the principles underlying our executive compensation practices and the results of last year's say-on-pay vote, the Board reaffirmed the basic elements of our executive compensation program and policies for 2019 with the exception of the performance stock awards for Mr. Shuldman and Mr. DeMartino, which will be replaced by a long-term performance cash incentive bonus beginning in 2019. The Board has adopted a policy of providing for annual say-on-pay votes.

Tax Deductibility of Compensation

Prior to the 2018 tax year, Section 162(m) of the Internal Revenue Code limited the tax deductibility of annual compensation paid to certain executive officers of publicly held corporations to the extent that any officer's compensation (other than qualified performance-based compensation) exceeded $1 million. The exemption was repealed, effective for taxable years beginning after December 31, 2017. As a result, compensation paid to any "covered employee" in excess of $1 million is no longer deductible, unless the compensation qualified for limited transition relief applicable to certain performance-based compensation arrangements in place as of November 2, 2017. A "covered employee" is defined under Section162(m) as any employee who has served as CEO, CFO or other NEO for tax years after December 31, 2016. The rules and regulations promulgated under Section 162(m) are complicated, have recently changed, and may further change from time to time, and the scope of the transition relief under the legislation repealing Section 162(m)'s exemption from the deduction limit is uncertain. As such, there can be no guarantee that compensation intended to satisfy the requirements for tax deductibility in fact will.

The Committee believes that its primary responsibility is to provide a compensation program that attracts, retains and rewards the executive officers necessary for the Company's success, as described above. As a result, we currently and may in the future award compensation that is not fully deductible under Section 162(m) in order to ensure competitive levels of total compensation for our executive officers and when we otherwise view such compensation as consistent with our compensation policies.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's Proxy Statement for the Annual Meeting.

COMPENSATION AND CORPORATE
GOVERNANCE COMMITTEE

Thomas R. Schwarz, Chair
John M. Dillon
Haydee Ortiz Olinger
Graham Y. Tanaka

SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the compensation earned by each of the NEOs in 2018, 2017 and 2016:

| Name and Principal Position | Year | Salary ($) | Bonus (2)($) | Option Awards (3)($) | Stock Awards (4)($) | Non-Equity Incentive Plan Compensation(5)($) | All Other Compensation ($) | | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| Bart C. Shuldman (1) | 2018 | 511,942 | - | 336,160 | 241,405 | 297,412 | 44,346 | (6) | 1,431,265 |
| Chairman and Chief | 2017 | 500,000 | - | 160,095 | 240,942 | 442,500 | 44,508 | (6) | 1,388,045 |
| Executive Officer | 2016 | 498,698 | - | 160,066 | 227,334 | 300,000 | 43,507 | (6) | 1,229,605 |
| Steven A. DeMartino | 2018 | 340,327 | - | 160,160 | 76,157 | 131,808 | 23,865 | (7) | 732,317 |
| President, Chief Financial | 2017 | 332,389 | - | 50,115 | 75,525 | 196,109 | 23,442 | (7) | 677,580 |
| Officer, Treasurer and Secretary | 2016 | 330,527 | - | 50,041 | 71,461 | 132,956 | 23,172 | (7) | 608,157 |
| Andrew J. Hoffman | 2018 | 231,458 | - | 22,000 | - | 53,786 | 20,704 | (7) | 327,948 |
| Senior Vice President, | 2017 | 226,058 | - | 9,750 | - | 80,025 | 20,526 | (7) | 336,359 |
| Operations | 2016 | 224,792 | - | 8,150 | - | 54,254 | 19,998 | (7) | 307,194 |
| Donald E. Brooks | 2018 | 195,523 | - | 22,000 | - | 45,435 | 14,262 | (8) | 277,220 |
| Senior Vice President, | 2017 | 190,962 | - | 9,750 | - | 67,601 | 13,466 | (8) | 281,779 |
| Engineering | 2016 | 190,962 | - | 8,150 | - | 45,831 | 13,455 | (8) | 258,398 |
| Tracey S. Chernay | 2018 | 184,231 | 96,746 | 22,000 | - | - | 20,006 | (7) | 322,983 |
| Senior Vice President, | 2017 | 167,077 | 83,731 | 9,750 | - | - | 15,687 | (7) | 276,245 |
| Global Casino, Gaming & Lottery Sales | 2016 | 183,000 | 77,936 | 8,150 | - | - | 19,259 | (7) | 288,345 |

(1) Mr. Shuldman is a director of the Company, but does not receive any separate compensation for such service.

(2) Bonuses paid to Ms. Chernay represent commissions on casino and gaming annual sales. For the other NEOs, incentive cash bonus awards earned under the Company's annual incentive cash bonus program appear in the "Non-Equity Incentive Plan Compensation" column. Ms. Chernay does not participate in the Company's annual incentive cash bonus program.

(3) Amounts reflect the grant date fair value of stock options, calculated in accordance with FASB ASC Topic 718. The option awards were granted under the Company's 2014 Equity Incentive Plan. For information on the valuation assumptions with respect to these awards, refer to the notes of the Company's financial statements in the Form 10-K for the years ended December 31, 2016, 2017 and 2018, as filed with the SEC. Please see the "Outstanding Equity Awards at 2018 Fiscal Year-End" table for a description of option awards. There were no forfeitures of stock option awards by the NEOs during 2018.

(4) Amounts reflect the grant date fair value of RSUs and PSAs calculated in accordance with FASB ASC Topic 718. These awards were granted under the Company's 2014 Equity Incentive Plan. The grant date fair value of the PSAs assuming maximum performance achievement is as follows: Mr. Shuldman, $242,358 and Mr. DeMartino, $75,574. For information on the valuation assumptions with respect to the RSUs and PSAs reported in this column, refer to the notes of the Company's financial statements in the Form 10-K for the years ended December

31, 2018, as filed with the SEC. Please see the "Outstanding Equity Awards at 2018 Fiscal Year-End" table for a description of equity compensation awards. There were no forfeitures of equity compensation awards by the NEOs during 2018.

(5) Amounts represent incentive cash bonuses earned under the Company's annual incentive cash bonus program.

(6) For Mr. Shuldman, this amount consists of an automobile allowance of $19,200, Company contributions under the Company's 401(k) Plan of $8,250, life insurance and disability insurance premiums of $12,126 and tax return preparation fees of $4,770.

(7) For Mr. DeMartino, Mr. Hoffman and Ms. Chernay, these amounts consist of automobile allowances of $12,000, $6,000 and $6,000, respectively, Company contributions under the Company's 401(k) Plan of $8,250, $8,250 and $8,250, respectively, and, life insurance and disability insurance premiums of $3,615, $6,454 and $5,756, respectively.

(8) For Mr. Brooks, this amount consists of Company contributions under the Company's 401(k) Plan of $7,894 and life insurance premiums and disability insurance premiums of $6,368.

GRANTS OF PLAN-BASED AWARDS IN 2018

The following table sets forth information concerning the grant of cash plan-based awards to NEOs in 2018:

| Name | Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($) | Target ($) | Maximum ($) |
|---|---|---|---|
| Bart C. Shuldman | 193,125 | 386,250 | 772,500 |
| Steven A. DeMartino | 85,590 | 171,180 | 342,360 |
| Andrew J. Hoffman | 34,926 | 69,852 | 139,704 |
| Donald E. Brooks | 29,504 | 59,007 | 118,014 |
| Tracey S. Chernay | - | - | - |

(1) Represents target payout under our annual incentive cash bonus program for 2018. Payment of the 2018 program occurred in March 2019 upon approval by the Compensation Committee. Amounts earned in 2018 and paid in 2019 are included in the “Non-Equity Incentive Plan Compensation” column of the Summary Compensation Table. The maximum amounts assume a payout of 200% of the NEO's annual Target Bonus. The annual incentive cash bonus program is described in the “Compensation Discussion and Analysis”.

The following table sets forth information concerning the grant of equity plan-based awards to NEOs in 2018:

| Name | Grant Date | Estimated Future Payouts Under Equity Incentive Plan Awards (1) Threshold (units) | Target (units) | Maximum (units) | All Other Stock Awards: Number of Units (2)(#) | All Other Option Awards: Number of Securities Underlying Options(3)(#) | Exercise or Base Price of Option Awards ($/Sh) | Grant Date Fair Value of Stock and Option Awards(4)($) |
|---|---|---|---|---|---|---|---|---|
| Bart C. Shuldman | 3/1/2018 | 4,650 | 9,300 | 18,600 | - | - | - | 121,179 |
| | 3/1/2018 | - | - | - | 9,400 | - | - | 120,226 |
| | 3/1/2018 | - | - | - | - | 76,400 | 13.65 | 336,160 |
| Steven A. DeMartino | 3/1/2018 | 1,450 | 2,900 | 5,800 | - | - | - | 37,787 |
| | 3/1/2018 | - | - | - | 3,000 | - | - | 38,370 |
| | 3/1/2018 | - | - | - | - | 36,400 | 13.65 | 160,160 |
| Andrew J. Hoffman | 3/1/2018 | - | - | - | - | 5,000 | 13.65 | 22,000 |
| Donald E. Brooks | 3/1/2018 | - | - | - | - | 5,000 | 13.65 | 22,000 |
| Tracey S. Chernay | 3/1/2018 | - | - | - | - | 5,000 | 13.65 | 22,000 |

(1) Represents PSAs that were issued under our 2014 Equity Incentive Plan and are subject to vesting based on performance relative to two-year EBITDA targets. Each PSA corresponds to one share of common stock. Vesting ranges from a threshold payout of 50% of target to a maximum payout of 200%. Below

threshold-level performance will result in a payout of 0% of target. Unvested PSAs do not accrue dividend equivalents. PSAs convert to common stock on a one-to-one basis upon vesting at the end of the performance period following the Compensation Committee's review and approval of performance achievement levels.

(2) Represents RSUs that were issued under our 2014 Equity Incentive Plan. Unvested RSUs do not accrue dividend equivalents. Subject to the terms of our 2014 Equity Incentive Plan and the stock award agreements issued in connection with these grants, each RSU granted in 2018 to a NEO vests at a rate of 25% per year over four years and is settled in shares of common stock on a one-for-one basis.

(3) Represents stock option awards that were issued under our 2014 Equity Incentive Plan and were granted with an exercise price per share equal to the fair market value of our common stock on the date of grant, as determined by the closing price of the stock on the date the option was granted. Subject to the terms of our 2014 Equity Incentive Plan and the option agreements issued in connection with these grants, each option award granted in 2018 to a NEO vests at a rate of 25% per year over four years.

(4) The amounts shown represent the grant date fair value of stock awards granted in 2018 calculated in accordance with FASB ASC Topic 718. The grant date fair values shown for PSAs granted to our NEOs assume target-level performance. For information on the valuation assumptions with respect to these awards, refer to Note 10 of the Company's financial statements in the Form 10-K for the year ended December 31, 2018, as filed with the SEC. Please see the "Outstanding Equity Awards at 2018 Fiscal Year-End" table for a description of option awards. There were no forfeitures of stock option awards by the NEOs during 2018.

OUTSTANDING EQUITY AWARDS AT 2018 FISCAL YEAR-END

The following table shows outstanding equity awards for the NEOs as of December 31, 2018:

| | Option Awards | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|
| Grant Date | Number of Securities Underlying Unexercised Options (# Exercisable)(1) | Number of Securities Underlying Unexercised Options (# Unexercisable) | Option Exercise Price ($) | Option Expiration Date | Number Units of Stock That Have Not Vested(#) | Market Value of Units of Stock That Have Not Vested($)(2) | Number of Unearned Units That Have Not Vested(#)(3) | Payout Value of Unearned Units That Have Not Vested($)(2) |
| Bart C. Shuldman | | | | | | - | - | - |
| 5/27/2010 | 25,000 | - | 7.45 | 5/27/2020 | - | - | - | - |
| 3/7/2011 | 17,500 | - | 9.89 | 3/7/2021 | - | - | - | - |
| 3/5/2012 | 22,500 | - | 6.70 | 3/5/2022 | - | - | - | - |
| 3/1/2013 | 22,500 | - | 7.89 | 3/1/2023 | - | - | - | - |
| 2/27/2014 | 25,000 | 25,000 | 11.61 | 2/27/2024 | - | - | - | - |
| 2/26/2015 | 18,750 | 31,250 | 6.76 | 2/26/2025 | - | - | - | - |
| 2/25/2016 | 49,100 | 49,100 | 7.17 | 2/25/2026 | 8,400 | 76,760 | - | - |
| 5/22/2017 | 20,525 | 61,575 | 8.30 | 5/22/2027 | 12,150 | 108,135 | 13,293 | 118,308 |
| 3/1/2018 | - | 76,400 | 13.65 | 3/1/2028 | 9,400 | 83,660 | - | - |
| | | | | | | | | |
| Steven A. DeMartino | | | | | | | | |
| 5/27/2010 | 15,000 | - | 7.45 | 5/27/2020 | - | - | - | - |
| 3/7/2011 | 17,500 | - | 9.89 | 3/7/2021 | - | - | - | - |
| 3/5/2012 | 20,000 | - | | | | | | |