

TRANSACT TECHNOLOGIES INC
Form DEF 14A
April 23, 2012

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.

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- (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):
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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 30, 2012

To the Stockholders of TransAct Technologies Incorporated:

Notice is hereby given that the 2012 Annual Meeting of Stockholders (the "Annual Meeting") of TransAct Technologies Incorporated (the "Company" or "TransAct"), a Delaware corporation, will be held on May 30, 2012 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 for the following purposes:

- (1) To vote on a proposal to elect John M. Dillon as director to serve until the 2015 Annual Meeting of Stockholders or until the director's successor has been duly elected and qualified;
- (2) To vote on a proposal to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2012;
- (3) To transact such other business as may legally come before the Annual Meeting.

Stockholders of record at the close of business on April 5, 2012 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 20, 2012

YOUR VOTE IS IMPORTANT.

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, THE COMPANY REQUESTS THAT YOU FILL IN, DATE, SIGN AND RETURN THE ENCLOSED PROXY. A RETURN ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES, 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, Connecticut 06518

PROXY STATEMENT FOR ANNUAL MEETING
OF STOCKHOLDERS TO BE HELD ON MAY 30, 2012

Important Notice Regarding the Availability of Proxy Materials for the Stockholder
Meeting To Be Held on May 30, 2012.

This Proxy Statement, the TransAct Technologies Incorporated 2011 Annual Report and the means to vote by Internet are available at www.proxyvote.com.

This proxy statement is being made available to our stockholders in connection with a solicitation of proxies by the Board of Directors of TransAct Technologies Incorporated (“TransAct” the “Company,” “we,” “us,” or “our”) for use at the Annual Meeting of Stockholders of the Company (the “Annual Meeting”) and at any adjournment or postponement of the meeting. The meeting will be held on Wednesday, May 30, 2012, 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.

We are furnishing the proxy materials over the Internet under the rules of the Securities and Exchange Commission (“SEC”). On or about April 20, 2012, we will mail a Notice of Internet Availability of Proxy Materials (the “Notice”) to shareholders of record of our common stock with a proxy card to be mailed 10 business days after the Notice. If you receive the Notice by mail, you will not receive a paper copy of the proxy materials unless you request one. The Notice will instruct you as to how you may access and review the proxy materials on the Internet and how to cast your vote over the Internet or by telephone. The Notice also contains instructions on how to request a paper copy of our proxy materials, free of charge.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be held on May 30, 2012: This proxy statement, our 2011 Annual Report, the form of proxy and voting instructions are being made available to shareholders on or about April 20, 2012, at www.proxyvote.com. If you receive the Notice and would still like to receive a printed copy of the proxy materials or our 2011 Annual Report, including audited financial statements, for the year ended December 31, 2011, you may request a printed copy by any of the following methods: (a) telephone at 1-800-579-1639; (b) Internet at www.proxyvote.com; or (c) e-mail at sendmaterial@proxyvote.com. Please make the request as instructed above on or before May 16, 2012 to facilitate timely delivery.

All proxies will be voted in accordance with the instructions they contain. If you 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.

SOLICITATION AND REVOCATION OF PROXY

Any stockholder who executes and returns the enclosed proxy has the power to revoke the same any time prior to its being voted. The accompanying proxy will be voted as specified thereon. A specification on the proxy card may be made to grant or withhold authority to vote for the election of a director and to indicate separate approval or disapproval as to the other matters presented to stockholders. 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 director nominee and to ratify the

selection of PricewaterhouseCoopers LLP as the Company's independent registered accounting firm. In addition, the proxy confers discretionary authority to vote on any matter properly presented at the Annual Meeting which is not known to the Company as of the date of this Proxy Statement. Brokers are not permitted to vote your shares with respect to election of directors without instructions from you. 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 or if you abstain or withhold authority to vote on any matter, your shares will not be counted as having been voted on that matter, but will be counted as in attendance at the meeting for purposes of a quorum.

VOTING SECURITIES

Stockholders of record on April 5, 2012 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 April 5, 2012. There were 9,411,762 shares of Common Stock issued and outstanding and entitled to vote at the close of business on April 5, 2012. 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.

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 5, 2012 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 current 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:			
Roumell Asset Management, LLC and James C. Roumell (1)	1,253,648	13.32	%
Directors and Executive Officers:			
Graham Y. Tanaka (2)	284,472	3.00	%
Bart C. Shuldman (3)	166,062	1.75	%
Charles A. Dill (4)	151,628	1.60	%
Steven A. DeMartino (5)	122,005	1.28	%
Thomas R. Schwarz (6)	118,350	1.25	%
Michael S. Kumpf (7)	101,224	1.07	%
Tracey S. Chernay (8)	44,500	*	
Benjamin C. Wyatt (9)	22,000	*	
All current directors and executive officers as a group (10 persons) (10)	1,050,477	10.58	%

* 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/A filed on April 6, 2012 by Roumell Asset Management, LLC ("RAM") and James C. Roumell. According to the Schedule 13D/A, RAM and James C. Roumell beneficially own 1,243,318 and 10,330 shares of our common stock, respectively. RAM serves as the investment adviser for a number of managed accounts with respect to which it has dispositive authority over the shares reported in the Schedule 13D/A. James C. Roumell is the president of RAM with respect to which it has dispositive authority over the shares reported in the Schedule 13D/A. The address of each of the entities referenced by this footnote is 2 Wisconsin Circle, Suite 660, Chevy Chase, Maryland 20815.

(2) Includes 61,875 shares subject to options currently exercisable or to become exercisable within 60 days of April 5, 2012 granted under the Company's Non-Employee Directors' Stock Plan and 2005 Equity Incentive Plan and 7,065 shares deemed beneficially owned by Mr. Tanaka that are directly owned by his children.

(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 98,675 shares subject to options currently exercisable or to become exercisable within 60 days of April 5, 2012 granted under the Company's 2005 Equity Incentive Plan. Also includes 34,945 deferred stock units issued under the Company's 2009, 2010 and 2011 Incentive Bonus Programs, which are fully vested and convertible into shares of common stock as of April 5, 2012.

(4) Includes 50,625 shares subject to options currently exercisable or to become exercisable within 60 days of April 5, 2012 granted under the Company's Non-Employee Directors' Stock Plan and 2005 Equity Incentive Plan. Also

includes 1,550 shares directly owned by Mr. Dill's spouse. Mr. Dill will not seek re-election to the Board of Directors due to his retirement effective May 30, 2012.

(5) Includes 84,375 shares subject to options currently exercisable or to become exercisable within 60 days of April 5, 2012 granted under the Company's 2005 Equity Incentive Plan. Also includes 9,637 deferred stock units issued under the Company's 2009, 2010 and 2011 Incentive Bonus Programs, which are fully vested and convertible into shares of common stock as of April 5, 2012.

(6) Includes 61,875 shares subject to options currently exercisable or to become exercisable within 60 days of April 5, 2012 granted under the Company's Non-Employee Directors' Stock Plan and 2005 Equity Incentive Plan. Also includes 1,500 shares deemed to be beneficially owned by Mr. Schwarz in his capacity as trustee of a trust for the benefit of his granddaughter, 1,500 shares beneficially owned by his daughter, as to which shares he disclaims beneficial ownership, and 3,975 shares owned by his spouse.

- (7) Includes 68,000 shares subject to options currently exercisable or to become exercisable within 60 days of April 5, 2012 granted under the Company's 2005 Equity Incentive Plan. On March 19, 2012, the Company announced that Mr. Kumpf will retire as Executive Vice President of Engineering effective April 4, 2012. The Company simultaneously announced that Don Brooks will succeed Mr. Kumpf and be promoted to Senior Vice President of Engineering.
- (8) Represents 44,500 shares subject to options currently exercisable or to become exercisable within 60 days of April 5, 2012 granted under the Company's 2005 Equity Incentive Plan.
- (9) Represents 22,000 shares subject to options currently exercisable or to become exercisable within 60 days of April 5, 2012 granted under the Company's 2005 Equity Incentive Plan.
- (10) Includes 519,661 shares subject to options currently exercisable or to become exercisable within 60 days of April 5, 2012 granted under the Company's 2005 Equity Incentive Plan and Non-Employee Directors' Stock 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 Stock Market reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company and to furnish the Company with copies of all such reports they file. To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company, 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, 2011, each of the Company's officers, directors and greater than 10% stockholders complied with all applicable Section 16(a) filing requirements.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company maintains policies that relate to the identification, review and approval of related party transactions. As part of a review of possible related person transactions, the Company annually 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 the 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 related party transaction. No related party transaction shall be approved or ratified if such 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, 2011 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 of Directors 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 to the public under "Corporate Governance" on the Company's 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, Chief Financial Officer and Corporate Controller. None of the directors attended the Company's 2011 Annual Meeting. Each director attended 100% of the quarterly Board meetings. Additionally, each Director attended 100% of the supplemental Board Meetings with the exception of Mr. Schwarz and Mr. Dill who each missed one such meeting. Each Director attended 100% of the applicable Committee meetings.

Board Leadership Structure

At present, the Board has chosen to combine the positions of Chief Executive Officer and Chairman of the Board. The Board believes it is important to retain the organizational flexibility to determine whether the roles of Chairman of the Board and Chief Executive Officer 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 the Chief Executive Officer is the individual with the necessary experience, commitment and support of the other Board members to effectively carry out the role of Chairman.

The Board believes this structure promotes better alignment of strategic development and execution, more effective implementation of strategic initiatives, and clearer accountability for their success or failure. Moreover, the Board believes that combining the Chairman and Chief Executive Officer positions does not impede independent oversight. All of the members of the Board are independent under The Nasdaq Global Market rules except for the Chairman and Chief Executive Officer.

Board's Role in Risk Oversight

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. The Company has a strong internal control environment to identify and manage risks. These include Standards of Business Conduct, quarterly internal management disclosure committee meetings, 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 of Directors is responsible for overseeing management in the execution of its responsibilities and for assessing the overall approach to risk management. The Board of Directors 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 Chief Executive Officer, 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

The Corporate Governance Principles provide that the Board should generally have between four 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 assuring that the Board is small enough to facilitate active discussions and decision-making while, at the same time, 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.

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 at the time a nomination is under consideration. The Nominating Committee and the Board of Directors apply the same criteria to each candidate for the Board, regardless of whether the candidate is proposed by a stockholder or some other source. On June 6, 2011, the Nominating Committee appointed John M. Dillon to the Board of Directors for a one year term through the 2012 Annual Meeting. Specific criteria considered by the Nominating Committee and the Board include:

Independence. The Board of Directors, in its Corporate Governance Principles and Committee charters, has established a policy that a substantial majority of the directors be "independent" members of the Board. 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. Dill, Dillon, Schwarz and Tanaka are independent in accordance with the Company's criteria and Mr. Shuldman, the Company's Chief Executive Officer, is not independent. The Board applies the following criteria in determining independence, which criteria are derived from Nasdaq's listing standards as well as certain additional requirements that are imposed on certain Committee members under the rules and regulations of the Securities and Exchange Commission (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 member may have received compensation of more than \$100,000 per year from the Company during any period of twelve 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 of Directors 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 75 years of age at the time of nomination or re-nomination.

Diversity. The Board has not adopted a formal policy with respect to its consideration of diversity and does not follow any ratio or formula to determine the appropriate mix; rather, it uses its judgment to identify nominees whose backgrounds, attributes and experiences, taken as a whole, will contribute to the 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 Chief Executive Officer; 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 The Nasdaq Global Market, 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 this process. This involves reviewing the candidates' qualifications 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 of Directors 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 at "Procedures for Submitting Director Nominations and Recommendations." Candidates who are nominated for the Board of Directors by stockholders are evaluated in the same manner as recommendations received from other sources.

Board Meetings and Executive Sessions

The Board of Directors holds regular quarterly meetings, as well as periodic special meetings. In 2011, the Board of Directors held seven meetings.

Independent directors meet by themselves in executive sessions, without management or employee directors present, at most regularly scheduled Board meetings. In addition, independent directors may convene additional executive sessions at any time.

The executive sessions are led by the Chair of the committee that is responsible for the subject matter at issue (e.g., the Audit Committee Chair would lead a discussion of audit-related matters). When it is not clear which committee

has specific responsibility for the subject matter, the Chair of the Compensation and Corporate Governance Committee presides.

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, www.transact-tech.com, but a brief summary of the committees' responsibilities follows:

Audit Committee. The Audit Committee is responsible for assisting 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. It is comprised of Messrs. Charles A. Dill, John M. Dillon, Thomas R. Schwarz and Graham Y. Tanaka, with Mr. Dill serving as Chair. The Board has determined that each member of the Audit Committee is an independent director and meets the financial literacy requirements of The Nasdaq Global Market to serve on the Committee. In addition, the Board has determined that Mr. Dill is an "audit committee financial expert" as defined under the rules of the Securities and Exchange Commission. The Audit Committee operates under a written charter, which was revised in March 2004 and is posted on the Company's website. The Audit Committee met four times during 2011.

Nominating Committee. The Nominating Committee is responsible for assisting 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. It is comprised of Messrs. Charles A. Dill, John M. Dillon, Thomas R. Schwarz and Graham Y. Tanaka, with Mr. Tanaka serving as Chair. The Nominating Committee operates under a written charter, which was adopted in March 2004 and is posted on the Company's website. The Nominating Committee met two times during 2011.

Compensation and Corporate Governance Committee. The Compensation and Corporate Governance Committee provides oversight for 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 Committee performance evaluation, 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 Committee is responsible for determining the compensation (including salary, bonus, equity-based grants, and any other long-term cash compensation) for the Company's Chief Executive Officer and for other senior executives as are subject to the Committee's direct purview. The Committee is comprised of Messrs. Charles A. Dill, John M. Dillon, Thomas R. Schwarz and Graham Y. Tanaka, with Mr. Schwarz serving as Chair. The Compensation and Corporate Governance Committee operates under a written charter, which was adopted in March 2004 and is posted on the Company's website. The Compensation and Corporate Governance Committee met once during 2011.