

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

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

**For the fiscal year ended June 30, 2022**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-33365



**Cantaloupe, Inc.**

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

23-2679963

(I.R.S. Employer Identification No.)

100 Deerfield Lane, Suite 300, Malvern, Pennsylvania  
(Address of principal executive offices)

19355  
(Zip Code)

(610) 989-0340

(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name Of Each Exchange On Which Registered
Common Stock, no par value	CTLP	The NASDAQ Stock Market LLC

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

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter, December 31, 2021, was \$513.2 million.

As of October 14, 2022, there were 71,218,130 outstanding shares of Common Stock, no par value.

Selected portions of the registrant's definitive proxy statement on Schedule 14A for the registrant's 2023 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days of June 30, 2022, are incorporated by reference into Part III of this Annual Report on Form 10-K.

CANTALOUPE, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
<b><u>PART I</u></b>	
<u>Item</u>	
1. <u>Business.</u>	5
1A. <u>Risk Factors.</u>	14
1B. <u>Unresolved Staff Comments.</u>	27
2. <u>Properties.</u>	27
3. <u>Legal Proceedings.</u>	27
4. <u>Mine Safety Disclosures.</u>	27
<b><u>PART II</u></b>	
<u>Item</u>	
5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	28
6. <u>[Reserved]</u>	30
7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	31
7A. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>	44
8. <u>Financial Statements and Supplementary Data.</u>	45
9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.</u>	84
9A. <u>Controls and Procedures.</u>	84
9B. <u>Other Information.</u>	85
9C. <u>Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.</u>	85
<b><u>PART III</u></b>	
<u>Item</u>	
10. <u>Directors, Executive Officers and Corporate Governance.</u>	87
11. <u>Executive Compensation.</u>	87
12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>	87
13. <u>Certain Relationships and Related Transactions, and Director Independence.</u>	87
14. <u>Principal Accounting Fees and Services.</u>	87
<b><u>PART IV</u></b>	
15. <u>Exhibits, Financial Statement Schedules.</u>	88
16. <u>Form 10-K Summary.</u>	90

## PART I

In this Annual Report on Form 10-K, or Annual Report, and unless otherwise indicated, the terms "Cantaloupe", the "Company", "CTLP", "we", "us", "our", "our company" and "our business" refer to Cantaloupe, Inc., formerly known as USA Technologies, Inc.

The following discussion should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report. Due to rounding, figures in tables may not sum exactly.

### FORWARD-LOOKING STATEMENTS

This Form 10-K contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, regarding, among other things, the anticipated financial and operating results of Cantaloupe, Inc. For this purpose, forward-looking statements are any statements contained herein that are not statements of historical fact and include, but are not limited to, those preceded by or that include the words, "estimate," "could," "should," "would," "likely," "may," "will," "plan," "intend," "believes," "expects," "anticipates," "projected," or similar expressions. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and was derived using numerous assumptions. Important factors that could cause the Company's actual results to differ materially from those projected include, for example:

- general economic, market or business conditions unrelated to our operating performance, including the impact of the ongoing COVID-19 pandemic, global supply chain disruptions, and inflationary pressures;
- potential mutations of COVID-19 and the efficacy of vaccines and treatment developments and their deployment;
- failure to comply with the financial covenants in the Amended JPMorgan Credit Facility (as defined below);
- our ability to raise funds in the future through sales of securities or debt financing in order to sustain operations in the normal course of business or if an unexpected or unusual event were to occur;
- our ability to compete with our competitors and increase market share;
- whether our current or future customers purchase, lease, rent or utilize ePort devices, Seed's software solutions or our other products in the future at levels currently anticipated;
- whether our customers continue to utilize the Company's transaction processing and related services, as our customer agreements are generally cancellable by the customer on thirty to sixty days' notice;
- our ability to satisfy our trade obligations included in accounts payable and accrued expenses;
- the incurrence by us of any unanticipated or unusual non-operating expenses, which may require us to divert our cash resources from achieving our business plan;
- our ability to predict or estimate our future quarterly or annual revenue and expenses given the developing and unpredictable market for our products;
- our ability to integrate acquired companies into our current products and services structure;
- our ability to retain key customers from whom a significant portion of our revenue is derived;
- the ability of a key customer to reduce or delay purchasing products from us;
- our ability to obtain widespread commercial acceptance of our products and service offerings;
- whether any patents issued to us will provide any competitive advantages or adequate protection for our products, or would be challenged, invalidated or circumvented by others;
- our ability to operate without infringing the intellectual property rights of others;
- the ability of our products and services to avoid disruptions to our systems or unauthorized hacking or credit card fraud;
- geopolitical conflicts, such as the ongoing conflict between Russia and Ukraine;
- whether we will experience material weaknesses in our internal controls over financial reporting in the future, and are not able to accurately or timely report our financial condition or results of operations;

- the ability to remain in compliance with the continued listing standards of the Nasdaq Global Select Market (“Nasdaq”) and continue to remain as a member of the US Small-Cap Russell 2000®;
- whether our suppliers would increase their prices, reduce their output or change their terms of sale; and
- the risks associated with the currently pending investigation, potential litigation or possible regulatory action arising from the 2019 Investigation (as defined below) and its findings, from the failure to timely file our periodic reports with the Securities and Exchange Commission, from the restatement of the affected financial statements, from allegations related to the registration statement for the follow-on public offering, or from potential litigation or other claims arising from these events.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Actual results or business conditions may differ materially from those projected or suggested in forward-looking statements as a result of various factors including, but not limited to, those described above and in Part I, Item 1A, “Risk Factors” of this Form 10-K. We cannot assure you that we have identified all the factors that create uncertainties. Moreover, new risks emerge from time to time and it is not possible for our management to predict all risks, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ from those contained in any forward-looking statements. Readers should not place undue reliance on forward-looking statements.

Any forward-looking statement made by us in this Form 10-K speaks only as of the date of this Form 10-K. Unless required by law, we undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this Form 10-K or to reflect the occurrence of unanticipated events.

## Item 1. Business.

### OVERVIEW

Cantaloupe, Inc., previously known as USA Technologies, Inc., is organized under the laws of the Commonwealth of Pennsylvania. We are a digital payments and software services company that provides end-to-end technology solutions for the unattended retail market. We are transforming the unattended retail world by offering a single platform for self-service commerce which includes integrated payments processing and software solutions that handle inventory management, pre-kitting, route logistics, warehouse and back-office management. Our enterprise-wide platform is designed to increase consumer engagement and sales revenue through digital payments, digital advertising and customer loyalty programs, while providing retailers with control and visibility over their operations and inventory. As a result, customers ranging from vending machine companies to operators of micro-markets, car wash, electric vehicle charging stations, commercial laundry, kiosks, amusements and more, can run their businesses more proactively, predictably, and competitively.



We derive the majority of our revenues from subscription and transaction fees resulting from transactions on, as well as connectivity and telemetry services provided by, our ePort® cashless devices, Seed™ software, and our Quick Connect API services. These services include digital payment processing, loyalty programs, inventory management, route logistics optimization, warehouse and accounting management, and intelligent merchandising. Devices operating on the Company's platform and using our services include those resulting from the sale, finance or a monthly bundled subscription (Cantaloupe ONE program) of our point of sale ("POS") electronic payment devices, telemetry devices or certified payment software or the servicing of similar third-party installed POS terminals or telemetry devices. The majority of ePort customers pay a monthly service fee plus a blended percentage rate on transaction volumes. Transaction fees on volumes processed through the Company's payment devices, are the most significant driver of the Company's revenues.

Our customers range from global food service organizations to small businesses that operate primarily in self-serve retail markets including food and beverage vending, micro-markets, amusement and arcade machines, commercial laundry, air/vacuum, car wash, electric vehicle, and various other self-serve kiosk applications as well as equipment developers or manufacturers who incorporate our hardware, software, and services into their product offerings.

### THE INDUSTRY

We offer a variety of solutions in unattended retail, which enable the acceptance of digital payments and allow our customers to simplify inventory, analytics, warehouse, logistics, and back-office management. We believe the following industry trends are

driving growth in demand for digital payment systems and advanced logistics management in general and more specifically within the markets we serve:

- Increased adoption of cashier-less models via vending machines or self-service kiosks to meet demand for and more use of fast, simple and seamless digital purchase and payment experiences;
- Rising consumer demand for transaction convenience, safety, and security which we have seen in the growth in digital payment adoption, especially contactless payments, in the wake of the COVID-19 pandemic; and
- Ongoing labor challenges drive increased utility of actionable operational business intelligence from new technologies like artificial intelligence and machine learning to drive operational efficiencies and operational transparency through modern, cloud-based logistics and inventory management solutions.

### ***Shift Toward Digital Payments Is Here to Stay.***

One lasting impact of COVID-19 was the creation of a 'new normal' for businesses and shoppers alike, accelerating the secular shift to self-service commerce. According to "The Visa Back to Business Global Study: 2022 Small Business Outlook" (the "Visa Study"); 73% of small businesses surveyed said that new forms of digital payments are fundamental to their growth. In addition, according to the Visa Study, 41% of consumers surveyed said they either plan to shift to using only digital payments within the next two years, or are already cashless. Lastly, 82% of small businesses surveyed said they will accept digital options in 2022 and nearly half (46%) of consumers surveyed expect to use digital payments more often in 2022, with just 4% saying they will use them less. The acceleration towards digital payments amongst surveyed consumers was primarily driven by benefits such as easier online shopping, personal safety and convenience.

### ***Increasing Consumer Interest in Self-Service Models***

Cashier-less stores that minimize or remove human intervention have shifted consumer expectations on retail shopping experiences. A consumer survey of 2,000 people across the United States performed by the Company and CITE Research in 2021 found that 83% of consumers who increased unattended retail usage during the pandemic expect to continue using it at elevated levels when the pandemic was over. And consumers are not just looking for traditional food and beverage offerings through unattended, as 82% of respondents cited an interest in purchasing nontraditional items through vending machines, with the interest significantly increasing since the last survey in 2019. Clothing and health and beauty products had the greatest two-year increase with 70% - 71% of respondents interested in purchasing these items from vending machines in 2021 compared to 55% for clothing and 64% for health and beauty in 2019 respectively.

## **OUR SOLUTION**

We continue to transform the unattended retail market by offering one integrated solution for payments processing, logistics, and back-office management. Our platform is designed to increase consumer engagement and sales revenue through digital payments, digital advertising, and customer loyalty programs, while providing retailers with control and visibility over their operations and inventory. As a result, customers can run their businesses more proactively, predictably, and competitively. We offer customers several different ways to connect and manage their distributed assets. These range from our ePort cashless hardware, Seed platform, and our Quick Connect web services. Our platform is designed to transmit from our customers' terminal or location payment information for processing, sales, and performance data for asset optimization and reporting to our customers within the Seed platform, as well as third-party software solutions, providing greater control and visibility of their business. Through our platform, we enable customers to easily manage assets, make changes, and push updates all remotely, ensuring they run as efficiently as possible.

## **PRODUCTS AND SERVICES**

Our hardware includes ePort, the Company's integrated payment device, as well as Yoke POS, the Company's point-of-sale terminal, which are both currently deployed in self-service, unattended market applications such as vending, micro-markets, amusement, arcade, commercial laundry, air/vacuum, car wash, and others. Our ePort products which come in a variety of styles, facilitates digital payments by capturing payment information and transmitting it to our platform for authorization with

the payment system (e.g., credit card processors). Additionally, our ePort devices send sales data into the Seed platform for advanced reporting, including remote asset management. ePort has earned a reputation for quality, reliability, and innovation.

Our Yoke POS product provides a tablet-like experience for consumers to purchase goods through a self-checkout model. Additionally, Yoke POS processes transactions and sends sales data into the Yoke Portal for reporting and kiosk management. We offer a variety of hardware through purchase, finance, or subscription with our new Cantaloupe ONE Platform.

- ePort G11 Cashless Kit, is a 4G LTE digital payment device that enables faster processing and enhanced functionality for payment and consumer engagement applications. It supports functionality that requires higher speeds and large data loads, operates on the AT&T and Verizon networks, and has built-in NFC (contactless) support for mobile payments, traditional credit and debit cards, in addition to EMV-contactless.
- The ePort G10-Chip, is a digital reader that accepts contact EMV (chip cards) and contactless EMV (tap) payment methods, along with other standard forms of digital payments that include credit/debit card, and mobile wallet. The reader functions with the existing G11 telemeter and reports into the Seed platform similar to a G11 Cashless Kit (see below for a description of the Seed platform).
- ePort Engage Series, which includes the ePort Engage and ePort Engage Combo, are the next generation of digital touchscreen devices and provide retailers the ability to captivate consumers in new ways and enables truly frictionless purchasing. The ePort Engage Series offers best-in-class networking, security and interactivity, including acceptance of contact EMV (chip cards) and contactless EMV (tap) payment methods. The devices can be fitted in a range of hardware configurations, including vending, kiosks, amusement, and electric vehicle charging stations
- Yoke POS, is a scalable, cost-friendly point-of-sale solution for any micro market or self-service business. The simplified checkout experience provides consumers with a fast and convenient solution to purchase goods via digital payments or the Yoke loyalty card. The Yoke POS displays unique customer promotions or offers, and loyalty points for Yoke loyalty card members, all at the point-of-sale or directly in the Yoke Pay mobile app.

We offer integrated software services that leverage payment or asset tracking devices in the field to connect into our feature-rich platform for advanced data management, analytics, route scheduling, and other offerings:

- The Seed platform is a cloud-based asset management and optimization solution that provides advanced analytics, dynamic route scheduling, automated pre-kitting, proactive equipment management, intelligent merchandising, inventory management, warehouse purchasing, and accounting management. The Seed platform has a reputation for providing innovative software features and functionality that solve every day customer challenges. It includes Seed Live for sales reporting and asset management, Seed Cashless+ for small business owner advanced management tools, Seed Pro for logistics optimization; Seed Office for back-office management; Seed Markets for integrated micro market management; and Seed Delivery for integrated online ordering and office coffee service ("OCS") optimization.
- Add-on software services within the Seed platform include Remote Price Change ("RPC"), HIVERY Enhance, and integration with e-commerce partners Tech2Success and Supply Wizards. RPC saves customers time and money by enabling them to manage prices for products in their machines remotely through Seed. With the HIVERY Enhance integration, customers on Seed Pro and Seed Office can receive powerful new product recommendations and targeted space-to-sales optimization with HIVERY's artificial intelligence and machine learning technology. Our e-commerce integration partners, Tech2Success and Supply Wizards, enable customers to integrate their online stores to Seed for inventory and warehouse management. RPC and HIVERY Enhance are the latest innovations for unattended retail through our Seed suite of services.
- The Yoke Portal is our web-based kiosk management solution for Yoke POS that gives customers complete access and control over their micro market locations and kiosks. Additionally, within the Yoke Portal customers can customize promotions and loyalty programs per location, creating new ways to engage consumers at the point-of-sale or via the Yoke Pay app.
- Quick Connect is a web service that allows a client application to securely interface with the Company's payment processing and asset managing services.
- Additional services include loyalty programs, campus card integrations, digital ad-management, and data warehouse services.

We support our offerings through a number of professional services and back-office functions:

- Professional Services. For our larger customers we offer a variety of professional services to get them onto and use the platform easily and seamlessly. Services include planning, project management, deployment, installation support, Seed implementation, and marketing and performance evaluation.
- Network Infrastructure. Our services and platforms operate on a combination of proprietary and third-party technologies and are supported by geographically diverse teams.
- Card Processing Services. Through our existing relationships with card processors and card associations, we provide merchant account and terminal ID set up, pre-negotiated discounted fees on small ticket purchases, and direct electronic funds transfers to our customers' bank accounts for all settled card transactions as well as ensure compliance with processing protocols.
- Customer/Consumer Services. We support our services by providing help desk support, repairs, and replacement services. All inbound consumer billing inquiries are handled through a 24-hour help desk, thereby reducing our customers' exposure to consumer billing inquiries and potential chargebacks. We provide remote maintenance updates and enhancements to software, settings, and features to ePort card readers via wireless connections.

## **COMPETITION**

The unattended retail industry is highly competitive with service providers ranging from well-established enterprises to early stage companies within the financial technology and software services industries. The markets for Cantaloupe's products and services are characterized by evolving industry standards, aggressive pricing, continuous innovation, and changing consumer trends. Many of the company's competitors are challenging Cantaloupe's industry leading position, particularly when it comes to pricing, emulating products, services, and marketing, as well as addressing consumer trends. However, we believe we have competitive strengths that position us favorably.

Consumers are expecting more from their shopping experience, with access to buy what they want, when they want, with the ability to pay with any shape or form of digital currency. This has led to a multitude of new devices on the market to enable a more engaging experience at the POS. In addition, micro markets are becoming one of the largest growth sectors in the convenience services industry, with large competitors owning a majority of the current market share. While we believe we have a strong competitive offering that positions us favorably in software services for unattended retail, competitors are entering the market with modernized back-end systems that are focused on the user interface along with real-life product planogram possibilities.



## MARKETS WE SERVE

While the below key verticals represent only a fraction of our total market potential, as described below, these are the areas where we have gained the most traction to date.



*Vending.* According to the 2020 Census of the Convenience Services Industry (conducted biannually), a study conducted by the NAMA Foundation and research firm Technomic, the US Convenience Services Industry, which consists of vending machines, micro markets, OCS and pantry services, represented total annual revenues of approximately \$16 billion in 2020 compared to total annual revenues of approximately \$27 billion in 2019, reflecting a reduction of approximately \$11 billion and 40%. This was due to the impact of the coronavirus pandemic. The Convenience Services Industry is expected to be 64% larger in 2022 compared to 2020, and operators expect a full recovery to 2019 industry levels (pre-pandemic levels) by 2022-2023. In 2020, 80% of the Convenience Services Industry's total annual revenues came from the Vending vertical while Micro Markets, OCS and Pantry Services verticals represented approximately 12%, 7% and 1% of total annual revenues respectively.

*Micro Markets and Kiosks.* According to the Automatic Merchandiser's State of the Industry Annual Report published in July 2022, the vending and micro market business operators surveyed indicated that the number of micro market locations served increased 70% in 2021. This demonstrates that while COVID-19 impacted growth and new location placements in 2020, micro markets continued to experience a significant level of growth coming out of the pandemic. We believe the desire to diversify product offerings to employees, while giving them their own convenience store with a micro market, will continue to increase. Our primary opportunity in the micro markets vertical is providing a fully integrated solution to our customers which includes a point-of-sale platform and leveraging the Seed Markets offering to optimize our customers payments and logistics services including integrated route scheduling, warehouse pre-picking, and reporting. While micro markets continue to grow in the traditional vending and food service industry, self-service kiosks are also on the rise. According to the 2022 Kiosk Marketplace Census Report, the 2021 Zebra Technologies' Global Shopper Study found that nearly half (47%) of shoppers used retail self-checkouts, a 7% year-on-year increase, and 91% of these said they will continue using the technology.

*Vehicle Services.* Our primary opportunities in the vehicle services markets relate to businesses that provide air, vacuum, car wash, electric car charging and parking services. In these sectors we can provide customers with cashless payment terminals, payment processing, telemetry services for data and connectivity services, as well as software solutions to improve business

optimization. Currently, we partner with a leader in the air vending services by equipping their machines with our cashless acceptance devices.

*Amusement and Entertainment.* Our current customers and primary opportunities in the amusement and entertainment markets are typically classified as “street/route business,” which are standalone businesses that are open to the general public and that offer card/coin-operated games such as claw machines, amusement park machines (i.e. body dryers), bowling alleys and bar entertainment (e.g. digital music machines and dart machines). Currently, we partner with one of the largest independent claw machine providers to enable them with cashless acceptance devices and payment processing.

*Laundry.* Our primary opportunities in laundry consist of the coin-operated commercial laundry and multi-housing laundry markets. Currently, our joint solution with an industry leader competes with hardware manufacturers, who provide joint solutions to their customers in partnership with payment processors, and with at least one competitor who provides an integrated hardware and payment processing solution.

## **OUR GROWTH OPPORTUNITY**

Our primary objective is to continue to enhance our position as a leading provider of technology that enables electronic payment transactions, advanced logistics management, and value-added services primarily at small-ticket, self-service retail locations such as vending, kiosks, electric vehicle charging, commercial laundry, and other similar markets. We plan to execute our growth strategy organically and through strategic acquisitions. Key elements of our strategy are to:

*Maximize Growth in Existing Customers/Partners.* Our current customers have seen the benefits of our products and services and we believe they continue to represent the largest opportunity to scale recurring revenue and connections, through the addition of new products and services, as well as expanding our footprint of current product offerings. We are continuously enhancing our solutions and services with additional features and functionality that create add-on service offerings to existing customers such as RPC, HIVERY Enhance integration and Yoke POS. We believe our continued innovation will lead to further adoption of Cantaloupe’s solutions and services in the unattended POS payments market.

*Capitalize on the Emerging Contactless, EMV, NFC, and Growing Mobile Payments Trends.* With more than 90% of our digital connected base enabled to accept NFC payments (including mobile wallets), we believe that continued consumer preference towards contactless payments, including mobile wallets like Apple Pay, Google Pay and Samsung Pay, represent a significant opportunity for the Company to further drive adoption in the current markets as well as new unattended kiosk applications in which we can provide services and solutions. Through innovation we’ll seek to offer consumers more ways to pay leveraging digital wallets such as pay with crypto, or other digital-like applications.

*Expand into Micro Markets.* With the Company’s Yoke’s POS platform, we will continue to penetrate into the growing vertical of micro markets both in near-vending channels as well as small business retail. Self-service or self-checkout is on the rise and with our seamlessly integrated offering or standalone solution of Yoke POS, we believe we are positioned well to deliver a scalable micro market solution for businesses of all kinds. We plan to differentiate ourselves by providing a single platform to manage consumer and operational aspects of micro markets, while also integrating multiple service providers for flexibility and ultimate ease to our customers.

*Further Penetrate Attractive Adjacent Markets.* We plan to continue to introduce our turn-key solutions and services to various adjacent markets such as the small business retail market to enable self-checkout solutions, along with other key growth verticals like electric car charging where we’ll leverage our expertise in digital payment solutions and telemetry services for data and asset management services. We plan to leverage the Seed platform to extend route optimization tools into other verticals where static schedules are not optimal for service visits. In addition, Seed Pro’s patented dynamic route scheduling capabilities can support optimal servicing and decreased operational costs.

*Capitalize on Opportunities in International Markets.* We are currently focused on the U.S. and Canadian markets for our ePort devices, Yoke POS terminals, and the Seed platform, but will seek to establish a presence in unattended retail markets to provide electronic payments and logistics optimization outside of the U.S. and Canada. In order to do so, we have dedicated sales resources to spearhead international opportunities, starting with Latin America, and Europe.

*Comprehensive Service and Support.* In addition to its industry-leading ePort digital payments system, Yoke POS terminal, Seed logistics software, the Company seeks to provide its customers with a comprehensive platform designed to encourage optimal return on investment through business planning and performance optimization; acceptance of crypto payments, and a

loyalty and rewards program for consumer engagement; sales data and machine alerts; DEX data transmission; and the ability to extend digital payments capabilities and the full suite of services across multiple aspects of an operator's business including the micro-markets contract food industry, online and mobile payments.

## **SALES AND MARKETING**

Our sales strategy includes both direct sales and channel development, depending on the particular dynamics of each of our markets. Our direct sale efforts are supported by both inside and external sales team members, which are aligned to serve our enterprise and our small- and medium-business (SMB) customers and prospects. In order to expand our sales reach, we have agreements with resellers in select market segments. Our marketing strategy includes advertising and outreach initiatives designed to build brand awareness, position our company's thought leadership within unattended retail, make clear our competitive strengths, and prove the value of our products and services to our opportunity markets. Activities include creating a vibrant company and product presence on the web, digital advertising, Search Engine Optimization ("SEO"), and social media; the use of direct mail and email campaigns; educational and instructional online training sessions; content curation through blogs, whitepapers, guides, podcasts, and joint industry studies; advertising in vertically-oriented trade publications; participating in industry tradeshows and events; and working closely with customers and key strategic partners on co-marketing opportunities that drive customer and consumer adoption of our services.

As of June 30, 2022, we are marketing and selling our products primarily through our full and part-time sales and marketing staff consisting of 44 people.

## **IMPORTANT RELATIONSHIPS**

Our most important relationships are with our almost 24,000 customers, which are governed by services agreements that provide for terms and conditions of purchase, rental, subscription or lease of the devices, licensing of our solutions, and processing services. Under the terms, we typically collect our fees from settled funds, including activation fees, monthly service fees, and transaction processing fees. Our relationships with certain large customers are governed by customized terms and conditions contained within individually negotiated services agreements.

We maintain broad and long-standing relationships with card industry associations, including our listing on the Visa Global Registry of Service Providers. From time to time, we enter into short-term incentive and promotional agreements with the card industry counterparties.

We maintain close relationships with domestic wireless telecommunications carriers and with which we have long-term bespoke pricing and support terms.

We have long-term agreements with our payment processors, each of which is seamlessly integrated with our products and customers.

We have established reseller relationships with select solution providers for add-on features and services within our traditional offerings

As part of our strategy to expand our sales reach while optimizing resources, we have agreements with select resellers within the industries we serve.

Lastly, we have a number of key technology vendors supporting our network environment and technology, our product development and our product offerings.

## **MANUFACTURING AND SUPPLY CHAIN**

We utilize independent third-party manufacturing partners to produce the substantial majority of our hardware products that we market and sell to our customers. Production by our manufacturing partners is performed in accordance with our product specifications, quality control and compliance standards. For the years ended June 30, 2022 and June 30, 2021 our manufacturing activities principally took place in the United States and Mexico.

Our internal processes center around quality assurance of materials and testing of finished goods received from our contract manufacturers.

As supply chains worldwide continue to recover from COVID-19-related disruptions, the technology industry has experienced delays within supply chain. We have not experienced significant disruptions to date; however we are continually monitoring and evaluating manufacturing partners to accommodate our expected growth and minimize potential risks of disruption within our supply chain operations.

## **TRADEMARKS, PROPRIETARY INFORMATION, AND PATENTS**

The Company owns US federal and foreign registrations for the following trademarks and service marks: Because Machines Can't Cry For Help®, Blue Light Sequence (design only) Business Express®, Cantaloupe circle logo (design only), Cantaloupe Systems®, Cantaloupe Systems & design (Cantaloupe circle logo), CM2iQ®, COMPUVEND®, EnergyMiser®, ePort®, ePort Connect®, ePort Mobile & design, eSuds®, Intelligent Vending®, Routemaster®, Seed®, Seed & design, Seed Office®, SnackMiser®, TransAct®, USA Technologies®, USA Technologies & design, USALIVE®, VendingMiser®, VendPro®, VM2iQ®, Warehouse Master®, and YOKE®.

Much of the technology developed or to be developed by the Company is subject to trade secret protection. To reduce the risk of loss of trade secret protection through disclosure, the Company has entered into confidentiality agreements with its key employees.

From the incorporation of our Company in 1992, through June 30, 2022, 136 patents have been granted to the Company or its subsidiaries. Of the 136 patents, 50 are still in force at June 30, 2022. Our patents expire between 2022 and 2038.

## **ACTIVE DEVICES AND ACTIVE CUSTOMERS**

In order to present meaningful information on our business, we report Active Devices and Active Customers. Active Devices are devices that have communicated with us or have had a transaction in the last twelve months. Included in the number of Active Devices are devices that communicate through other devices that communicate or transact with us. A self-service retail location that utilizes an ePort cashless payment device as well as Seed management services constitutes only one device. We define Active Customers as all customers with at least one active device

We had 23,991 Active Customers and 1.14 million Active Devices connected to our service as of June 30, 2022 compared to 19,834 Active Customers and 1.09 million Active Customers as of June 30, 2021.

## **HUMAN CAPITAL MANAGEMENT**

As of June 30, 2022, the Company had 225 full-time employees compared to 181 full-time employees as of June 30, 2021. This represents a headcount increase of approximately 24% over prior year. Headcount growth has occurred primarily in our Sales, Customer Support and Technology departments. The headcount increase aligns with the Company's overall objectives to reduce general and administrative expenses and utilize savings to invest in innovative technologies and products, increase marketing spend to penetrate new and existing customers with our products and services and provide highest levels of customer service. We believe our ability to attract and retain qualified employees in all areas of our business is critical to our future success and growth. We seek employees who share a passion for our technology and its ability to improve our customers' businesses.

We believe our ability to attract and retain the most qualified candidates in all areas of our business is critical to our future success and growth, and we strive for a well-balanced and diverse workforce. In addition to standard Company-wide Compliance trainings, we prioritize and continue to invest in helping our employees grow professionally in their career. We offer a combination of interactive professional development trainings, access to on demand online courses through our learning management System, and group learning programs.

We offer our employees wages and benefit packages that we believe are competitive with others throughout our industry. In addition to salaries, we provide benefits that include a 401(k) retirement savings plan, healthcare and insurance benefits, health savings and flexible spending accounts, tuition reimbursement, paid time off, as well as other benefits including access to mental health benefits, and a paid parental leave policy.

We continue to prioritize the health and safety of our employees through the COVID-19 pandemic. We continue to regularly adapt and review and policies and procedures established at the beginning of COVID-19 and communicate updates regularly internally to our employees. We have kept in place the additional safety measures for employees continuing critical on-site work at either the Company or customers' locations and offer flexible remote or hybrid working arrangements. We have taken, and will continue to take, actions in accordance with the applicable local guidance, such as the guidance provided by the

Centers for Disease Control and Prevention in the United States, to protect our employees so they can safely and effectively perform their work duties.

Annually we request our employees to complete a Company-wide employee engagement survey. The survey is facilitated internally through our Human Resources department. The survey reflects questions to gauge employee sentiments toward current trends and issues including company direction and strategy, communication by management, individual development, team culture, and overall satisfaction. With the information provided by the annual engagement survey, leadership is provided key insights and valuable feedback which we continue to implement in our Company-wide action plans with the intent to focus on key areas to prioritize, enhance, and drive continued increase in employee engagement, learning and development, and professional growth for our employees.

#### **AVAILABLE INFORMATION**

The public may access any materials the Company files with the Securities and Exchange Commission (“SEC”), including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements for our annual stockholder meetings, and amendments to those reports, through the SEC’s Interactive Data Electronic Applications system at <http://www.sec.gov>. These reports are also available free of charge on our website, [www.cantaloupe.com](http://www.cantaloupe.com), as soon as reasonably practicable after we electronically file the material with the SEC. In addition, our website includes, among other things, charters of the various committees of our Board of Directors and our code of business conduct and ethics applicable to all employees, officers and directors. Within the time period required by the SEC, we will post on our website any amendment to the code of business conduct and ethics and any waiver applicable to any executive officer, director or senior financial officer. We use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

## **Item 1A. Risk Factors.**

*The risks and uncertainties describe below are not the only ones we face. There may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that could have material adverse effects on our future results. The occurrence of any of these risks could materially adversely affect our business, financial condition, results of operations and cash flows. Accordingly, you should carefully consider the following risk factors, as well as other information contained in or incorporated by reference in this Annual Report.*

### **Summary**

You should read this summary together with the more detailed description of each risk factor contained below. Our business operations are subject to numerous risks and uncertainties, including those outside of our control, that could cause our actual results to be harmed, including risks regarding the following:

#### ***Risks related to our business and our industry:***

- General economic, market or business conditions unrelated to our operating performance, including global supply chain disruptions and inflationary pressures could adversely affect our business and results of operations.
- We have a history of losses since inception and if we continue to incur losses, the price of our shares can be expected to fall.
- The COVID-19 pandemic has and may continue to significantly and adversely impact our business.
- Impacts of widespread inflation could negatively affect our industry.
- If we are not able to implement successful enhancements and new features for our products and services, our business could be materially and adversely affected.
- Substantially all of the network service contracts with our customers are terminable for any or no reason upon thirty to sixty days' advance notice.
- We may not successfully implement our go-to-market strategy which may adversely affect growth and profitability.
- We engage in the outsourcing of engineering work, including outsourcing of software work overseas.
- Our ability to commercially manage the transition from the 3G network could lead to competitive disadvantage in the marketplace.
- The loss of one or more of our key customers could significantly reduce our revenues, results of operations, and increase net losses.
- Increases in card association and debit network interchange fees could increase our operating costs or otherwise adversely affect our operations.
- Our efforts to expand into international markets may not be successful; our products and services may not gain traction in new markets; managing international operations may be challenging or may fail.
- Geopolitical conflicts, including the conflict between Russia and Ukraine, may adversely affect our business and results of operations.

#### ***Operational and liquidity:***

- We depend on our key personnel and, if they leave us, or if we are unable to attract highly skilled personnel, our business could be adversely affected.
- Disruptions to our systems, breaches in the security of transactions involving our products or services, or failure of our processing systems could adversely affect our reputation, business and results of operations.

- The termination of our relationships with certain third-party suppliers upon whom we rely for services that are critical to our products could adversely affect our business and delay achievement of our business plan.
- We rely on other card payment processors, and if they fail or no longer agree to provide their services or we fail to operate in compliance with the requirements of those relationships, our customer relationships could be adversely affected, and we could lose business.
- Disruptions at other participants in the financial system could prevent us from delivering our cashless payment services.
- Any increase in chargebacks not paid by our customers may adversely affect our results of operations, financial condition and cash flows.
- Our dependence on proprietary technology and limited ability to protect our intellectual property may adversely affect our ability to compete.
- We may require additional financing or find it necessary to raise capital to sustain our operations and without it we may not be able to achieve our business plan.
- Failure to comply with any of the financial covenants under the Company's credit agreement could result in an event of default which may accelerate our outstanding indebtedness or other obligations and have a material adverse impact on our business, liquidity position and financial position.
- We may not fully realize the benefits of acquisitions, it may take longer than we anticipate for us to achieve those benefits, they may be difficult to integrate, may disrupt our business, or divert management attention and may adversely affect our financial condition.

***Legal, regulatory, and compliance risks:***

- We are subject to laws and regulations that affect the products, services and markets in which we operate. Failure by us to comply with these laws or regulations would have an adverse effect on our business, financial condition, or results of operations.
- The accounting review of our previously issued financial statements and the audits of prior fiscal years have been time-consuming and expensive, has resulted in claims and lawsuits, and may result in additional expense and/or litigation.
- Matters relating to or arising from the restatement and the 2019 Investigation, including adverse publicity and potential concerns from our customers, and enforcement proceedings could continue to have an adverse effect on our business and financial condition.
- Remaining regulatory matters may require significant time and attention, result in substantial expenses and lead to adverse publicity.
- We and certain of our former officers and directors could be subject to future claims and lawsuits, which could require significant additional management time and attention, result in significant additional legal expenses or result in government enforcement actions.
- Failure to maintain effective systems of internal control over financial reporting and disclosure controls and procedures could cause a loss of confidence in our financial reporting and adversely affect the trading price of our common stock.

***Risks related to our common stock:***

- Director and officer liability is limited and shareholders may have limited rights to recover against directors for breach of fiduciary duty.
- An active trading market for our common stock may not be maintained.

- If securities and/or industry analysts fail to continue publishing research about our business, if they change their recommendations adversely, or if our results of operations do not meet their expectations, our stock price and trading volume could decline.
- There is a risk that we may be dropped from inclusion in the Russell 2000® Index which could result in a decline in the price of our stock.
- Upon certain fundamental transactions involving the Company, such as a merger or sale of substantially all of our assets, we may be required to distribute the liquidation preference then due to the holders of our Series A Preferred Stock which would reduce the amount of the distributions otherwise to be made to the holders of our common stock in connection with such transactions.



## ***Risks related to our business and our industry***

### **General economic, market or business conditions unrelated to our operating performance, including global supply chain disruptions and inflationary pressures could adversely affect our business and results of operations.**

The global payments technology industry depends heavily on the overall level of consumer, business and government spending. We are exposed to general economic conditions that affect consumer confidence, spending, and discretionary income and changes in consumer purchasing habits. A sustained deterioration in general economic conditions in the markets in which we operate, supply chain disruptions, inflationary pressure or interest rate fluctuations, may adversely affect our financial performance by reducing the number or active devices, active customers and total number of transactions using our payment solutions.

A downturn in the economy and other adverse economic trends may accelerate the timing, or increase the impact of, risks to our financial performance. These trends could include the following:

- low levels of consumer and business confidence typically associated with recessionary environments may result in decreased spending by consumers;
- high unemployment may result in decreased spending by consumers;
- budgetary concerns in the United States and other countries could affect sovereign credit ratings, and impact consumer confidence and spending;
- supply chain disruptions may result in decreased spending by consumers whose ability to provide goods and services is materially impacted;
- supply chain disruptions could impact our ability to purchase devices for existing or prospective customers;
- current and potential future inflationary pressures may adversely impact spending by consumers;
- emerging market economies tend to be more sensitive to adverse economic trends than the more established markets we serve;

In addition, climate-related events, including extreme weather events and natural disasters and their effect on critical infrastructure in the U.S. or internationally, could have similar adverse effects on our customers and our operations.

Furthermore, shareholders, customers and other stakeholders have begun to consider how corporations are addressing environmental, social and governance (“ESG”) issues. Government regulators, investors, customers and the general public are increasingly focused on ESG practices and disclosures, and views about ESG are diverse and rapidly changing. These shifts in investing priorities may result in adverse effects on the trading price of our common stock if investors determine that the Company has not made sufficient progress on ESG matters. We could also face potential negative ESG-related publicity in traditional media or social media if shareholders or other stakeholders determine that we have not adequately considered or addressed ESG matters.

### **We have a history of losses since inception and if we continue to incur losses, the price of our shares can be expected to fall.**

We experienced losses from inception through June 30, 2012, and from fiscal year 2015 through fiscal year 2022. For fiscal years 2022, 2021, and 2020, we incurred a net loss of \$1.7 million, \$8.7 million, and \$40.6 million, respectively. In light of our recent history of losses as well as the length of our history of losses, profitability in the foreseeable future is not assured. Until we achieve profitability, we will be required to use our cash and cash equivalents on hand and may raise capital to meet cash flow requirements including the issuance of common stock or debt financing. Additionally, if we continue to incur losses in the future, the price of our common stock can be expected to fall.

### **The coronavirus disease 2019 (“COVID-19”) pandemic has and may continue to significantly and adversely impact our business.**

The global spread of the COVID-19 pandemic has created significant volatility, uncertainty and economic disruption on our business. Electronic payment transaction volume within unattended markets decreased significantly at the onset of the

pandemic, as government authorities imposed forced closure of non-essential businesses and social distancing protocols, significantly reducing foot traffic to distributed assets containing our electronic payment solutions and reducing discretionary spending by consumers.

As a result of COVID-19, the technology industry is experiencing disruptions within its supply chain. We have experienced, and may continue to experience delays in securing the components and finished goods of our hardware products that we market and sell to our customers. Supply chain delays could cause shortages of our hardware products, which could negatively affect our ability to retain and acquire customers and could adversely impact our financial results.

The extent to which the COVID-19 pandemic continues to impact our business, operations and financial results will depend on numerous evolving factors that we are not able to accurately predict, including: the duration and scope of the pandemic; potential mutations of COVID-19; the efficacy of vaccines and treatment developments and their deployment; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; and the impact of the pandemic on economic activity and actions taken in response. Furthermore, even as containment measures are lifted there can be no assurance as to whether further measures will be implemented, or the time required to sustain operations and sales at pre-pandemic levels. There may also be increased marketplace consolidation as companies are challenged to respond to the continued evolving conditions of COVID-19.

A sustained or recurring downturn could result in a decrease in the fair value of our goodwill or other intangible assets, causing them to exceed their carrying value. This may require us to recognize an impairment to those assets. Further, the COVID-19 pandemic could decrease consumer spending, adversely affect demand for our technology and services, cause one or more of our customers and partners to file for bankruptcy protection or go out of business, cause one or more of our customers to fail to renew, terminate, or renegotiate their contracts, affect the ability of our sales team to travel to potential customers, impact expected spending from new customers and negatively impact collections of accounts receivable, all of which could adversely affect our business, results of operations and financial condition. In response to the outbreak, we agreed to concessions on price and/or payment terms with certain customers who have been negatively impacted by the COVID-19 pandemic, and may negotiate additional concessions on price and/or payment terms.

It is not possible for us to predict the future impact of the pandemic and its effects on our business, results of operations or financial condition at this time.

**The impact of inflation could negatively affect our business, our industry, and our customer base.**

Our own costs, including labor, hardware, services, technology providers, and other variable expenses could be severely impacted by severe, widespread or continuing inflation. Our customer base includes many small businesses, some of which operate on tight margins. Our customers may not successfully navigate a rising cost environment, causing collection issues or bankruptcies. Inflation could seriously erode the discretionary buying decisions of consumers, impacting size of purchases or volumes at our unattended points of sale.

**If we are not able to implement successful enhancements and new features for our products and services, our business could be materially and adversely affected.**

Our success depends on our ability to develop new products and services to address the rapidly evolving market for cashless payments and cloud and mobile solutions for the self-service retail markets. Rapid and significant technological changes continue to confront the industries in which we operate, including developments in proximity payment devices. These new services and technologies may be superior to, impair, or render obsolete the products and services we currently offer or the technologies we currently use to provide them. Incorporating new technologies into our products and services may require substantial expenditures and take considerable time, and we may not be successful in realizing a return on these development efforts in a timely manner or at all. There can be no assurance that any new products or services we develop and offer to our customers will achieve significant commercial acceptance. Our ability to develop new products and services may be inhibited by industry-wide standards, payment card networks, existing and future laws and regulations, resistance to change from our customers, challenges of integration with a wide variety of legacy end-point machines, or third parties' intellectual property rights. If we are unable to provide enhancements and new features for our products and services or to develop new products and services that achieve market acceptance or that keep pace with rapid technological developments and evolving industry standards, our business would be materially and adversely affected.

In addition, because our products and services are designed to operate with a variety of systems, infrastructures, and devices, we need to continuously modify and enhance our products and services to keep pace with changes in mobile, software,

communication, and database technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely and cost-effective manner. Any failure of our products and services to continue to operate effectively with third-party infrastructures and technologies could reduce the demand for our products and services, result in dissatisfaction of our customers, and materially and adversely affect our business.

**Substantially all of the service contracts with our customers are terminable for any or no reason upon thirty to sixty days' advance notice.**

Substantially all of our customers may terminate their services with us for any or no reason upon providing us with thirty to sixty- days' advance notice. Accordingly, consistent demand for and satisfaction with our products by our customers is critical to our financial condition and future success. Problems, outages, defects, or other issues with our products or services or competition in the marketplace could cause us to lose a substantial number of our customers with minimal notice. If a substantial number of our customers were to exercise their termination rights, it would result in a material adverse effect to our business, operating results, and financial condition.

**We may not successfully implement our go-to-market strategy which may adversely affect growth and profitability.**

Our current core business is highly concentrated among several large customers in the vending industry. We have made inroads into other adjacent markets including micro-markets, laundry, gaming, entertainment, vehicle services, and other commercial payments applications and continued expansion into these markets is a substantial piece of our potential future growth prospects. Changing technology, customer preferences, and competitor actions may limit our ability to successfully grow and expand beyond our core business.

**We face significant risks to our business when we engage in the outsourcing of engineering work, including outsourcing of software work overseas, which, if not properly managed, could result in the loss of valuable intellectual property and increased costs due to inefficient and poor work product, which could harm our business, including our financial results, reputation, and brand.**

We may, from time-to-time, outsource engineering work related to the design, development, and operations of our products and services, typically to save money and gain access to additional engineering resources. We have worked, and expect to work in the future, with companies located in jurisdictions outside of the U.S., including, but not limited to Ukraine, Columbia, and India. If we are unable to properly manage and oversee the outsourcing of engineering and other work to third parties located internationally that operate under different laws and regulations than those in the U.S., we could suffer the loss of valuable intellectual property, or the loss of the ability to claim such intellectual property, including patents and trade names. Additionally, instead of saving money, we could in fact incur significant additional costs because of inefficient engineering services and poor work product. As a result, our business would be harmed, including our financial results, reputation, and brand.

**Our ability to commercially manage the transition from the 3G network could lead to competitive disadvantage in the marketplace.**

Our transition away from the 3G wireless network is nearing completion as the cellular service providers phase these networks out in North America through the end of the 2022 calendar year. This transition has and will continue to affect many of our active devices and has required significant customer retention programs and resources to ensure that our existing customer base is properly transitioned to the new platform. This change affects our industry and will also lead to changes with our competitors and their customers. Our ability to successfully transition the remaining impacted devices and provide the new platform for our existing and new customers is critical to our strategy, our network and to the competitive landscape in the marketplace.

**The loss of one or more of our key customers could significantly reduce our revenues, results of operations, and increase net losses.**

We have derived, and believe we will continue to derive, a significant portion of our revenues from one large customer or a limited number of large customers. Customer concentrations for the years ended June 30, 2022, 2021 and 2020 were as follows:

<b>Single customer</b>	<b>For the year ended June 30,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Total revenue	14 %	16 %	16 %

The loss of such customers could materially adversely affect our revenues. Additionally, a major customer in one year may not purchase any of our products or services in another year, which may negatively affect our financial performance. We have offered, and may in the future offer, discounts to our large customers to incentivize them to continue to utilize our products and services. If we are required to sell products to any of our large customers at reduced prices or unfavorable terms, our revenue and earnings could be materially adversely affected. Further, there is no assurance that our customers will continue to utilize our transaction processing and related services as our customer agreements are generally cancellable by the customer on thirty to sixty days' notice.

**Increases in card association and debit network interchange fees could increase our operating costs or otherwise adversely affect our operations.**

We are obligated to pay interchange fees and other network fees set by the bankcard networks to the card issuing bank and the bankcard networks for each transaction we process through our network. From time to time, card associations and debit networks increase the organization and/or processing fees, known as interchange fees that they charge. Under our processing agreements with our customers, we are permitted to pass along these fee increases to our customers through corresponding increases in our processing fees. Passing along such increases could result in some of our customers canceling their contracts with us. Consequently, it is possible that competitive pressures will result in our Company absorbing some or all of the increases in the future, which would increase our operating costs, reduce our gross profit and adversely affect our business.

**We are expending significant resources into certain international initiatives. Our efforts may fail, adversely affecting our results.**

As we expand into international markets, we may not be successful, or our plans may be delayed. Our Company is inexperienced in managing international operations. Our products will need to be localized in some cases and if our localization efforts fail or are delayed or our products and services do not gain traction in new markets, our business could be adversely affected.

**Geopolitical conflicts, including the conflict between Russia and Ukraine, may adversely affect our business and results of operations.**

While we do not currently have employees, customers or corporate offices in impacted areas, we have worked, and expect to work in the future, with companies located in jurisdictions outside of the U.S., including, but not limited to Ukraine. In addition, we are focused on international expansion. As a result, our operations and international expansion efforts could be impacted by economic, political and other conditions resulting from the current conflict between Russia and Ukraine, which could, among other things, lead to a reduction in consumer, government or corporate spending, international sanctions, embargoes, heightened inflation, volatility in global financial markets, increased cyber disruptions or attacks, higher supply chain costs and increased tensions between the United States and countries in which we operate, which could result in charges related to the recoverability of assets, including financial assets, long-lived assets and goodwill and other losses, and could adversely affect our financial position and results of operations. To the extent the invasion of Ukraine by Russia adversely affects our business, it may also have the effect of heightening many other risks disclosed in this Form 10-K, any of which could have a material adverse effect on our business and results of operations.

***Operational and liquidity***

**We depend on our key personnel and, if they leave us, or if we are unable to attract highly skilled personnel, our business could be adversely affected.**

Our success and future growth also depends, to a significant degree, on the skills and continued services of our management team. Further, due to the complexity of the work required to make needed improvements within the Company, it may be difficult for us to retain existing senior management and new hires, sales personnel, and development and engineering personnel critical to our ability to execute our business plan, which could result in harm to key customer relationships, loss of key information, expertise or know-how and unanticipated recruitment and training costs. We may experience a loss of productivity due to the departure of key personnel and the associated loss of institutional knowledge, or while new personnel integrate into our business and transition into their respective roles. Our future success also depends on our ability to attract and motivate highly skilled technical, managerial, sales, marketing and customer service personnel, including members of our management team. The labor market has been very challenging this fiscal year, with several key functions and departments experiencing high turnover. These changes are disruptive and expensive. Continued turnover could prevent us from achieving,

or significantly delay achievement, of our business and operational goals and could adversely affect our business and results of operations.

**Disruptions to our systems, breaches in the security of transactions involving our products or services, or failure of our processing systems could adversely affect our reputation, business and results of operations.**

We rely on information technology and other systems to transmit financial information of consumers making cashless transactions and to provide accounting and inventory management services to our customers. As such, the information we transmit and/or maintain is exposed to the ever-evolving threat of compromised security, in the form of a risk of potential breach, system failure, computer virus, cyber-attack or unauthorized or fraudulent use by consumers, customers, company employees, or employees of third party vendors. A cybersecurity breach could result in disclosure of confidential information and intellectual property, or cause operational disruptions and compromised data. We may be unable to anticipate or prevent techniques to obtain unauthorized access or to sabotage systems because they change frequently and often are not detected until after an incident has occurred.

In addition, our processing systems may experience errors, interruptions, delays or damage from a number of causes, including, but not limited to, power outages, hardware, software and network failures, internal design, manual or usage errors, terrorism, workplace violence or wrongdoing, catastrophic events, climate-related events such as natural disasters and severe weather conditions. The steps we take to deter and mitigate these risks, including annual validation of our compliance with the Payment Card Industry Data Security Standard, may not be successful, and any resulting compromise or loss of data or systems could adversely impact the marketplace acceptance of our products and services, and could result in significant remedial expenses to not only assess and repair any damage to our systems, but also to reimburse customers for losses that occur from service interruptions or the fraudulent use of confidential data. Additionally, we could become subject to significant fines, litigation, and loss of reputation, potentially impacting our financial results.

In addition, following an acquisition, we take steps to ensure our data and system security protection measures cover the acquired business as part of our integration process. As such, there may be a period of increased cybersecurity risk during the period between closing an acquisition and the completion of our data and system security integration.

**The termination of our relationships with certain third-party suppliers upon whom we rely for services that are critical to our products could adversely affect our business and delay achievement of our business plan.**

The operation of our networked devices depends upon the capacity, reliability and security of services provided to us by our wireless telecommunication services providers, equipment manufacturers and other suppliers. In addition, if we terminate relationships with our current telecommunications service providers and other third-party suppliers, we may have to replace hardware that is part of our existing ePort or Seed products that are already installed in the marketplace. This could significantly harm our reputation and could cause us to lose customers and revenues.

**We rely on other card payment processors, and if they fail or no longer agree to provide their services or we fail to operate in compliance with the requirements of those relationships, our customer relationships could be adversely affected, and we could lose business.**

We rely on agreements with other large payment processing organizations, primarily Fiserv Inc., JPMorgan Chase & Co., and Global Payments, Inc. to enable us to provide card authorization, data capture and transmission, settlement and merchant accounting services for the customers we serve. The termination by our card processing providers of their arrangements with us or their failure to perform their services efficiently and effectively would adversely affect our relationships with the customers whose accounts we serve and may cause those customers to terminate their processing agreements with us.

Further, substantially all of the cashless payment transactions handled by our network involve Visa U.S.A. Inc. ("Visa") or MasterCard International Incorporated ("MasterCard"). If we fail to comply with the applicable standards or requirements of the Visa and MasterCard card associations relating to security, Visa or MasterCard could suspend or terminate our registration with them. The termination of our registration with them or any changes in the Visa or MasterCard rules that would impair our registration with them could require us to stop providing cashless payment services through our network. In such event, our business plan and/or competitive advantages in the market place would be materially adversely affected.

**Disruptions at other participants in the financial system could prevent us from delivering our cashless payment services.**

The operations and systems of many participants in the financial system are interconnected. Many of the transactions that involve our cashless payment services rely on multiple participants in the financial system to accurately move funds and

communicate information to the next participant in the transaction chain. A disruption for any reason at one of the participants in the financial system could impact our ability to cause funds to be moved in a manner to successfully deliver our services. Although we work with other participants to avoid any disruptions, there is no assurance that such efforts will be effective. Such a disruption could lead to the inability for us to deliver services, reputational damage, lost customers and lost revenue, loss of customers' confidence, as well as additional costs, all of which could have a material adverse effect on our revenues, profitability, financial condition, and future growth.

**Any increase in chargebacks not paid by our customers may adversely affect our results of operations, financial condition and cash flows.**

In the event a dispute between a cardholder and a customer is not resolved in favor of the customer, the transaction is normally charged back to the customer and the purchase price is credited or otherwise refunded to the cardholder. When we serve as merchant of record, if we are unable to collect such amounts from the customer's account, or if the customer refuses or is unable, due to closure, bankruptcy or other reasons, to reimburse us for a chargeback, we bear the loss for the amount of the refund paid to the cardholder. We may experience significant losses from chargebacks in the future. Any increase in chargebacks not paid by our customers could have a material adverse effect on our business, financial condition, results of operations and cash flows. We have policies to manage customer-related credit risk and attempt to mitigate such risk by monitoring transaction activity. Notwithstanding our programs and policies for managing credit risk, it is possible that a default on such obligations by one or more of our customers could have a material adverse effect on our business.

**Our dependence on proprietary technology and limited ability to protect our intellectual property may adversely affect our ability to compete.**

Challenge to our ownership of our intellectual property could materially damage our business prospects. Our technology may infringe upon the proprietary rights of others. Our ability to execute our business plan is dependent, in part, on our ability to obtain patent protection for our proprietary products, maintain trade secret protection and operate without infringing the proprietary rights of others.

As of June 30, 2022, the United States Government and other countries have granted us 136 patents, of which 50 are still in force. We have a number of pending patent applications, and will consider filing applications for additional patents covering aspects of our future developments, although there can be no assurance that we will do so. In addition, there can be no assurance that we will maintain or prosecute these applications. There can be no assurance that:

- any of the remaining patent applications will be granted to us;
- we will develop additional products that are patentable or that do not infringe the patents of others;
- any patents issued to us will provide us with any competitive advantages or adequate protection for our products;
- any patents issued to us will not be challenged, invalidated or circumvented by others; or
- any of our products would not infringe the patents of others.

If any of our products or services is found to have infringed any patent, there can be no assurance that we will be able to obtain licenses to continue to manufacture, use, sell, and license such product or service or that we will not have to pay damages and/or be enjoined as a result of such infringement.

If we are unable to adequately protect our proprietary technology or fail to enforce or prosecute our patents against others, third parties may be able to compete more effectively against us, which could result in the loss of customers and our business being adversely affected. Patent and proprietary rights litigation entails substantial legal and other costs and diverts Company resources as well as the attention of our management. There can be no assurance we will have the necessary financial resources to appropriately defend or prosecute our intellectual property rights in connection with any such litigation.

**We may require additional financing or find it necessary to raise capital to sustain our operations and without it we may not be able to achieve our business plan.**

At June 30, 2022, we had a net working capital surplus of \$57.4 million and cash and cash equivalents of \$68.1 million. We had net cash (used in) provided by operating activities of \$(8.7) million, \$8.2 million, and \$(14.1) million for fiscal years ended 2022, 2021, and 2020, respectively. We may need additional funds to continue these operations. We may also need additional capital to respond to unusual or unanticipated non-operational events. Such non-operational events include but are not limited to shareholder class action lawsuits, government inquiries or enforcement actions that could potentially arise from the circumstances that gave rise to our restatements, extended filing delays in filing our periodic reports and the impact of

COVID-19 on our business. Should the financing that we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences could have a material adverse effect on our business, operating results, financial condition and future prospects.

**Failure to comply with any of the financial covenants under the Company's credit agreement could result in an event of default which may accelerate our outstanding indebtedness or other obligations and have a material adverse impact on our business, liquidity position and financial position.**

On March 17, 2022, the Company entered into an amended and restated credit agreement with JPMorgan Chase Bank, N.A. which provides for a \$15 million secured revolving credit facility (the "Amended Revolving Facility") and a \$25 million secured term facility (the "Amended Secured Term Facility" and together with the Amended Revolving Facility, the "Amended JPMorgan Credit Facility"), and fully replaces our previous 2021 JPMorgan Credit Facility.

The Amended JPMorgan Credit Facility has a four year maturity and includes customary representations, warranties and covenants, and acceleration, indemnity and events of default provisions, including, among other things, two financial covenants. One financial covenant requires the Company to maintain, at all times, a total leverage ratio of not more than 3.00 to 1.00 on the last day of any fiscal quarter. The other financial covenant is conditional on a material acquisition occurring: if a material acquisition occurs, the Company is required to maintain a total leverage ratio not greater than 4.00 to 1.00 for the next four fiscal quarters following the material acquisition.

The Company was in compliance with its financial covenants as of June 30, 2022. Failure to comply with the foregoing financial covenants, if not cured or waived, will result in an event of default that could trigger acceleration of our indebtedness, which would require us to repay all amounts owed under the 2022 JPMorgan Credit Agreement and could have a material adverse impact on our business, liquidity position and financial position.

We cannot be certain that our future operating results will be sufficient to ensure compliance with the financial covenants in our 2022 JPMorgan Credit Agreement or to remedy any defaults. In addition, in the event of any event of default and related acceleration, we may not have or be able to obtain sufficient funds to make the accelerated payments required under the 2022 JPMorgan Credit Agreement.

**Acquisitions may adversely affect our financial condition.**

We could acquire additional products, technologies, or businesses to complement or expand our business. We may be unable to negotiate favorable terms in a timely manner or at all. Negotiation and integration of these types of potential business combinations could divert management's time and resources. In addition, we may encounter unanticipated costs, operational challenges, or potential disruption of our business and diversion of management's attention from our core business. We may not realize the anticipated benefits from an acquisition. We could reduce the cash that would otherwise be available to fund operations or other purposes, or we could incur debt, potentially on unfavorable terms.

#### *Legal, regulatory, and compliance risks*

**We are subject to laws and regulations that affect the products, services and markets in which we operate. Failure by us to comply with these laws or regulations would have an adverse effect on our business, financial condition, or results of operations.**

We are, among other things, subject to certain banking regulations and credit card association regulations. Failure to comply with these regulations may result in the suspension of our business, the limitation, suspension or termination of service, and/or the imposition of fines that could have an adverse effect on our financial condition. Additionally, changes to legal rules and regulations, or interpretation or enforcement thereof, could have a negative financial effect on us or our product offerings. To the extent this occurs, we could be subject to additional technical, contractual or other requirements as a condition of our continuing to conduct our payment processing business. These requirements could cause us to incur additional costs, which could be significant, or to lose revenues to the extent we do not comply with these requirements.

**The accounting review of our previously issued financial statements and the audits of prior fiscal years have been time-consuming and expensive, has resulted in claims and lawsuits, and may result in additional expense and/or litigation.**

In fiscal year 2019, the Audit Committee, with the assistance of independent legal and forensic accounting advisors, conducted an internal investigation of then-current and prior period matters relating to certain of the Company's contractual arrangements,

including the accounting treatment, financial reporting and internal controls related to such arrangements (the “2019 Investigation”).

We have incurred significant expenses, including audit, legal, consulting and other professional fees, in connection with the 2019 Investigation, the review of our accounting, the audits, the restatements of previously filed financial statements, bank consents, the remediation of deficiencies in our internal control over financial reporting, the proxy solicitation, and professional services fees to assist the Company with accounting and compliance activities in fiscal year 2020 following the filing of the 2019 Form 10-K. To the extent that steps we have taken to take to reduce errors in accounting determinations are not successful, we could be forced to incur significant additional time and expense. The incurrence of significant additional expense, or the requirement that management devote significant time that could reduce the time available to execute on our business strategies, could have a material adverse effect on our business, results of operations and financial condition.

Although we have completed the restatement, we cannot guarantee that we will not be subject to future claims, investigations, proceedings, inquiries from regulators and enforcement proceedings. Any future claims, investigations, inquiries or proceedings will, regardless of the outcome, likely consume a significant amount of our internal resources and result in additional costs.

Our management has been, and may in the future be, required to devote significant time and attention to litigation and claims, and this and any additional matters that arise could have a material adverse impact on our results of operations and financial condition as well as on our reputation.

**Matters relating to or arising from the restatement and the 2019 Investigation, including adverse publicity and potential concerns from our customers, and enforcement proceedings could continue to have an adverse effect on our business and financial condition.**

We have previously restated our consolidated financial statements as of and for the fiscal year 2017 and our unaudited consolidated financial statements for the quarterly periods ended September 30, 2016, December 31, 2016, March 31, 2017, September 30, 2017, December 31, 2017, and March 31, 2018. As a result, we have been and could continue to be the subject of negative publicity focusing on the restatement and adjustment of our financial statements, and may be adversely impacted by negative reactions from our customers or others with whom we do business. Concerns include the perception of the effort required to address our accounting and control environment and the ability for us to be a long-term provider to our customers. The continued occurrence of any of the foregoing could harm our business and have an adverse effect on our financial condition. Additionally, as a result of the restatements, we have become subject to a number of additional risks and uncertainties, including substantial unanticipated costs for accounting and legal fees in connection with or related to the restatement. If litigation or enforcement proceedings did occur, we may incur additional substantial defense costs regardless of their outcome. Likewise, such events might cause a diversion of our management’s time and attention. If we do not prevail in any such litigation, we could be required to pay substantial damages or settlement costs.

**Remaining regulatory matters relating to U.S. Department of Justice (“DOJ”) and Securities and Exchange Commission (“SEC”) inquiries may require significant time and attention, result in substantial expenses and lead to adverse publicity.**

In the third quarter of fiscal year 2020, the Company responded to a subpoena received from the DOJ that sought records regarding Company activities related to the 2019 Investigation. We cooperated fully with the DOJ’s queries. The DOJ staff has notified us during fiscal year 2022 that they have concluded their investigation and that they do not intend to proceed with any further investigation or enforcement. Since fiscal year 2019, the Company has received inquiries from the SEC into the facts and circumstances of the 2019 Investigation and has fully cooperated with these inquiries.

Potential SEC enforcement could result in substantial legal and accounting expenses, divert management’s attention from other business concerns and harm our business. Any civil action commenced against us could result in administrative orders against us, the imposition of significant penalties and/or fines against us, and/or the imposition of civil sanctions against us or certain of our former officers, directors and/or employees. Any regulatory action could result in the filing of additional restatements of our prior financial statements or require that we take other actions. If we are subject to an adverse finding resulting from the investigation, we could be required to pay damages or penalties or have other remedies imposed upon us. These matters could require significant management and financial resources which could otherwise be devoted to the operation of our business. Additionally, as a result of these inquiries, we could be the subject of negative publicity including negative reactions from our customers or others with whom we do business.



**We and certain of our former officers and directors could be subject to future claims and lawsuits, which could require significant additional management time and attention, result in significant additional legal expenses or result in government enforcement actions.**

We and certain of our former officers and directors may become subject to further litigation, government investigations or proceedings arising from the 2019 Investigation. Future litigation, investigation or other actions that may be filed or initiated against us or our former officers or directors may be time consuming and expensive. We cannot predict what losses we may incur in these matters, and contingencies related to our obligations under the federal and state securities laws, or in other legal proceedings or governmental investigations or proceedings related to these matters.

To date, we have incurred significant costs in connection with litigation, investigations and with the special litigation committee proceedings. Any legal proceedings, if decided adversely to us, could result in significant monetary damages, penalties and reputational harm, and will likely involve significant defense and other costs. We have entered into indemnification agreements with certain of our former directors and officers, and our bylaws require us to indemnify each of our directors and officers. Further, our insurance may not cover all claims that have been or may be brought against us, and insurance coverage may not continue to be available to us at a reasonable cost. As a result, we have been and may continue to be exposed to substantial uninsured liabilities, including pursuant to our indemnification obligations, which could materially adversely affect our business, prospects, results of operations and financial condition.

**Failure to maintain effective systems of internal control over financial reporting and disclosure controls and procedures could cause a loss of confidence in our financial reporting and adversely affect the trading price of our common stock.**

Effective internal control over financial reporting is necessary for us to provide accurate financial information. Section 404 of the Sarbanes-Oxley Act requires us to evaluate the effectiveness of our internal control over financial reporting as of the end of each fiscal year and to include a management report assessing the effectiveness of our internal control over financial reporting in our Annual Report on Form 10-K. As discussed in Item 9A, our internal controls over financial reporting were not effective as of June 30, 2022 due to the existence of multiple material weakness in such controls. Management is in the process of remediating the material weaknesses. We cannot provide assurance that our remediation efforts will be adequate to allow us to conclude that such controls will be effective as of June 30, 2023. If we are unable to adequately maintain our internal control over financial reporting in the future, we may not be able to accurately report our financial results, which could cause investors to lose confidence in our reported financial information, negatively affecting the trading price of our common stock, or our ability to access the capital markets. Refer to Part II, Item 9A for additional information regarding the material weaknesses that have been identified and our remediation plans.

### ***Risks related to our common stock***

#### **Director and officer liability is limited and shareholders may have limited rights to recover against directors for breach of fiduciary duty.**

As permitted by Pennsylvania law, our by-laws limit the liability of our directors for monetary damages for breach of a director's fiduciary duty except for liability in certain instances. As a result of our by-law provisions and Pennsylvania law, shareholders may have limited rights to recover against directors for breach of fiduciary duty. In addition, our by-laws and indemnification agreements entered into by the Company with each of the officers and directors provide that we shall indemnify our directors and officers to the fullest extent permitted by law.

#### **An active trading market for our common stock may not be maintained.**

We can provide no assurance that we will be able to maintain an active trading market for our common stock on the Nasdaq Global Select Market, or any other exchange in the future. If an active market for our common stock is not maintained, or if we fail to satisfy the continued listing standards of Nasdaq for any reason and our securities are delisted, it may be difficult for our security holders to sell their securities without depressing the market price for the securities or at all. An inactive trading market may also impair our ability to both raise capital by selling shares of common stock and complete other acquisitions by using our shares of common stock as consideration.

#### **If securities and/or industry analysts fail to continue publishing research about our business, if they change their recommendations adversely, or if our results of operations do not meet their expectations, our stock price and trading volume could decline.**

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly for any reason, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. In addition, it is likely that, in some future period, our operating results will be below the expectations of securities analysts or investors. If one or more of the analysts who cover us downgrade our stock, or if our results of operations do not meet their expectations, our stock price could decline.

#### **There is a risk that we may be dropped from inclusion in the Russell 2000® Index which could result in a decline in the price of our stock.**

Although we are currently included in the Russell 2000® Index, there is a risk that we could be dropped from inclusion when the list of public companies included in the Russell 2000® Index is reconstituted in May 2023 if our market capitalization falls below the minimum necessary for inclusion, which could result in a decline in demand for our common stock and, accordingly, the trading price of our common stock following such event.

#### **Upon certain fundamental transactions involving the Company, such as a merger or sale of substantially all of our assets, we may be required to distribute the liquidation preference then due to the holders of our Series A Preferred Stock which would reduce the amount of the distributions otherwise to be made to the holders of our common stock in connection with such transactions.**

Our articles of incorporation provide that upon a merger or sale of substantially all of our assets or upon the disposition of more than 50% of our voting power, the holders of at least 60% of the preferred stock may elect to have such transaction treated as a liquidation and be entitled to receive their liquidation preference. Upon our liquidation, the holders of our preferred stock are entitled to receive a liquidation preference prior to any distribution to the holders of common stock which, as of June 30, 2022 was approximately \$22.1 million.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Our headquarters are located at 100 Deerfield Lane, Suite 300, Malvern, Pennsylvania. All of our current locations are leased and expire in varying years outlined below. All of our leased facilities are used for corporate functions, product development, sales, and other purposes. We believe our existing facilities are sufficient for our current and future needs.

<b>Location</b>	<b>Approximate Monthly Base Rent</b>	<b>Lease Expiration</b>	<b>Approximate Size</b>
Atlanta, Georgia	\$21,000 - \$22,000	June 2023	11,900 sq. ft.
Malvern, Pennsylvania	\$57,000 - \$61,000	November 2023	27,000 sq. ft.
Metairie, Louisiana*	\$15,000 - \$16,000	July 2024	7,800 sq. ft.
Denver, Colorado*	\$45,000 - \$53,000	December 2026	16,700 sq. ft.

\* These office space locations are no longer utilized by the Company and have been sub-leased.

**Item 3. Legal Proceedings.**

We are a party to litigation and other proceedings that arise in the ordinary course of our business. We establish accruals for those matters in circumstances when a loss contingency is considered probable and the related amount is reasonably estimable. Any such accruals may be adjusted as circumstances change. Assessments of losses are inherently subjective and involve unpredictable factors. It is possible that future results of operations for any particular quarterly or annual period could be materially and adversely affected by any developments relating to the legal proceedings, claims and investigations.

Except as set forth in Note 18 to the consolidated financial statements in Part II, Item 8 of this Annual Report, we are not aware of any material pending legal or governmental proceedings as of the filing date of this Annual Report to which we are party, other than routine litigation incidental to our business.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

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

Our common stock is traded on The NASDAQ Global Market under the symbol “CTLP”. As of October 14, 2022, there were 510 holders of record of our common stock and 230 record holders of the preferred stock. This number does not include stockholders for whom shares were held in a “nominee” or “street” name.

The holders of the common stock are entitled to receive such dividends as the Board of Directors of the Company may from time to time declare out of funds legally available for payment of dividends. Through the date hereof, no cash dividends have been declared on the Company’s common stock or preferred stock. No dividend may be paid on the common stock until all accumulated and unpaid dividends on the preferred stock have been paid. As of June 30, 2022, such accumulated unpaid dividends amounted to approximately \$17.7 million. The preferred stock is also entitled to a liquidation preference over the common stock which equaled approximately \$22.1 million as of June 30, 2022.

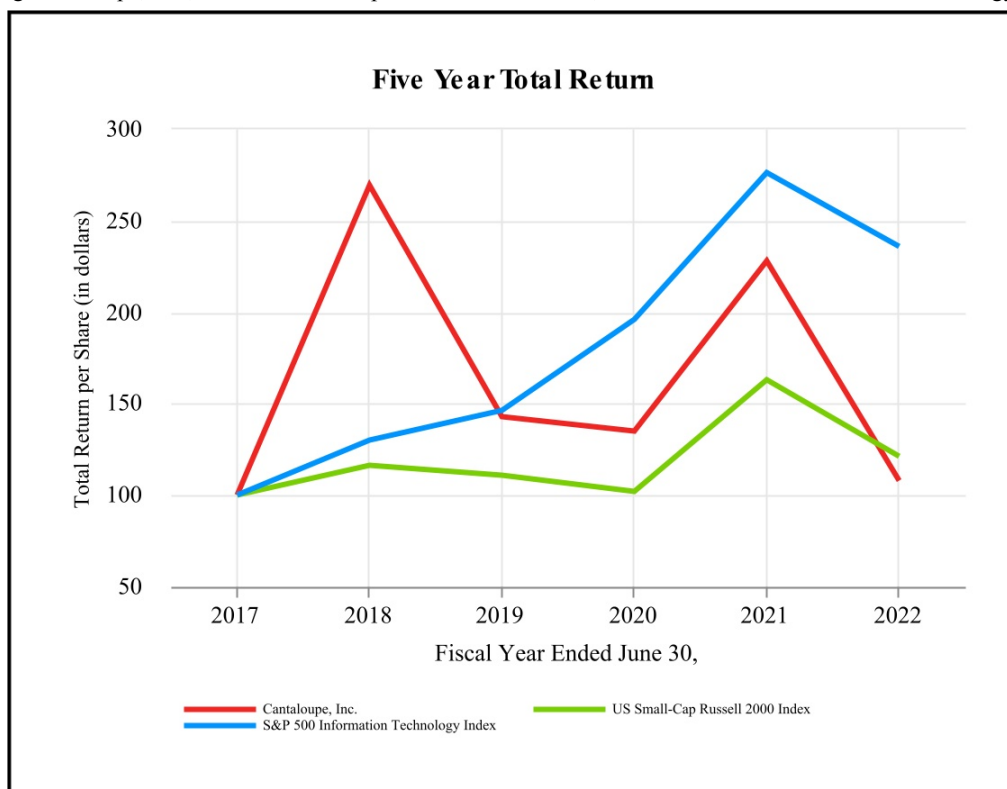
### PERFORMANCE GRAPH

The following graph shows a comparison of the 5-year cumulative total shareholder return for our common stock with The US Small-Cap Russell 2000® Index and the S&P 500 Information Technology Index in the United States. The graph assumes a \$100 investment on June 30, 2017 in our common stock and in the Small-Cap Russell 2000® Index and the S&P 500 Information Technology Index, including reinvestment of dividends.

The Company was added as a member of the US Small-Cap Russell 2000® Index in June 2021. We have included the Small-Cap Russell 2000® Index replacing the Nasdaq Composite Index in our cumulative total return comparisons below, which reflects a change from the presentation in prior fiscal years.

#### COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN

Among Cantaloupe, Inc., The US Small-Cap Russell 2000® Index, and The S&P 500 Information Technology Index



<b>Total Return For:</b>	<b>Jun-17</b>	<b>Jun-18</b>	<b>Jun-19</b>	<b>Jun-20</b>	<b>Jun-21</b>	<b>Jun-22</b>
Cantaloupe, Inc.	\$ 100	\$ 269	\$ 143	\$ 135	\$ 228	\$ 108
US Small-Cap Russell 2000® Index	\$ 100	\$ 116	\$ 111	\$ 102	\$ 163	\$ 121
S&P 500 Information Technology Index	\$ 100	\$ 130	\$ 146	\$ 196	\$ 276	\$ 236

The information in the performance graph is not deemed to be “soliciting material” or to be “filed” with the Securities and Exchange Commission or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934, as amended, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference into such a filing. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

**Item 6. [Reserved]**

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

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included in this Form 10-K, as well as the discussion under “Item 1A. Risk Factors.” For further discussion of the business, industry, our products and services, competitive strengths, and growth strategy, see “Item 1. Business.” Unless stated otherwise, the comparisons presented in this discussion and analysis refer to the year-over-year comparison of changes in our financial condition and results of operations as of and for the fiscal years ended June 30, 2022 and June 30, 2021. Discussion of fiscal year 2021 items and the year-over-year comparison of changes in our financial condition and results of operations as of and for the fiscal years ended June 30, 2021 and June 30, 2020 can be found in Part II, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, which was previously filed with the SEC on September 3, 2021.

Certain prior period amounts have been reclassified to conform with current year presentation. The changes in presentation did not affect our total revenues, total costs of sales, gross profit, total operating expenses, operating loss, net loss or net loss per common share. For further information on the presentation changes, see *Item 1. Financial Statements — Note 2. Accounting Policies*.

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements. Furthermore, the period to period comparison of our historical results is not necessarily indicative of the results that may be expected in the future.

### **OVERVIEW OF THE COMPANY**

Cantaloupe, Inc., previously known as USA Technologies, Inc., is organized under the laws of the Commonwealth of Pennsylvania. We are a digital payments and software services company that provides end-to-end technology solutions for the unattended retail market. We are transforming the unattended retail world by offering a single platform for self-service commerce which includes integrated payments processing and software solutions that handle inventory management, pre-kitting, route logistics, warehouse and back-office management. Our enterprise-wide platform is designed to increase consumer engagement and sales revenue through digital payments, digital advertising and customer loyalty programs, while providing retailers with control and visibility over their operations and inventory. As a result, customers ranging from vending machine companies to operators of micro-markets, car wash, electric vehicle charging stations, commercial laundry, kiosks, amusements and more, can run their businesses more proactively, predictably, and competitively.

The Company's fiscal year ends June 30. The Company generates revenue in multiple ways. During the fiscal years ended June 30, 2022 and June 30, 2021, we derived approximately 82% and 83% respectively, of our revenue from subscription and transaction fees and approximately 18% and 17%, respectively, of our revenue from equipment sales. Active Devices on our service include point of sale ("POS") electronic payment devices, certified payment software, or the servicing of similar third-party installed POS terminals. Customers can obtain POS electronic payment devices from us in the following ways:

- Purchasing devices directly from the Company or one of its authorized resellers;
- Financing devices under the Company’s QuickStart Program, which are non-cancellable sixty-month sales-type leases directly from the Company; and
- Participating in a monthly bundled subscription under the Company's Cantaloupe ONE program, which are 36-month rental agreements that transition to month-to-month agreements after the initial subscription commitment period.

### **Highlights**

Highlights of the Company for the fiscal year ended June 30, 2022 are below:

- Approximately 24 thousand Active Customers and 1.14 million Active Devices (as defined in Item 1. Business) connected to our service.
- In August 2021, we completed the acquisition of certain assets and liabilities of Delicious Nutritious LLC, doing business as Yoke Payments ("Yoke"), a micro market payments company. Through the acquisition, Yoke's POS platform offers self-checkout while seamlessly integrating with Cantaloupe’s inventory management and payment processing platforms. During the year, we implemented the newly enhanced Yoke Micro Market Platform upgrade that includes new features and functionality for Yoke Pay, Yoke POS, and the Yoke Portal.

- A successful rollout of the ePort Engage and ePort Engage Combo devices which began shipping during the current fiscal year. ePort Engage series is our next generation of digital touchscreen devices for the market which provides retailers the ability to captivate consumers in new ways and enables truly frictionless purchasing.
- Cantaloupe announced and launched a bundled subscription model, the Cantaloupe ONE Platform which provides operators the flexibility and predictability of a monthly, fixed subscription amount covering the hardware and service fees.
- Entered into an amended and restated credit agreement (the "Amended JP Morgan Credit Facility") with JP Morgan Chase Bank, N.A. in March 2022 that provides for a \$15 million secured revolving credit facility and a \$25 million secured term facility, which replaces our previous 2021 JPMorgan Credit Facility.
- The Company announced a partnership with HIVERY, a data-science company that specializes in Artificial Intelligence ("AI") technology to streamline category management for retailers in the consumer packaged goods industry. The partnership aims to provide the Company's Seed customers an enhanced merchandising technology leveraging AI and Machine Learning to improve vending machine performance. The integration was available to customers as of June 30, 2022.
- The Company expanded its machine compatibility for remote price change (RPC), a feature within the Seed suite of services that enables customers to make price changes to products at vending machines remotely. Customers started subscribing to RPC in the quarter ended June 30, 2022.

### **COVID-19 Update**

The Company, its employees, and its customers operate in geographic locations in which its business operations and financial performance continues to be affected by the COVID-19 pandemic. While businesses, schools and other organizations re-open, which has led to increased foot-traffic to distributed assets containing our electronic payment solutions, the emergence of new strains and variants and resurgence of the virus, such as the outbreak of the Omicron variant in early calendar year 2022, have and may in the future lead to additional shutdowns and closures that impact our operations and financial results. Such impacts to our financial statements have in the past included, and may in the future include the impairment of goodwill and intangible assets, impairment of long-lived assets including operating lease assets, property and equipment and allowance for doubtful accounts for accounts and finance receivables. We have concluded that there are no material impairments as a result of our evaluation for the year ended June 30, 2022. Where applicable, we have incorporated judgments and estimates of the expected impact of COVID-19 in the preparation of the financial statements based on information currently available. These judgments and estimates may change, as new events develop and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known.

While we are encouraged by our strong operating and financial results, we continue to monitor the evolving situation and follow guidance from federal, state and local public health authorities. Given the potential uncertainty of the situation, the Company cannot, at this time, reasonably estimate the longer-term repercussions of COVID-19 on our financial condition, results of operations or cash flows.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP", "GAAP"), and they conform to general practices in our industry. The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make judgments, assumptions, and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes.

Critical accounting policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or subject to variations and may significantly affect our reported results and financial position for the period or in future periods. Changes in underlying factors, assumptions, or estimates in any of these areas could have a material impact on our future financial condition and results of operations. We apply critical accounting policies consistently from period to period and intend that any change in methodology occur in an appropriate manner.

Accounting policies currently deemed critical to our business operations and the understanding of our results of operations are listed below. For a detailed discussion on the application of these and other accounting policies, see Note 2 to our consolidated financial statements included in this Annual Report.



*Revenue Recognition.* The Company derives revenue primarily from the sale or lease of equipment and services to the small ticket, unattended POS market. The Company's application of the accounting principles in U.S. GAAP related to the measurement and recognition of revenue requires us to make judgments and estimates. Complex arrangements may require significant judgment in contract interpretation to determine the appropriate accounting.

The Company enters into arrangements with multiple performance obligations, which may include various combinations of equipment and services. Our equipment and service deliverables qualify as separate performance obligations and can be sold on a standalone basis. A deliverable constitutes a separate unit of accounting when it has standalone value and, where return rights exist, delivery or performance of the undelivered items is considered probable and substantially within the Company's control. For these multiple deliverable arrangements, the Company allocates revenue to the deliverables based on their relative standalone selling prices. To the extent that a deliverable is subject to specific guidance on whether and/or how to allocate the consideration in a multiple element arrangement, that deliverable is accounted for in accordance with such specific guidance. The Company limits the amount of revenue recognition for delivered items to the amount that is not contingent on the future delivery of products or services or meeting other future performance obligations.

*Capitalization of internal-use software and cloud computing arrangements.* We have significant expenditures associated with the technological maintenance and improvement of our network and technology offerings. These expenditures include both the cost of internal employees, who spend portions of their time on various technological projects, and the use of external temporary labor and consultants. Capitalization of internal-use software occurs when we have completed the preliminary project stage, management authorizes the project, management commits to funding the project, it is probable the project will be completed and the project will be used to perform the function intended. We are required to assess these expenditures and make a determination as to whether the costs should be expensed as incurred or are subject to capitalization. In making these determinations, we consider the stage of the development project, the probability of successful development and if the development is resulting in increased features and functionality. In addition, if we determine that a project qualifies for capitalization, the amount of capitalization is subject to various estimates, including the amount of time spent on the development work and the cost of internal employees and external consultants. Internal-use software is included within Property and equipment, net on our Consolidated Balance Sheets and is amortized over its estimated useful life, which is typically 3 to 7 years.

We capitalize certain costs related to hosting arrangements that are service contracts (cloud computing arrangements) following the internal-use software capitalization criteria described above. Our cloud computing arrangements involve services we use to support internal corporate functions, our platforms and technology offerings. Capitalized costs relating to cloud computing arrangements are included within Prepaid expenses and other current assets or Other assets on our Consolidated Balance Sheets and are amortized on a straight-line basis over the estimated useful life, which is typically 3 to 5 years.

*Goodwill.* We test goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that impairment may have occurred. Goodwill is reviewed for impairment utilizing either a qualitative or a quantitative goodwill impairment test. If we choose to perform a qualitative assessment and determine the fair value more likely than not exceeds the carrying value, no further evaluation is necessary. When we perform the quantitative goodwill impairment test, we compare the fair value of our reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, then goodwill is not considered impaired. An impairment charge is recognized for the amount by which, if any, the carrying value exceeds the reporting unit's fair value. However, the loss recognized cannot exceed the reporting unit's goodwill balance.

The quantitative impairment test process requires valuation of the reporting unit, which we determine using the income approach, the market approach or a combination of the two approaches. Under the income approach, we calculate the fair value of the reporting unit based on the present value of estimated future cash flows derived from assumptions that include expected growth rates and revenues, projected expenses, discount rates, capital expenditures and income tax rates. Under the market approach, we estimate the fair value based on the quoted stock price, recent equity transactions of our business, market transactions involving similar businesses and market comparables.

The Company has selected April 1 as its annual goodwill impairment testing date. The Company has concluded there has been no impairment of goodwill during the years ended June 30, 2022, 2021, or 2020. As of the date of our annual impairment test for fiscal year 2022, the fair value of our reporting unit exceeded its carrying value by a significant margin. Subsequent to our annual impairment test, no indicators of impairment were identified. As of June 30, 2022, if our estimate of the fair value of our reporting unit was 10% lower, no goodwill impairment would have existed.

*Impairment of Long-Lived Assets.* We review long-lived assets, such as finite-lived intangible assets, property and equipment and operating lease right-of-use assets for potential impairment, when there is evidence that events or changes in circumstances

which indicate that the carrying value of an asset may not be recoverable. If the sum of the expected future undiscounted cash flow is less than the carrying amount of the asset, an impairment is indicated. A loss is then recognized for the difference, if any, between the fair value of the asset (as estimated by management using its best judgment) and the carrying value of the asset. If actual market value is less favorable than that estimated by management, additional write-downs may be required. We recorded an impairment charge relating to our operating lease right-of-use assets of \$1.6 million for the fiscal year ended June 30, 2021. There were no material impairment charges recorded for the fiscal year ended June 30, 2022.

*Allowances for Accounts and Finance Receivables.* We maintain lifetime expected loss allowances for accounts and finance receivables based on historical experience of payment performance, current conditions of the customer, and reasonable and supportable economic forecasts of collectability for the asset's entire expected life, which is generally less than one year for accounts receivable and five years for finance receivables. Historical loss experience is utilized as there have been no significant changes in the mix or risk characteristics of the receivable revenue streams used to calculate historical loss rates. Current conditions are analyzed at each measurement date to reassess whether our receivables continue to exhibit similar risk characteristics as the prior measurement date, and determine if the reserve calculation needs to be adjusted for new developments, such as a customer's inability to meet its financial obligations. Reasonable and supportable macroeconomic trends also are incorporated into the analysis. Estimating the allowances therefore requires us to apply judgment in relying on historical customer payment experience, regularly analyzing the financial condition of our customers, and developing macroeconomic forecasts to adequately cover expected credit losses on our receivables. By nature, such estimates are highly subjective, and it is possible that the amount of receivables that we are unable to collect may be different than the amounts initially estimated in the allowances.

*Inventories.* We determine the value of inventories using the lower of cost or net realizable value. We write down inventories for the difference between the carrying value of the inventories and their net realizable value. If actual market conditions are less favorable than those projected by management, additional write-downs may be required.

We estimate our reserves for inventory obsolescence by continuously examining our inventories to determine if there are indicators that carrying values exceed net realizable values. Experience has shown that significant indicators that could require the need for additional inventory write-downs are the age of the inventory, the length of its product life cycles, anticipated demand for our products, changes to technical standards required by payment companies or by law, and current economic conditions. While we believe that adequate write-downs for inventory obsolescence have been made in the consolidated financial statements, actual demand could be less than forecasted demand for our products and we could experience additional inventory write-downs in the future.

*Loss Contingencies.* Loss contingencies are uncertain and unresolved matters that arise in the ordinary course of business and result from events or actions by others that have the potential to result in a future loss. Such contingencies include, but are not limited to, litigation.

When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low-end of such range. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency. Moreover, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be continuously evaluated to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss.

Disclosure is provided for material loss contingencies when a loss is probable but a reasonable estimate cannot be made, and when it is reasonably possible that a loss will be incurred or when it is reasonably possible that the amount of a loss will exceed the recorded provision. We regularly review all contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made. As discussed above, development of a meaningful estimate of loss or a range of potential loss is complex when the outcome is directly dependent on negotiations with or decisions by third parties, such as regulatory agencies, the court system and other interested parties. Such factors bear directly on whether it is possible to reasonably estimate a range of potential loss and boundaries of high and low estimates.

*Deferred Income Tax Assets and Liabilities.* The carrying values of deferred income tax assets and liabilities reflect the application of our income tax accounting policies in accordance with applicable accounting standards and are based on management's assumptions and estimates regarding future operating results and levels of taxable income, as well as management's judgment regarding the interpretation of the provisions of applicable accounting standards. The carrying values of liabilities for income taxes currently payable are based on management's interpretations of applicable tax laws and incorporate management's assumptions and judgments regarding the use of tax planning strategies in various taxing jurisdictions.

We evaluate the recoverability of these deferred tax assets by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates. We use our historical experience and our short and long-term business forecasts to provide insight. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established. Federal and state net operating loss carryforwards are reserved with a full valuation allowance because, based on the available evidence, we believe it is more likely than not that we would not be able to utilize those deferred tax assets in the future. If the actual amounts of taxable income differ from our estimates, the amount of our valuation allowance could be materially impacted.

*Sales tax reserve.* The Company has recorded a contingent liability for sales tax, included in accrued expenses in the Consolidated Balance Sheets. On a quarterly basis, the Company accrues interest on the unpaid balance. The estimated liability is adjusted upon the payment of sales tax related to the accrual, the changes in state tax laws that may impact the accrual and the expiration of the statute of limitations for open years under review. The liability includes significant judgments and estimates that may change in the future, and the actual liability may be different from our current estimate. Changes to the sales tax reserve amount are recorded within general and administrative expenses and interest expense in the Consolidated Statements of Operations and accrued expenses in the Consolidated Balance Sheets.

## RESULTS OF OPERATIONS

The following table shows certain financial and non-financial data that management believes give readers insight into certain trends and relationships about the Company's financial performance. We believe the metrics (Active Devices, Active Customers, Total Number of Transactions and Total Dollar Volume of Transactions) are useful in allowing management and readers to evaluate our strategy of driving growth in devices and transactions.

### *Active Devices*

Active Devices are devices that have communicated with us or have had a transaction in the last twelve months. Included in the number of Active Devices are devices that communicate through other devices that communicate or transact with us. A self-service retail location that utilizes an ePort cashless payment device as well as Seed management services constitutes only one device.

### *Active Customers*

The Company defines Active Customers as all customers with at least one active device.

### *Total Number Of Transactions and Total Dollar Volume of Transactions*

Transactions are defined as electronic payment transactions that are processed by our technology-enabled solutions. Management uses Total Number of Transactions and Total Dollar Volume of Transactions to monitor recovery from the COVID-19 pandemic and to evaluate the effectiveness of our new customer strategy and ability to leverage existing customers and partners.

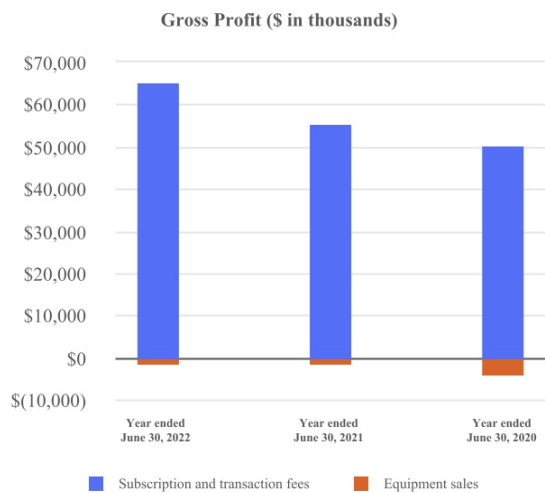
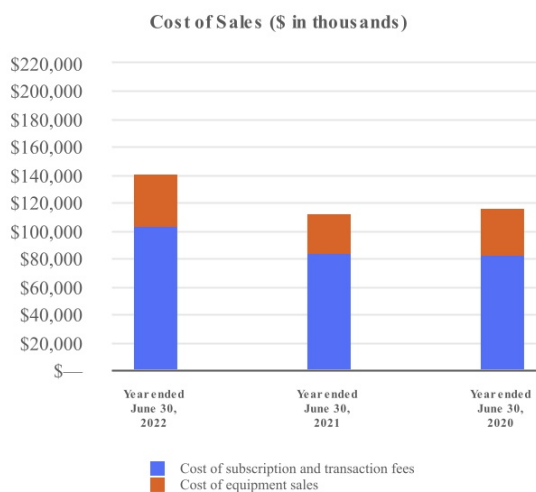
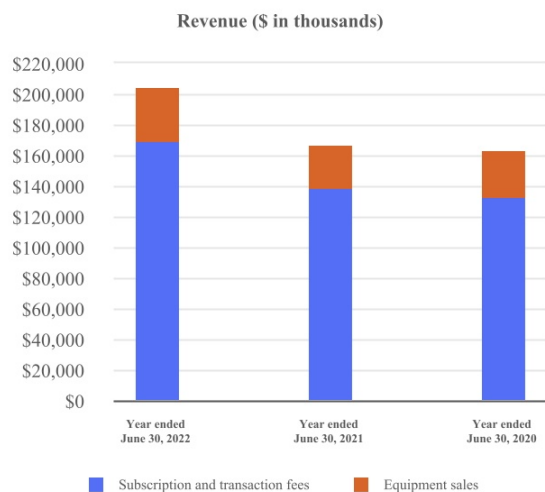
	As of and for the years ended		
	June 30, 2022	June 30, 2021	June 30, 2020
<b>Devices:</b>			
Active Devices (thousands)	1,137	1,094	1,079
<b>Customers:</b>			
Active Customers	23,991	19,834	17,249
<b>Volumes:</b>			
Total Number of Transactions (millions)	1,052.8	868.7	881.1
Total Dollar Volume of Transactions (millions)	2,286.7	1,756.6	1,729.4

Highlights for the fiscal year ended June 30, 2022 include:

- 1.14 million Active Devices as of June 30, 2022 compared to 1.09 million as of June 30, 2021, an increase of approximately 43 thousand Active Devices, or 4.0%;
- 23,991 Active Customers to our service as of June 30, 2022 compared to 19,834 as of June 30, 2021, an increase of 4,157 Active Customers, or 21%.
- 2.3 billion in dollar volume of transactions for the year ended June 30, 2022 compared to 1.8 billion for the year ended June 30, 2021, an increase of \$0.53 billion, or 30%.

## FINANCIAL HIGHLIGHTS

The following tables and charts summarize our results of operations and significant changes in our financial performance for the periods presented:



## Revenues and Gross Profit

(\$ in thousands)	Year Ended June 30,			Percent Change	
	2022	2021	2020	2022 v. 2021	2021 v. 2020
<b>Revenues:</b>					
Subscription and transaction fees	\$ 168,850	\$ 139,242	\$ 133,167	21.3 %	4.6 %
Equipment sales	36,352	27,697	29,986	31.2 %	(7.6)%
Total revenue	205,202	166,939	163,153	22.9 %	2.3 %
<b>Costs of sales:</b>					
Cost of subscription and transaction fees	103,392	83,617	82,980	23.6 %	0.8 %
Cost of equipment sales	37,615	29,296	33,900	28.4 %	(13.6)%
Total costs of sales	141,007	112,913	116,880	24.9 %	(3.4)%
<b>Gross profit:</b>					
Subscription and transaction fees	65,458	55,625	50,187	17.7 %	10.8 %
Equipment sales	(1,263)	(1,599)	(3,914)	21.0 %	59.1 %
Total gross profit	\$ 64,195	\$ 54,026	\$ 46,273	18.8 %	16.8 %
<b>Gross margin:</b>					
Subscription and transaction fees	38.8 %	39.9 %	37.7 %		
Equipment sales	(3.5)%	(5.8)%	(13.1)%		
Total gross margin	31.3 %	32.4 %	28.4 %		

### Revenues

Total revenues for the year ended June 30, 2022 was \$205.2 million, consisting of \$168.9 million of subscriptions and transactions fees and \$36.4 million of equipment sales, compared to \$166.9 million for the year ended June 30, 2021, consisting of \$139.2 million of subscription and transaction fees and \$27.7 million of equipment sales. The \$38.3 million increase in total revenue from the prior year was attributable to a \$29.6 million increase in subscription and transaction fees and a \$8.7 million increase in equipment sales. The increase in subscription and transaction fees is primarily driven by increased processing volumes, with an approximately 30% increase in total dollar volumes for the year ended June 30, 2022 compared to the prior year. We are currently exceeding pre-pandemic (COVID-19) levels of processing volumes. We continue to benefit from a broader macroeconomic recovery across the United States as businesses, schools and other organizations across the country continue to maintain normal levels of operations. Increase in revenues is also attributed to continued focus of management to grow our recurring services to our customer base and a 4% in the Active Devices count compared to last year.

The increase in equipment sales relates to more equipment shipments in the current year compared to last year driven by continued upgrades by our customers from 3G to 4G network compatible devices and customers upgrading their hardware devices to the latest payment technology security standards. We expect equipment revenue to continue to be a significant contributor to our total revenues through the 3G network discontinuation date in North America through the end of the 2022 calendar year.

### Costs of sales

Costs of sales increased \$28.1 million for the year ended June 30, 2022 compared to the year ended June 30, 2021. The increase in costs of sales is attributed to a \$19.8 million and \$8.3 million increase in subscription and transaction costs and equipment costs respectively. The increase in cost of subscription and transaction fees was primarily driven by an corresponding increase in transaction processing fees. Similarly, the increase in the cost of equipment sales was driven by an increase in the volume of equipment sold during the current fiscal year.

## Gross Margin

Total gross margin decreased from 32.4% for year ended June 30, 2021 compared to 31.3% for the year ended June 30, 2022. The decrease in gross margin was primarily a result of a change in revenue mix with a higher percent of our total revenue being transaction fees, which is inherently a lower margin revenue stream. We were able to offset a portion of this decrease with an increase in our transaction fees margin by lowering costs for our payment processor and payment networks. Additionally, we have seen an increase in average price per transaction relative to the same period in the prior year, which is additive to our gross margin.

Lastly we did improve the gross margin on equipment sales driven by the rollout of the ePort Engage devices which are priced to have higher margins relative to the equipment sales last year.

## Operating Expenses

Category (\$ in thousands)	Year ended June 30,			Percent Change	
	2022	2021	2020	2022 v. 2021	2021 v. 2020
Sales and marketing	\$ 8,908	\$ 6,935	\$ 6,571	28.4 %	5.5 %
Technology and product development	21,877	15,935	15,094	37.3 %	5.6 %
General and administrative expenses	30,519	35,754	40,083	(14.6 %)	(10.8 %)
Investigation, proxy solicitation and restatement expenses	1,196	—	19,810	100 %	(100 %)
Depreciation and amortization	4,352	4,107	4,307	6.0 %	(4.6 %)
Total operating expenses	\$ 66,852	\$ 62,731	\$ 85,865	6.6 %	(26.9 %)

*Total operating expenses.* Operating expenses increased by \$4.1 million for the year ended June 30, 2022 compared to the year ended June 30, 2021. The change is primarily attributed to a \$5.9 million increase in technology and product development expenses, a \$2.0 million increase in sales and marketing costs and a \$1.2 million increase in investigation, proxy solicitation and restatement expenses offset by a decrease of \$5.2 million in general and administrative expenses. Outside of the non-recurring investigation, proxy solicitation and restatement expenses; the change in total operating expenses reflects the Company's overall objectives to reduce general and administrative expenses and utilize savings to invest in innovative technologies and products and increase marketing spend to penetrate new and existing customers with our products and services. See further details within individual categories below.

*Sales and marketing.* Sales and marketing expenses increased approximately \$2.0 million for the year ended June 30, 2022 compared to the year ended June 30, 2021. The change is primarily attributed to an increase of approximately \$1.4 million in advertising and trade show costs. The increase in trade show costs was due to our participation in industry conventions throughout FY22, along with launching our first Cantaloupe Innovation Summit in August 2022. These events were leveraged to drive increased sales and customer retention, while showcasing the latest innovations for self-service operators. Additional spending went into lead generation activities tied to advertising in trade publications, search, and retargeting campaigns to drive increased small- and medium-business (SMB) opportunities. The increase in expenses is also attributed to a \$0.4 million increase in sales and marketing employee compensation expense which comprised of headcount increases and additional sales commissions costs incurred in the current year. The increased compensation expense supports our expanding business and service offerings in the United States and internationally.

*Technology and product development.* Technology and product development expenses increased approximately \$5.9 million for the year ended June 30, 2022 compared to the year ended June 30, 2021. The increase was driven primarily by the Company's objectives of investing in innovative technologies, specifically advancing mobile enhancements across the Seed platform (including Seed Warehouse App, Seed Driver App) and the mobile loyalty platform for consumers. Other innovations include continuous improvements and machine acceptance of remote price change, integration with HIVERY Enhance for leveraging artificial intelligence/machine learning technology and new ePort hardware devices that were launched during the year. Additional expenses in technology were incurred to further strengthen our network environment and platform by preparing and transitioning to Amazon Web Services (completed in July 2022), which will provide our customers greater stability, reliability, and overall higher performance on processing transactions and transmitting data.

*General and administrative expenses.* General and administrative expenses decreased approximately \$5.2 million for the year ended June 30, 2022 compared to the year ended June 30, 2021. The decrease in general and administrative expenses was primarily driven by a \$5.4 million decrease in professional fees due to reduced reliance on external consultants who previously supported the Company's accounting, financial reporting and legal functions, a \$1.6 million change relating to the network incident in the prior year, a \$1.6 million lease impairment charge in the prior year, a \$1.9 million decrease in stock

compensation, partially offset by a \$0.9 million increase in salary and bonuses, an increase in bad debt expense of approximately \$2.1 million, a \$0.9 million change in sales tax reserve and an increase in travel and expense costs of \$0.6 million during the current year.

*Investigation, proxy solicitation and restatement expenses.* In fiscal year 2019, the Audit Committee, with the assistance of independent legal and forensic accounting advisors, conducted an internal investigation of then-current and prior period matters relating to certain of the Company's contractual arrangements, including the accounting treatment, financial reporting and internal controls related to such arrangements. Additionally, in fiscal year 2019, significant financial reporting issues were identified which were unrelated to the internal investigation and which resulted in further adjustments to the Company's previously issued or prior fiscal years' unissued financial statements. As a result of the findings, the Company restated its consolidated financial statements as of and for the fiscal year 2017 and our unaudited consolidated financial statements for the quarterly periods ended September 30, 2016, December 31, 2016, March 31, 2017, September 30, 2017, December 31, 2017, and March 31, 2018.

Investigation, proxy solicitation and restatement expenses were incurred primarily in fiscal year 2020 and 2019 in connection with the 2019 Investigation and the restatements of previously filed financial statements, bank consents, the remediation of deficiencies in our internal control over financial reporting, the proxy solicitation, and professional services fees to assist with accounting and compliance activities in fiscal year 2020 following the filing of the 2019 Form 10-K.

The Company did not incur any material investigation, proxy solicitation and restatement expenses for the year ended June 30, 2021. For the fiscal year ended June 30, 2022, the Company and former officers incurred additional legal charges primarily relating to responding to inquiries from the U.S. Department of Justice ("DOJ") and Securities and Exchange Commission ("SEC") in regards to the 2019 Investigation. See Note 18 to the consolidated financial statements in Part II, Item 8 of this Annual Report for further information on the above mentioned matters.

*Depreciation and amortization.* Depreciation and amortization expense was predominantly consistent for the fiscal years ended June 30, 2022 and June 30, 2021.

### Other income (expense), Net

Category (\$ in thousands)	Year ended June 30,			Percent Change	
	2022	2021	2020	2022 v. 2021	2021 v. 2020
Other income (expense):					
Interest income	\$ 1,884	\$ 1,159	\$ 1,595	62.6 %	(27.3 %)
Interest expense	\$ (524)	\$ (4,013)	\$ (2,597)	(86.9 %)	54.5 %
Other income (expense)	(220)	3,224	—	100.0 %	NM
Total other income (expense), net	\$ 1,140	\$ 370	\$ (1,002)	208.1 %	(136.9 %)

NM — not meaningful

### Other income (expense), Net

Total other income (expense), net for the fiscal year ended June 30, 2022 was \$1.1 million, compared to \$0.4 million for the fiscal year ended June 30, 2021. The \$0.7 million increase in Other income (expense), net from the prior fiscal year was primarily attributable to a \$0.7 million increase in interest income, a \$3.5 million decrease in Interest expense offset by a \$(3.4) million decrease in Other income.

*Interest income.* The increase in interest income is primarily driven by a larger finance receivables amount on our balance sheet as of June 30, 2022 compared to June 30, 2021 and June 30, 2020.

*Interest expense.* The higher interest expense for the for the fiscal year ended June 30, 2021 was primarily related to the recognition of the remaining balance of unamortized debt issuance costs and debt discount associated with the senior secured term loan facility with Antara Capital Master Fund LP of \$2.6 million into interest expense, when the Antara Term Facility was fully repaid and terminated. The remaining reduction in interest expense was mainly due to a \$0.8 million change in the interest component of the sales tax reserve in fiscal year 2022 compared to the fiscal year 2021. The change in the sales tax reserve was driven by the expiration of statute of limitations and other factors considered by management while establishing the reserve.



*Other income (expense)*: The higher other income for the fiscal year ended June 30, 2021 was primarily attributed to Company receiving notification from the Small Business Administration that the \$3.1 million Paycheck Protection Program loan and related accrued interest were forgiven in full. The Company recorded the forgiveness as a gain on debt extinguishment in our consolidated financial statements resulting in the increase in Other Income for the fiscal year ended June 30, 2021.

### **Non-GAAP Financial Measures - Adjusted EBITDA**

"Adjusted EBITDA" (as defined is a non-GAAP financial measure which is not required by or defined under GAAP. We use this non-GAAP financial measure for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. We believe that this non-GAAP financial measure provides useful information about our operating results, enhances the overall understanding of past financial performance and future prospects and allows for greater transparency with respect to metrics used by our management in its financial and operational decision making. The presentation of this financial measure is not intended to be considered in isolation or as a substitute for the financial measures prepared and presented in accordance with GAAP, including our net income or net loss or net cash used in operating activities. Management recognizes that non-GAAP financial measures have limitations in that they do not reflect all of the items associated with our net income or net loss as determined in accordance with GAAP, and are not a substitute for or a measure of our profitability or net earnings. Adjusted EBITDA is presented because we believe it is useful to investors as a measure of comparative operating performance. Additionally, we utilize Adjusted EBITDA as a metric in our executive officer and management incentive compensation plans.

We define Adjusted EBITDA as U.S. GAAP net loss before (i) interest income (ii) interest expense on debt and reserves (iii) income tax expense (iv) depreciation (v) amortization (vi) stock-based compensation expense (vii) fees and charges that were incurred in connection with the 2019 Investigation and financial statement restatement activities as well as proxy solicitation costs that are not indicative of our core operations and (viii) certain other significant infrequent or unusual losses and gains that are not indicative of our core operations including asset impairment charges and gain on extinguishment of debt.

Below is a reconciliation of U.S. GAAP net loss to Adjusted EBITDA for the fiscal years ended June 30, 2022, 2021, and 2020:

(\$ in thousands)	Year ended June 30,		
	2022	2021	2020
Net loss	\$ (1,703)	\$ (8,705)	\$ (40,595)
Less: interest income	(1,884)	(1,159)	(1,595)
Plus: interest expense	524	4,013	2,597
Plus: income tax provision	186	370	1
Plus: depreciation expense included in cost of sales for rentals	973	1,404	2,711
Plus: depreciation and amortization expense in operating expenses	4,352	4,107	4,307
EBITDA	2,448	30	(32,574)
Plus: stock-based compensation <sup>(a)</sup>	6,248	9,075	3,029
Plus: investigation, proxy solicitation and restatement expenses <sup>(b)</sup>	1,196	—	19,810
Plus: asset impairment charge <sup>(c)</sup>	—	1,578	—
Less: gain on extinguishment of debt <sup>(d)</sup>	—	(3,065)	—
Adjustments to EBITDA	7,444	7,588	22,839
Adjusted EBITDA	\$ 9,892	\$ 7,618	\$ (9,735)

(a) As an adjustment to EBITDA, we have excluded stock-based compensation, as it does not reflect our cash-based operations.

(b) As an adjustment to EBITDA, we have excluded the fees incurred in connection with the costs and expenses related to the 2019 Investigation, financial statement restatement activities, and proxy solicitation costs because we believe that they represent charges that are not related to our core operations.

(c) As an adjustment to EBITDA, we have excluded the non-cash impairment charges related to long-lived operating lease right-of-use assets because we believe that these do not represent charges that are related to our core operations.

(d) As an adjustment to EBITDA, we have excluded the one-time gain related to the forgiveness of our PPP loan.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources and Uses of Cash

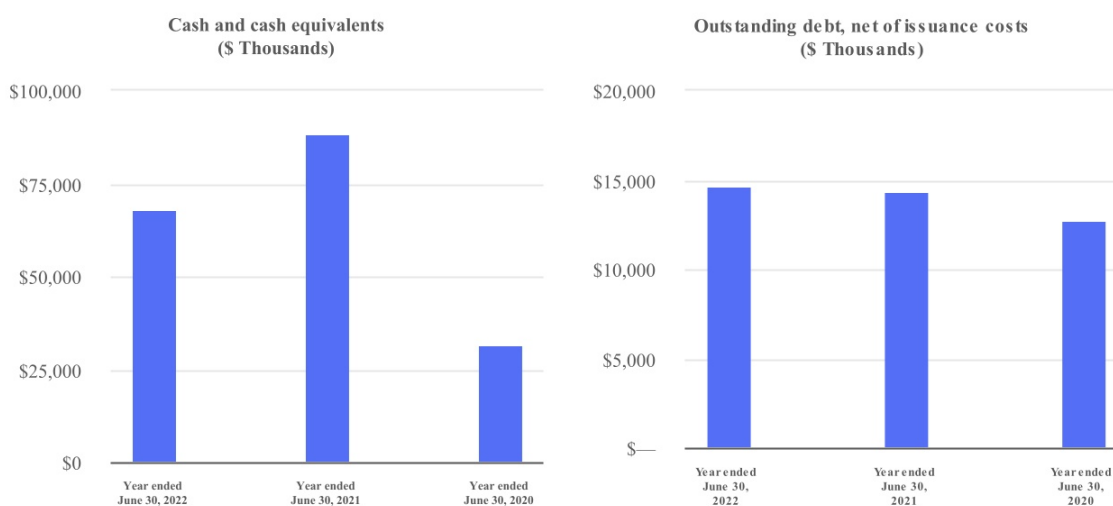
Historically, we have financed our operations primarily through cash from operating activities, debt financings, and equity issuances. The Company has the following primary sources of capital available: (1) cash and cash equivalents on hand of \$68.1 million as of June 30, 2022; (2) the cash that may be provided by operating activities; and (3) up to \$15 million available to be drawn on the Amended Revolving Facility (defined below) with JPMorgan Chase Bank, N.A. (4) up to an additional \$10 million available through March 2023 to be drawn on the Amended Secured Term Facility (defined below) with JPMorgan Chase Bank, N.A.

During the year ended June 30, 2022, the Company entered into an amended and restated credit agreement with JPMorgan Chase Bank, N.A. which provides for a \$15 million secured revolving credit facility (the “Amended Revolving Facility”) and a \$25 million secured term facility (the “Amended Secured Term Facility”) and together with the Amended Revolving Facility, the “Amended JPMorgan Credit Facility”), and fully replaces our previous 2021 JPMorgan Credit Facility. For additional discussion on the amended credit facility see Note 11 to our Consolidated Financial Statements.

The Company also has estimated and recorded for potential sales tax and related interest and penalty liabilities of \$14.7 million in the aggregate as of June 30, 2022. The Company continues to evaluate these liabilities and the amount and timing of any such payments.

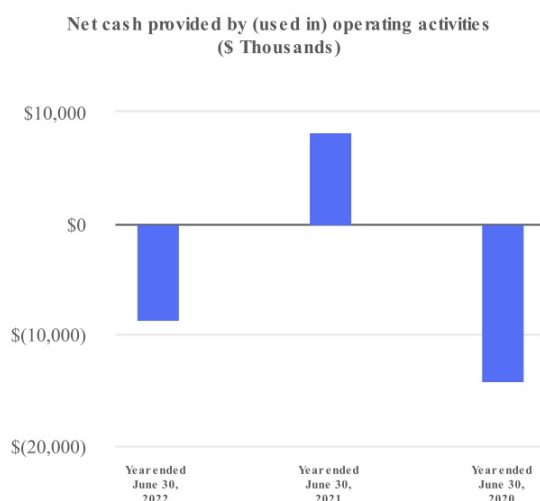
The Company believes that its current financial resources will be sufficient to fund its current twelve-month operating budget from the date of issuance of these consolidated financial statements.

Below are charts that reflect our cash liquidity and outstanding debt for the years ended June 30, 2022, 2021, and 2020.



### Cash Flows

See Consolidated Statements of Cash Flows in Item 8 of this Annual Report for details on the changes in cash and cash equivalents classified by operating, investing and financing activities during our respective reporting periods.



*Net cash provided by (used in) operating activities*

Cash used in operating activities was \$8.7 million for the year ended June 30, 2022 compared to cash provided by operating activities of \$8.2 million for the year ended June 30, 2021. The \$8.7 million cash used in operating activities reflects our net loss of \$1.7 million, \$22.5 million utilized by changes in working capital accounts offset by \$15.5 million in non-cash operating charges.

Cash utilized by working capital accounts of approximately \$22 million was principally a function of a \$14.1 million increase in inventory, \$13.6 million increase in accounts receivable, \$4.3 million increase in prepaids and other assets, offset by an increase of \$12.2 million to accounts payable and accrued expenses. Increase in inventory is driven by increased equipment sales as well as strategic planning to mitigate potential supply chain disruptions. The Company has increased inventory on hand in order to efficiently fulfill orders as they are placed and as we anticipate orders for customers who are continuing to upgrade 3G devices to 4G as the 3G network sunset date approaches near the end of calendar year 2022. Increase in cash utilized by accounts receivable was as a result of increased sales and processing volumes during fiscal year 2022; offset by an increase in accounts payable and accrued expenses which was comprised of funds owed to customers as a result of larger processing volumes in fiscal year 2022.

Non-cash operating charges primarily consisted of stock-based compensation, depreciation of property and equipment, and amortization of our intangible assets.

*Net cash used in investing activities*

Cash used in investing activities was \$12.2 million for the year ended June 30, 2022 compared to cash used of \$1.8 million in the same period in the prior year. Increase in cash used is due to the cash paid for the Yoke acquisition of \$3 million and \$9.3 million for increased property and equipment balances driven primarily by the Company's continued focus on investing in innovative technologies and products.

Cash used in investing activities was \$1.8 million for the year ended June 30, 2021 which was primarily used to increase property and equipment.

*Net cash provided by financing activities*

Cash provided by financing activities was \$0.9 million for the year ended June 30, 2022 compared to cash provided of \$50.1 million in the prior year. During the prior fiscal year, the Company raised \$52.4 million of proceeds (net of issuance costs) through a private placement transaction with respect to the sale of an aggregate of 5,730,000 shares of the Company's common stock to accredited investors (described below). The Company paid \$1.2 million as a prepayment penalty and commitment termination fee to Antara as part of the repayment of the 2020 Antara Term Facility and paid \$0.5 million of debt issuance costs as a result of entering into the 2021 JPMorgan Credit Facility.

## CONTRACTUAL OBLIGATIONS

As of June 30, 2022, the Company had certain contractual obligations due over a period of time as summarized in the following table:

(\$ in thousands)	Payments Due by Fiscal Year				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt and financing obligations <sup>(a)</sup>	\$ 17,789	\$ 809	\$ 2,436	\$ 14,544	\$ —
Operating lease obligations <sup>(b)</sup>	4,387	1,758	1,736	893	—
Purchase obligations <sup>(c)</sup>	21,450	12,200	9,250	—	—
Total contractual obligations	\$ 43,626	\$ 14,767	\$ 13,422	\$ 15,437	\$ —

(a) Our debt and financing obligations include both principal and interest obligations. As of June 30, 2022, an interest rate of 5% was used to compute the amount of the contractual obligations for interest on the Amended JPMorgan Credit Agreement. See Note 11 to the consolidated financial statements for further information.

(b) Operating lease obligations represent our undiscounted operating lease liabilities as of June 30, 2022. See Note 3 to the consolidated financial statements for further information.

(c) Purchase obligations primarily represent firm commitments to purchase inventory. See Note 18 to the consolidated financial statements for further information.

### Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

As of June 30, 2022 we are exposed to market risk related to changes in interest rates on our outstanding borrowings. On March 17, 2022, the Company entered into an amended and restated credit agreement with JPMorgan Chase Bank, N.A. which provides for a \$15 million secured revolving credit facility (the “Amended Revolving Facility”) and a \$25 million secured term facility (the “Amended Secured Term Facility”) and together with the Amended Revolving Facility, the “Amended JPMorgan Credit Facility”), and fully replaces our previous 2021 JPMorgan Credit Facility. The Amended JPMorgan Credit Facility has a four year maturity. Interest on the Amended JPMorgan Credit Facility will be based, at the Company’s option, on a base rate or SOFR plus an applicable margin tied to the Company’s total leverage ratio and having ranges of between 2.50% and 3.00% for base rate loans and between 3.50% and 4.00% for SOFR loans; provided that until June 30, 2022 the applicable margin shall be 2.75% for base rate loans and 3.75% for SOFR loans. An increase of 100 basis points in SOFR Rate would not have a material impact on our interest expense or consolidated financial statements.

We are also exposed to market risk related to changes in interest rates on our cash investments. We invest our excess cash in money market funds that we believe are highly liquid and marketable in the short term. These investments earn a floating rate of interest and are not held for trading or other speculative purposes. Consequently, our exposure to market risks for interest rate changes related to our money market funds is not material. Market risks related to fluctuations of foreign currencies are not material and we have no freestanding derivative instruments as of June 30, 2022.

**Item 8. Financial Statements and Supplementary Data.**

**CANTALOUPE, INC.**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

Financial Statements:

<a href="#">Report of Independent Registered Public Accounting Firm</a> (BDO USA, LLP; Richmond, VA; PCAOB ID#243)	46
<a href="#">Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting</a>	48
<a href="#">Consolidated Balance Sheets</a>	50
<a href="#">Consolidated Statements of Operations</a>	51
<a href="#">Consolidated Statements of Shareholders' Equity</a>	52
<a href="#">Consolidated Statements of Cash Flows</a>	53
<a href="#">Notes to Consolidated Financial Statements</a>	54

## Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors  
Cantaloupe, Inc.  
Malvern, Pennsylvania

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cantaloupe, Inc. (the “Company”) as of June 30, 2022 and 2021, the related consolidated statements of operations, shareholders’ equity, and cash flows for each of the three years in the period ended June 30, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of June 30, 2022, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated October 19, 2022 expressed an adverse opinion thereon.

### Basis for Opinion

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

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

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

### Critical Audit Matter

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

### Revenue Recognition – Identification of Performance Obligations

As described in Notes 2 and 4 to the consolidated financial statements, the Company recognized consolidated revenues for the year ended June 30, 2022 of \$205 million. The Company sells or leases point-of-sale devices (hardware) and provides an end-to-end payment solution, which integrates hardware, software, and payment processing in the unattended retail market. The Company’s contracts with customers may have multiple performance obligations, which requires management to make certain estimates and assumptions about the nature and extent of those performance obligations. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer, which maybe at a point in time, or over time.

We identified revenue recognition, specifically related to management’s identification of the performance obligations within its customer contracts, as a critical audit matter. The principal considerations for our determination included the volume of the Company’s contracts and variability within those contracts that may contain multiple products and services, together with the

significant judgment involved in management's identification of performance obligations. Auditing these elements was especially challenging due to the extent of audit effort and the degree of auditor judgment required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Testing a sample of revenue contracts by obtaining and evaluating underlying source documents relevant to revenue recognition. For those selected contracts, evaluating management's identification of the performance obligations, including consideration of terms and conditions that may give rise to a material right.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2019.

Richmond, Virginia

October 19, 2022

## Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors  
Cantaloupe, Inc.  
Malvern, Pennsylvania

### Opinion on Internal Control over Financial Reporting

We have audited Cantaloupe, Inc.'s (the "Company's") internal control over financial reporting as of June 30, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of June 30, 2022, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of June 30, 2022 and 2021, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2022, and the related notes (collectively referred to as "the financial statements") and our report dated October 19, 2022 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses related to management's failure to design and maintain effective controls over financial reporting, specifically related to (1) entity-level controls impacting the control environment, risk assessment procedures, and monitoring activities to prevent or detect material misstatements to the consolidated financial statements, including insufficient identification and assessment of risks impacting the design, implementation, and operating effectiveness of internal controls over financial reporting, and insufficient evaluation and determination as to whether the components of internal control were present and functioning based upon evidence maintained for activity level controls, including management review controls, across substantially all of the Company's financial statement areas; (2) effective information technology controls related to user access, program change management, and segregation of duties for systems supporting the Company's accounting and reporting processes, and controls necessary to validate the completeness and accuracy of key reports used within activity level controls across substantially all financial statement areas; and (3) controls over recorded revenue and related accounts, including controls over the appropriate identification of performance obligations within customer contracts, allocation of transaction price to those performance obligations, identification of transactions requiring gross presentation, input of executed contract terms into the Company's information systems that perform revenue recognition, including the completeness and accuracy for reports used in the operation of controls over revenue recognition.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2022 financial statements, and this report does not affect our report dated October 19, 2022 on those financial statements.



## **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Richmond, Virginia  
October 19, 2022

**Cantaloupe, Inc.**  
**Consolidated Balance Sheets**

(\$ in thousands, except share data)	As of June 30,	
	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 68,125	\$ 88,136
Accounts receivable, net	37,695	27,470
Finance receivables, net	6,721	7,967
Inventory, net	19,754	5,292
Prepaid expenses and other current assets	4,285	2,414
<b>Total current assets</b>	<b>136,580</b>	<b>131,279</b>
Non-current assets:		
Finance receivables due after one year, net	14,727	11,632
Property and equipment, net	12,784	5,570
Operating lease assets	2,370	3,049
Intangibles, net	17,947	19,992
Goodwill	66,656	63,945
Other assets	4,568	2,205
<b>Total non-current assets</b>	<b>119,052</b>	<b>106,393</b>
<b>Total assets</b>	<b>\$ 255,632</b>	<b>\$ 237,672</b>
<b>Liabilities, convertible preferred stock and shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 48,440	\$ 36,775
Accrued expenses	28,154	26,460
Current obligations under long-term debt	692	675
Deferred revenue	1,893	1,763
<b>Total current liabilities</b>	<b>79,179</b>	<b>65,673</b>
Long-term liabilities:		
Deferred income taxes	186	179
Long-term debt, less current portion	13,930	13,644
Operating lease liabilities, non-current	2,366	3,645
<b>Total long-term liabilities</b>	<b>16,482</b>	<b>17,468</b>
<b>Total liabilities</b>	<b>\$ 95,661</b>	<b>\$ 83,141</b>
<b>Commitments and contingencies (Note 18)</b>		
<b>Convertible preferred stock:</b>		
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preferences of \$22,115 and \$21,447 at June 30, 2022 and 2021, respectively	3,138	3,138
<b>Shareholders' equity:</b>		
Preferred stock, no par value, 1,800,000 shares authorized	—	—
Common stock, no par value, 640,000,000 shares authorized, 71,188,053 and 71,258,047 shares issued and outstanding at June 30, 2022 and 2021, respectively	469,918	462,775
Accumulated deficit	(313,085)	(311,382)
<b>Total shareholders' equity</b>	<b>156,833</b>	<b>151,393</b>
<b>Total liabilities, convertible preferred stock and shareholders' equity</b>	<b>\$ 255,632</b>	<b>\$ 237,672</b>

See accompanying notes to consolidated financial statements.

**Cantaloupe, Inc.**  
**Consolidated Statements of Operations**

(\$ in thousands, except shares and per share data)	Year ended June 30,		
	2022	2021	2020
<b>Revenues:</b>			
Subscription and transaction fees	\$ 168,850	\$ 139,242	\$ 133,167
Equipment sales	36,352	27,697	29,986
Total revenues	205,202	166,939	163,153
<b>Costs of sales:</b>			
Cost of subscription and transaction fees	103,392	83,617	82,980
Cost of equipment sales	37,615	29,296	33,900
Total costs of sales	141,007	112,913	116,880
Gross profit	64,195	54,026	46,273
<b>Operating expenses:</b>			
Sales and marketing	8,908	6,935	6,571
Technology and product development	21,877	15,935	15,094
General and administrative	30,519	35,754	40,083
Investigation, proxy solicitation and restatement expenses	1,196	—	19,810
Depreciation and amortization	4,352	4,107	4,307
Total operating expenses	66,852	62,731	85,865
Operating loss	(2,657)	(8,705)	(39,592)
<b>Other income (expense):</b>			
Interest income	1,884	1,159	1,595
Interest expense	(524)	(4,013)	(2,597)
Other income (expense)	(220)	3,224	—
Total other income (expense), net	1,140	370	(1,002)
Loss before income taxes	(1,517)	(8,335)	(40,594)
Provision for income taxes	(186)	(370)	(1)
Net loss	(1,703)	(8,705)	(40,595)
Preferred dividends	(668)	(668)	(668)
Net loss applicable to common shares	\$ (2,371)	\$ (9,373)	\$ (41,263)
Net loss per common share			
Basic and diluted	\$ (0.03)	\$ (0.14)	\$ (0.66)
Weighted average number of common shares outstanding used to compute net loss per share applicable to common shares			
Basic and diluted	71,091,790	67,002,438	62,980,193

*See accompanying notes to consolidated financial statements.*

**Cantaloupe, Inc.**  
**Consolidated Statements of Shareholders' Equity**

(\$ in thousands, except share data)	Common Stock		Accumulated Deficit	Total
	Shares	Amount		
Balance, June 30, 2019	60,008,481	\$ 376,853	\$ (262,430)	\$ 114,423
Stock-based compensation and exercises (net)	752,808	3,110	—	3,110
Issuance of common stock in relation to private placement, net of offering costs incurred of \$1,102	3,800,000	16,777	—	16,777
Issuance of common stock to Hudson Executive Capital LP	635,593	4,500	—	4,500
Net loss	—	—	(40,595)	(40,595)
Balance, June 30, 2020	65,196,882	\$ 401,240	\$ (303,025)	\$ 98,215
Impact of adoption of ASC 326	—	—	348	348
Stock-based compensation and exercises (net)	319,011	9,145	—	9,145
Issuance of common stock in relation to private placement, net of offering costs incurred of \$2,618	5,730,000	52,390	—	52,390
Exercise of warrants	12,154	—	—	—
Net loss	—	—	(8,705)	(8,705)
Balance, June 30, 2021	71,258,047	462,775	(311,382)	151,393
Stock-based compensation and exercises (net)	249,829	7,143	—	7,143
Retirement of stock	(319,823)	—	—	—
Net loss	—	—	(1,703)	(1,703)
Balance, June 30, 2022	71,188,053	469,918	(313,085)	156,833

See accompanying notes to consolidated financial statements.

**Cantaloupe, Inc.**  
**Consolidated Statements of Cash Flows**

(\$ in thousands)	Year ended June 30,		
	2022	2021	2020
<b>Cash flows from operating activities:</b>			
Net loss	\$ (1,703)	\$ (8,705)	\$ (40,595)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Stock-based compensation	6,248	9,075	3,029
Amortization of debt issuance costs and discounts	148	2,735	1,283
Reimbursement of shareholder proxy solicitation costs	—	—	4,500
Provision for expected losses	3,471	1,236	2,958
Provision for inventory reserve	(397)	693	681
Depreciation and amortization included in operating expenses	4,352	4,107	4,307
Depreciation included in cost of sales for rental equipment	973	1,405	2,710
Property and equipment write-off	—	1,658	—
Gain on extinguishment of debt	—	(3,065)	—
Operating lease right-of-use asset impairment	—	1,578	—
Other	686	1,104	2,103
Changes in operating assets and liabilities:			
Accounts receivable	(13,649)	(10,126)	1,818
Finance receivables	(1,884)	(1,877)	547
Inventory	(14,064)	3,142	1,463
Prepaid expenses and other assets	(4,262)	(847)	(563)
Accounts payable and accrued expenses	12,153	7,013	2,988
Operating lease liabilities	(907)	(1,014)	(1,384)
Deferred revenue	130	65	16
Net cash (used in) provided by operating activities	(8,705)	8,177	(14,139)
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(9,260)	(1,838)	(2,538)
Cash paid for acquisition	(2,966)	—	—
Proceeds from sale of property and equipment	—	10	44
Net cash used in investing activities	(12,226)	(1,828)	(2,494)
<b>Cash flows from financing activities:</b>			
Proceeds from long-term debt issuance by Antara, net of issuance costs paid to Antara	—	—	14,248
Proceeds from equity issuance by Antara, net of issuance costs paid to Antara	—	—	17,879
Proceeds from PPP Loan	—	—	3,065
Payment of third-party debt issuance costs	(107)	—	(1,980)
Proceeds from long-term debt issuance by JPMorgan Chase Bank, N.A., net of debt issuance costs	738	14,550	—
Repayment of long-term debt	(606)	(15,744)	(2,522)
Proceeds from (repayments of) Revolving Credit Facility	—	—	(10,000)
Proceeds from private placement	—	55,008	—
Payment of equity issuance costs	—	(2,618)	—
Payment of Antara prepayment penalty and commitment termination fee	—	(1,200)	—
Proceeds from exercise of common stock options	895	78	192
Net cash provided by financing activities	920	50,074	20,882
Net (decrease) increase in cash and cash equivalents	(20,011)	56,423	4,249
Cash and cash equivalents at beginning of year	88,136	31,713	27,464
Cash and cash equivalents at end of year	\$ 68,125	\$ 88,136	\$ 31,713
<i>Supplemental disclosures of cash flow information:</i>			
Interest paid in cash	\$ 755	\$ 1,055	\$ 1,314

See accompanying notes to consolidated financial statements.

**Cantaloupe, Inc.**  
**Notes to Consolidated Financial Statements**

**1. BUSINESS**

Cantaloupe, Inc., previously known as USA Technologies, Inc., is organized under the laws of the Commonwealth of Pennsylvania. We are a digital payments and software services company that provides end-to-end technology solutions for the unattended retail market. We are transforming the unattended retail world by offering a single platform for self-service commerce which includes integrated payments processing and software solutions that handle inventory management, pre-kitting, route logistics, warehouse and back-office management. Our enterprise-wide platform is designed to increase consumer engagement and sales revenue through digital payments, digital advertising and customer loyalty programs, while providing retailers with control and visibility over their operations and inventory. As a result, customers ranging from vending machine companies to operators of micro-markets, car wash, electric vehicle charging stations, commercial laundry, kiosks, amusements and more, can run their businesses more proactively, predictably, and competitively.

*Impact of COVID-19*

The Company, its employees, and its customers operate in geographic locations in which its business operations and financial performance continues to be affected by the COVID-19 pandemic. While businesses, schools and other organizations re-open, which has led to increased foot-traffic to distributed assets containing our electronic payment solutions, the emergence of new strains and variants and resurgence of the virus, such as the outbreak of the Omicron variant in early calendar year 2022, have and may in the future lead to additional shutdowns and closures that impact our operations and financial results. Such impacts to our financial statements have in the past included, and may in the future include the impairment of goodwill and intangible assets, impairment of long-lived assets including operating lease assets, property and equipment and allowance for doubtful accounts for accounts and finance receivables. We have concluded that there are no material impairments as a result of our evaluation for the year ended June 30, 2022. Where applicable, we have incorporated judgments and estimates of the expected impact of COVID-19 in the preparation of the financial statements based on information currently available. These judgments and estimates may change, as new events develop and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known.

While we are encouraged by our strong operating and financial results, we continue to monitor the evolving situation and follow guidance from federal, state and local public health authorities. Given the potential uncertainty of the situation, the Company cannot, at this time, reasonably estimate the longer-term repercussions of COVID-19 on our financial condition, results of operations or cash flows.

**2. ACCOUNTING POLICIES**

*CONSOLIDATION*

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

*BASIS OF PRESENTATION AND PREPARATION*

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting of normal recurring adjustments, have been included.

The Company operates as one operating segment because its chief operating decision maker, who is the Chief Executive Officer, reviews its financial information on a consolidated basis for purposes of making decisions regarding allocating resources and assessing performance.

***Consolidated Statements of Operations: operating expenses presentation***

Beginning in fiscal year 2022, the Company revised its presentation of operating expenses within its Consolidated Statements of Operations by disaggregating the previously disclosed Selling, general, and administrative costs into Sales and marketing,

Technology and product development, and General and administrative costs. The updated presentation is intended to provide additional transparency to the readers of the financial statements and better align the Company's financial performance with how management views and monitors business operations and makes strategic decisions. Prior period amounts for fiscal year 2021 and 2020 have been reclassified to conform with current year presentation.

Below is a brief description of the various categories within Operating expenses:

- *Sales and marketing:* Sales and marketing expenses consist primarily of our sales and marketing team personnel costs which include non-capitalized wages, bonuses, stock-based compensation, sales commissions, severance costs, benefits, and employer taxes. In addition, this category includes fees paid for advertising, trade shows and external consultants who assist in outreach initiatives designed to build brand awareness and showcase the value of our products and services to our opportunity markets.
- *Technology and product development:* Technology and product development expenses consist primarily of our technology and product team personnel costs and fees paid to external consultants relating to innovating and maintaining our portfolio of products and services and strengthening our network environment and platform. These costs include but are not limited to engineering, platform and software development, fees for software licenses, contract labor and other technology and product related items.
- *General, and administrative:* General and administrative expenses consist primarily of our customer support, business operations, finance, legal, human resources and other administrative personnel costs and fees paid to external consultants for these respective departments. In addition, this category includes rent and occupancy costs and other miscellaneous costs incurred in the course of operating the business.
- *Depreciation and amortization:* No changes made to the accounting policies or previously reported amounts included within the Company's June 30, 2021 Annual Report on Form 10-K for this category. Depreciation expense on our property and equipment, excluding property and equipment used for rentals, and amortization expense on our intangible assets are included within the Depreciation and amortization caption in the Consolidated Statements of Operations.

The presentation changes described above did not impact total operating expenses, operating loss, net loss or net loss per common share.

#### ***Consolidated Statements of Operations: updated caption***

Beginning in fiscal year 2022, the Company revised the previously reported revenue caption of License and transaction fees to Subscription and transaction fees within its Consolidated Statements of Operations to provide a more accurate description of the revenue stream and align with commonly used terminology by industry participants. No changes were made to the revenue recognition accounting policies or previously reported amounts included within the Company's June 30, 2021 Annual Report on Form 10-K.

#### ***USE OF ESTIMATES***

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company evaluates these estimates on an ongoing basis.

Estimates, judgments, and assumptions in these consolidated financial statement include, but are not limited to, those related to revenue recognition, capitalization of internal-use software and cloud computing arrangements, evaluation of goodwill and long-lived assets impairment, allowances for accounts and finance receivables, inventory reserves, loss contingencies, income taxes, deferred income tax assets and liabilities, and sales tax reserve.

#### ***CASH AND CASH EQUIVALENTS***

Cash equivalents represent all highly liquid investments with original maturities of three months or less from time of purchase. Cash equivalents are comprised of money market funds. The Company maintains its cash in bank deposit accounts where accounts may exceed federally insured limits at times. The Company deems this credit risk not to be significant as cash is held at well-capitalized financial institutions in the U.S.

## *ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS*

Accounts receivable include amounts due to the Company for sales of equipment, other amounts due from customers, merchant service receivables, contract manufacturers, and unbilled amounts due from customers, net of the allowance for uncollectible accounts. The Company maintains an allowance for doubtful accounts for losses resulting from the inability of its customers to make required payments, including from a shortfall in the customer transaction fund flow from which the Company would normally collect amounts due. The provision for doubtful accounts relating to Accounts receivable balances is recorded within general and administrative expenses in the Consolidated Statements of Operations.

The allowance is calculated under an expected loss model. We estimate our allowance using an aging analysis of the receivables balances, primarily based on historical loss experience, as there have been no significant changes in the mix or risk characteristics of the receivable revenue streams used to calculate historical loss rates. We also take into consideration that receivables for monthly service fees that are collected as part of the flow of funds from our transaction processing service have a lower risk profile than receivables for equipment and service fees billed under the Company's standard payment terms of 30 to 60 days from invoice issuance, and adjust our aging analysis to incorporate those risk assessments. Accounts receivables are considered past due if the invoices are not collected based on the respective standard payment terms as agreed to with the customers.

Current conditions are analyzed at each measurement date as we reassess whether our receivables continue to exhibit similar risk characteristics as the prior measurement date, and determine if the reserve calculation needs to be adjusted for new developments, such as a customer's inability to meet its financial obligations. Lastly, we also factor reasonable and supportable economic expectations into our allowance estimate for the asset's entire expected life.

The Company writes off receivable balances against the allowance for doubtful accounts when management determines the balance is uncollectible and the Company ceases collection efforts. For the year ended June 30, 2022, the Company experienced increased write-offs compared to the year ended June 30, 2021, as management determined collection of older aged accounts receivable balances was not probable. These older aged accounts receivables balances were predominantly reserved for already as part of the Company's allowance for doubtful accounts estimate.

Estimating an allowance requires us to apply judgment in relying on historical customer payment experience, regularly analyzing the financial condition of our customers, and developing macroeconomic forecasts to adequately cover expected credit losses on our receivables. By nature, such estimates are highly subjective, and it is possible that the amount of accounts receivables that we are unable to collect may be different than the amounts initially estimated in the allowance.

## *FINANCE RECEIVABLES*

The Company offers extended payment terms to certain customers for equipment sales under its Quick Start Program. Agreements under the Quick Start Program are accounted for as sales-type leases. Accordingly, the discounted future minimum lease payments are classified as finance receivables in the Company's Consolidated Balance Sheets. Finance receivables or Quick Start leases are generally for a sixty month term. The Company recognizes a portion of the note or lease payments as interest income in the accompanying consolidated financial statements based on the effective interest rate method.

Finance receivables are carried at their contractual amount net of allowance for doubtful accounts. On July 1, 2020, we adopted Topic 326. The effects of implementation of this standard is discussed below under "Measurement of Credits Losses on Financial Instruments". The provision for doubtful accounts relating to Finance receivables is recorded within general and administrative expenses in the Consolidated Statements of Operations.

The allowance is calculated under an expected loss model. We estimate our allowance utilizing historical experience of payment performance, current conditions of the customer, and reasonable and supportable economic forecasts of collectability for the asset's entire expected life, which is generally a sixty month term for finance receivables. Historical loss experience is utilized as there have been no significant changes in the mix or risk characteristics of the receivable revenue streams used to calculate historical loss rates. Current conditions are analyzed at each measurement date to reassess whether our receivables continue to exhibit similar risk characteristics as the prior measurement date, and determine if the reserve calculation needs to be adjusted for new developments, such as a customer's inability to meet its financial obligations. Finance receivables are charged off against the allowance for credit losses when management determines that the finance receivables are uncollectible and the Company ceases collection efforts.

Estimating an allowance requires us to apply judgment in relying on historical customer payment experience, regularly analyzing the financial condition of our customers, and developing macroeconomic forecasts to adequately cover expected



credit losses on our receivables. By nature, such estimates are highly subjective, and it is possible that the amount of finance receivables that we are unable to collect may be different than the amounts initially estimated in the allowance.

#### *INVENTORY, NET*

Inventory consists of finished goods. The company's inventories are valued at the lower of cost or net realizable value, generally using a weighted-average cost method.

The Company establishes allowances for slow-moving inventory based upon quality considerations and assumptions about future demand and market conditions. The allowance is recorded within Cost of equipment sales in our Consolidated Statements of Operations. The inventory reserve was \$2.5 million and \$3.5 million for the years ended June 30, 2022 and 2021, respectively.

#### *PROPERTY AND EQUIPMENT, NET*

Property and equipment are recorded at either cost or, in the instance of an acquisition, the estimated fair value on the date of the acquisition, and are depreciated on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized on the straight-line basis over the lesser of the estimated useful life of the asset or the respective lease term. Depreciation expense on our property and equipment, excluding property and equipment used for rentals, is included in "Depreciation and amortization" in the Consolidated Statements of Operations. Depreciation expense on our property and equipment used for rentals is included in "Cost of Subscription and transaction fees" in the Consolidated Statements of Operations. Additions and improvements that extend the estimated lives of the assets are capitalized, while expenditures for repairs and maintenance are expensed as incurred.

#### *GOODWILL*

The Company's goodwill represents the excess of cost over fair value of the net assets purchased in acquisitions. Goodwill is not amortized to earnings, but instead is subject to periodic testing for impairment. We test goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that impairment may have occurred. Goodwill is reviewed for impairment utilizing either a qualitative or a quantitative goodwill impairment test. When we perform a qualitative assessment and determine the fair value more likely than not exceeds the carrying value, no further evaluation is necessary. When we perform the quantitative goodwill impairment test, we compare the fair value of our reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, then goodwill is not considered impaired. An impairment charge is recognized for the amount by which, if any, the carrying value exceeds the reporting unit's fair value. However, the loss recognized cannot exceed the reporting unit's goodwill balance.

The quantitative impairment test process requires valuation of the reporting unit, which we determine using the income approach, the market approach or a combination of the two approaches. Under the income approach, we calculate the fair value of the reporting unit based on the present value of estimated future cash flows derived from assumptions that include expected growth rates and revenues, projected expenses, discount rates, capital expenditures and income tax rates. Under the market approach, we estimate the fair value based on the quoted stock price, recent equity transactions of our business, market transactions involving similar businesses and market comparables.

The Company has selected April 1 as its annual test date. The Company has concluded there has been no impairment of goodwill during the years ended June 30, 2022, 2021, or 2020. Subsequent to our annual impairment test, no indicators of impairment were identified.

#### *INTANGIBLE AND LONG-LIVED ASSETS*

The Company's intangible assets include trademarks, non-compete agreements, brand, developed technology, customer relationships and tradenames and were acquired in a purchase business combination. The Company carries these intangibles at cost, less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful lives of the respective assets, which span between three and eighteen years, and are included in "Depreciation and amortization" in the Consolidated Statements of Operations.

There were no indefinite-lived intangible assets at June 30, 2022 or 2021.

The Company reviews its finite-lived intangible and other long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The carrying amount of an asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Fair value of finite-lived intangible assets and property and equipment is based on various valuation techniques. If the carrying amount of an asset or group of assets exceeds its net realizable value, the asset will be written down to its fair value.

The Company has concluded that the carrying amount of intangible assets is recoverable as of June 30, 2022 and 2021. The Company recorded an impairment charge relating to our right-of-use assets of \$1.6 million for the year ended June 30, 2021.

#### *FAIR VALUE OF FINANCIAL INSTRUMENTS*

Fair value is defined as the price that would be received in the sale of an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value as follows:

Level 1- Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2- Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3- Inputs are unobservable and reflect the Company's assumptions that market participants would use in pricing the asset or liability. The Company develops these inputs based on the best information available.

#### *CONCENTRATION OF RISKS*

Concentration of revenue with customers subject the Company to operating risks. Approximately 14%, 16% and 16% of the Company's revenue for the years ended June 30, 2022, 2021 and 2020, respectively, were concentrated with one customer. The Company's customers are principally located in the United States.

Accounts receivable from one single contract manufacturer represented 16% and 5% of accounts receivables, net of allowance, as of June 30, 2022 and 2021, respectively.

#### *REVENUE RECOGNITION*

The revenue recognition guidance provides a single model to determine when and how revenue is recognized. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company recognizes revenue using a five-step model resulting in revenue being recognized as performance obligations within a contract have been satisfied. The steps within that model include: (i) identifying the existence of a contract with a customer; (ii) identifying the performance obligations within the contract; (iii) determining the contract's transaction price; (iv) allocating the transaction price to the contract's performance obligations; and, (v) recognizing revenue as the contract's performance obligations are satisfied. Judgment is required to apply the principles-based, five-step model for revenue recognition. Management is required to make certain estimates and assumptions about the Company's contracts with its customers, including, among others, the nature and extent of its performance obligations, its transaction price amounts and any allocations thereof, the events which constitute satisfaction of its performance obligations, and when control of any promised goods or services is transferred to its customers. The standard also requires certain incremental costs incurred to obtain or fulfill a contract to be deferred and amortized on a systematic basis consistent with the transfer of goods or services to the customer.

The Company provides an end-to-end payment solution which integrates hardware, software, and payment processing in the unattended retail market. The Company has contractual agreements with customers that set forth the general terms and conditions of the relationship, including pricing of goods and services, payment terms and contract duration. Revenue is recognized when the obligation under the terms of the Company's contract with its customer is satisfied and is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services.

The Company's business model is to act as the Merchant of Record for its sellers. We provide cashless vending payment services in exchange for monthly service fees, in addition to collecting usage-based consideration for completed transactions. The contracts we enter into with third-party suppliers provide us with the right to access and direct their services when processing a transaction. The Company combines the services provided by third-party suppliers to enable customers to accept cashless payment transactions, indicating that it controls all inputs in directing their use to create the combined service. Additionally, the Company sells cashless payment devices (e.g., e-Ports, Seed), which are either directly sold or leased through the Company's QuickStart or Cantaloupe ONE programs.

The Company recognizes fees charged to our customers primarily on a gross basis as transaction revenue when we are the principal in respect of completing a payment transaction. As a principal to the transaction, when we are the Merchant of Record, we control the service of completing payments for our customers through the payment ecosystem. The fees paid to payment processors and other financial institutions are recognized as transaction expense. For certain transactions in which we act in the capacity as an agent, these transactions are recorded on a net basis. These are transactions in which we are not the Merchant of Record, and the customer is entering into a separate arrangement with a third party payment processor for the fulfillment of the payment service.

Cashless vending services represent a single performance obligation as the combination of the services provided gives the customer the ability to accept cashless payments. The Company's customers are contracting for integrated cashless services in connection with purchasing or leasing unattended point-of-sale devices. The activities when combined together are so integral to the customer's ability to derive benefit from the service, that the activities are effectively inputs to a single promise to the customer. Certain services are distinct, but are not accounted for separately as the rights are coterminous, they are transferred concurrently and the outcome is the same as accounting for the services as individual performance obligations. The single performance obligation is determined to be a stand-ready obligation to process payments whenever a consumer intends to make a purchase at a point-of-sale device. As the Company is unable to predict the timing and quantity of transactions to be processed, the assessment of the nature of the performance obligation is focused on each time increment rather than the underlying activity. Therefore, cashless vending services are viewed to comprise a series of distinct days of service that are substantially the same and have the same pattern of transfer to the customer. As a result, the promise to stand ready is accounted for as a single performance obligation.

Revenue related to cashless vending services is recognized over the period in which services are provided, with usage-based revenue recognized as transactions occur. Consideration for this service includes fixed fees for standing ready to process transactions, and generally also includes usage-based fees, priced as a percentage of transaction value and/or a specified fee per transaction processed. The total transaction price of usage-based services is determined to be variable consideration as it is based on unknown quantities of services to be performed over the contract term. The underlying variability is satisfied each day the service is performed and provided to the customer. Clients are billed for cashless vending services on a monthly basis and for transaction processing as transactions occur. Payment is due based on the Company's standard payment terms which is typically within 30 to 60 days of invoice issuance.

Equipment sales represent a separate performance obligation, the majority of which is satisfied at a point in time through outright sales or sales-type leases when the equipment is delivered to the customer. Revenues related to Cantaloupe ONE equipment are recognized over time as the customer obtains the right to use the equipment through an operating lease. Clients are billed for equipment sales on a monthly basis, with payment due based on the Company's standard payment terms which is typically within 30 to 60 days of invoice issuance.

The Company will occasionally offer volume discounts, rebates or credits on certain contracts, which is considered variable consideration. The Company uses either the most-likely or estimated value method to estimate the amount of the consideration, based on what the Company expects to better predict the amount of consideration to which it will be entitled to on a contract-by-contract basis. The Company will qualitatively assess if the variable consideration should be limited to prevent possible significant reversals of revenue in future reporting periods.

The Company assesses the goods and/or services promised in each customer contract and separately identifies a performance obligation for each promise to transfer to the customer a distinct good or service. The Company then allocates the transaction price to each performance obligation in the contract using relative standalone selling prices. The Company determines standalone selling prices based on the price at which a good or service is sold separately. If the standalone selling price is not observable through historic data, the Company estimates the standalone selling price by considering all reasonably available information, including market data, trends, as well as other company- or customer-specific factors.

The Company's standard payment terms are payment is due within 30 to 60 days of invoice issuance. The Company uses the practical expedient and does not recognize a significant financing component for payment considerations of less than one year.

#### *Warranties*

The Company offers standard warranties that provide the customer with assurance that its equipment will function in accordance with contract specifications. The Company's standard warranties are not sold separately, but are included with each customer purchase. Warranties are not considered separate performance obligations and, therefore, are estimated and recorded at the time of sale.

#### *Accounts Receivable and Contract Liabilities*

A contract with a customer creates legal rights and obligations. As the Company satisfies performance obligations under customer contracts, a right to unconditional consideration is recorded as an account receivable.

Contract liabilities represent consideration received from customers in excess of revenues recognized (i.e., deferred revenue). Contract liabilities are classified as current or noncurrent based on the nature of the underlying contractual rights and obligations.

#### *Contract Costs*

The Company incurs costs to obtain contracts with customers, primarily in the form of commissions to sales employees. The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if it expects to recover these costs. The Company currently does not incur material costs to fulfill its obligations under a contract once it is obtained but before transferring goods or services to the customer. Contract costs are amortized on a systematic basis consistent with the transfer to the customer of the goods or services to which the asset relates. A straight-line or proportional amortization method is used depending upon which method best depicts the pattern of transfer of the goods or services to the customer. The Company's contracts frequently contain performance obligations satisfied at a point in time and overtime. In these instances, the Company amortizes the contract costs proportionally with the timing and pattern of revenue recognition. Amortization of costs to obtain a contract are included within sales and marketing expenses within the Consolidated Statements of Operations. In addition, these contract costs are evaluated for impairment by comparing, on a pooled basis, the expected future net cash flows from underlying customer relationships to the carrying amount of the capitalized contract costs.

In order to determine the appropriate amortization period for contract costs, the Company considers a number of factors, including expected early terminations, estimated terms of customer relationships, the useful lives of technology Cantaloupe uses to provide goods and services to its customers, whether future contract renewals are expected and if there is any incremental commission to be paid on a contract renewal. The Company amortizes these assets over the expected period of benefit. Costs to obtain a contract with an expected period of benefit of one year or less are expensed when incurred.

Revenue from the sale of QuickStart lease of equipment is recognized when equipment is shipped to the customer. Transaction processing revenue is recognized upon the usage of the Company's cashless payment and control network. Subscription fees for access to the Company's devices and network services are recognized on a monthly basis. In all cases, revenue is only recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed and determinable, and collection of the resulting receivable is reasonably assured. The Company estimates an allowance for subscription and transaction fee refunds on a monthly basis.

Hardware is available to customers under the QuickStart program pursuant to which the customer would enter into a five-year non-cancelable lease with either the Company or a third-party leasing company for the devices. The Company then allocates the transaction price to each performance obligation in the contract using relative standalone selling prices. The Company determines standalone selling prices based on the price at which a good or service is sold separately. If the standalone selling price is not observable through historic data, the Company estimates the standalone selling price by considering all reasonably available information, including market data, trends, as well as other company- or customer-specific factors. The QuickStart contracts qualify for sales type lease accounting. At lease inception, the Company recognizes revenue and creates a finance receivable in an amount that represents the present value of minimum lease payments. Accordingly, a portion of the lease payments are recognized as interest income. At the end of the lease period, the customer would have the option to purchase the device at its residual value. Any customer payments received in advance and prior to the Company satisfying any performance obligations are recorded as deferred revenue and amortized as revenue is recognized.

### *Equipment Rental*

The Company offers its customers a rental program for its hardware devices, Cantaloupe ONE platform. Cantaloupe ONE terms are 36 months rental agreements that transition to month-to-month agreements after the initial subscription commitment period. In accordance with ASC 842, "Leases", the Company classifies the rental agreements as operating leases, with service fee revenue related to the leases included in subscription and transaction fees in the Consolidated Statements of Operations. Costs for the Cantaloupe ONE revenue, which consist of depreciation expense on the Cantaloupe ONE equipment, are included in cost of services in the Consolidated Statements of Operations. Equipment utilized by the Cantaloupe ONE program is included in property and equipment, net on the Consolidated Balance Sheets.

### *LEASES*

#### *Lessee Accounting*

The Company determines if an arrangement is a lease at inception. The Company has operating and finance leases for office space, warehouses and office equipment. Cantaloupe's leases have lease terms of one year to eight years and some include options to extend and/or terminate the lease. The exercise of lease renewal options is at the Company's sole discretion. When deemed reasonably certain of exercise, the renewal options are included in the determination of the lease term. The Company's lease agreements do not contain any material variable lease payments, material residual value guarantees or any material restrictive covenants.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease Right-of-Use ("ROU") assets and liabilities are recognized at commencement date of the lease based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate, which is the collateralized rate of interest that we would pay to borrow over a similar term an amount equal to the lease payments, based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Cantaloupe has lease agreements with lease and non-lease components. The Company uses the practical expedient related to treating lease and non-lease components as a single lease component for all leases as well as electing a policy exclusion permitting leases with an original lease term of less than one year to be excluded from the ROU assets and lease liabilities. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Variable lease payments that are not based on an index or that result from changes to an index subsequent to the initial measurement of the corresponding lease liability are not included in the measurement of lease ROU assets or liabilities and instead are recognized in earnings in the period in which the obligation for those payments is incurred.

The Company reviews its ROU assets for events or changes in circumstances that may indicate that the carrying amount of such assets may not be recoverable. The carrying amount of an asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying amount of an ROU exceeds its net realizable value, the asset will be written down to its fair value. The Company recorded a right-of-use asset impairment charge relating to optimizing its corporate real estate footprint of \$1.6 million for the year ended June 30, 2021. The Company did not recognize an impairment charge related to the right-of-use assets for the year ended June 30, 2022.

#### *Lessor Accounting*

The Company offers its customers financing for the lease of our POS electronic payment devices through our QuickStart program. We account for these transactions as sales-type leases. Our sales-type leases generally have a non-cancellable term of 60 months. Certain leases contain an end-of-term purchase option that is generally insignificant and is reasonably certain to be exercised by the lessee. Leases that do not meet the criteria for sales-type lease accounting are accounted for as operating leases, typically our Cantaloupe ONE rental program. Cantaloupe ONE agreements are 36-month rental agreements that transition to month-to-month agreements after the initial subscription commitment period.

The Company also uses the practical expedient related to treating lease and non-lease components as a single component for those leases where the timing and pattern of transfer for the non-lease component and associated lease component are the same and the stand-alone lease component would be classified as an operating lease if accounted for separately. The combined component is then accounted for under Topic 606 or Topic 842 depending on the predominant characteristic of the combined component, which was Topic 606 for the Company's operating leases. All QuickStart leases are sales-type and do not qualify for the election.

Lessor consideration is allocated between lease components and the non-lease components using the requirements under Topic 606. Revenue from sales-type leases is recognized upon shipment to the customer and the interest portion is deferred and recognized as earned. The revenues related to the sales-type leases are included in Equipment sales in the Consolidated Statements of Operations and a portion of the lease payments as interest income. Revenue from operating leases is recognized ratably over the applicable service period with service fee revenue related to the leases included in Subscription and transaction fees in the Consolidated Statements of Operations.

#### *SHIPPING AND HANDLING*

Shipping and handling fees billed to our customers in connection with sales are recorded as revenue. The costs incurred for shipping and handling of our product are recorded as cost of equipment.

#### *RESEARCH AND DEVELOPMENT EXPENSES*

Research and development expenses are expensed as incurred and primarily consist of personnel, contractors and product development costs. Research and development expenses, which are included within the technology and product development expenses and general and administrative expenses in the Consolidated Statements of Operations, were approximately \$3.5 million, \$3.9 million and \$3.8 million, for the fiscal years ended June 30, 2022, 2021, and 2020, respectively. Our research and development initiatives focus on adding features and functionality to our system solutions through the development and utilization of our processing and reporting network and new technology.

#### *CAPITALIZATION OF INTERNAL-USE SOFTWARE AND CLOUD COMPUTING ARRANGEMENTS*

We have significant expenditures associated with the technological maintenance and improvement of our network and technology offerings. These expenditures include both the cost of internal employees, who spend portions of their time on various technological projects, and the use of external temporary labor and consultants. Capitalization of internal-use software occurs when we have completed the preliminary project stage, management authorizes the project, management commits to funding the project, it is probable the project will be completed and the project will be used to perform the function intended. We are required to assess these expenditures and make a determination as to whether the costs should be expensed as incurred or are subject to capitalization. In making these determinations, we consider the stage of the development project, the probability of successful development and if the development is resulting in increased features and functionality. In addition, if we determine that a project qualifies for capitalization, the amount of capitalization is subject to various estimates, including the amount of time spent on the development work and the cost of internal employees and external consultants. Internal-use software is included within Property and equipment, net on our Consolidated Balance Sheets and is amortized over its estimated useful life, which is typically 3 to 7 years.

We capitalize certain costs related to hosting arrangements that are service contracts (cloud computing arrangements) following the internal-use software capitalization criteria described above. Our cloud computing arrangements involve services we use to support internal corporate functions, our platforms and technology offerings. Capitalized costs relating to cloud computing arrangements are included within Prepaid expenses and other current assets or Other assets on our Consolidated Balance Sheets and are amortized on a straight-line basis over the estimated useful life, which is typically 3 to 5 years.

#### *ACCOUNTING FOR EQUITY AWARDS*

The cost of services received in exchange for an award of equity instruments related to employees and non-employees is based on the grant-date fair value of the award and allocated over the requisite service period of the award. When the requisite service period precedes the grant date, the Company begins recognizing compensation cost before a grant date is established.

These costs are recorded within operating expenses in the Consolidated Statements of Operations.

## *LOSS CONTINGENCIES*

From time to time, we are involved in litigation, claims, contingencies and other legal matters. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's management team evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's financial statements. If the assessment indicates a loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed. Expected legal costs associated with assessing or potentially settling a contingent liability are expensed as incurred.

## *SALES TAX RESERVE*

The Company has recorded a contingent liability for sales tax, included in accrued expenses in the Consolidated Balance Sheets. On a quarterly basis, the Company accrues interest on the unpaid balance. The estimated liability is adjusted upon the payment of sales tax related to the accrual, the changes in state tax laws that may impact the accrual and the expiration of the statute of limitations for open years under review. The liability includes significant judgments and estimates that may change in the future, and the actual liability may be different from our current estimate. Future changes to the sales tax reserve amount will be recorded within general and administrative expenses and interest expense in the Consolidated Statements of Operations and accrued expenses in the Consolidated Balance Sheets.

## *INCOME TAXES*

Income taxes are computed using the asset and liability method of accounting. Under the asset and liability method, a deferred tax asset or liability is recognized for estimated future tax effects attributable to temporary differences and carryforwards. The measurement of deferred income tax assets is adjusted by a valuation allowance, if necessary, to recognize future tax benefits only to the extent, based on available evidence, it is more likely than not such benefits will be realized.

Tax positions must meet a "more-likely-than-not" recognition threshold to be recognized. The Company recognizes interest and penalties, if any, related to uncertain tax positions within general and administrative expenses in the Consolidated Statements of Operations. Interest and penalties related to uncertain tax positions incurred during the fiscal years ended June 30, 2022, 2021, and 2020 were immaterial.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions. The tax years ended June 30, 2017 through June 30, 2021 remain open to examination by taxing jurisdictions to which the Company is subject. While the statute of limitations has expired for years prior to the year ended June 30, 2017, changes in reported losses for those years are examinable by tax authorities to the extent that operating loss carryforwards from those prior years impact upon taxable income in current years. As of June 30, 2022, the Company did not have any income tax examinations in process.

## *EARNINGS (LOSS) PER COMMON SHARE*

Basic earnings (loss) per share are calculated by dividing net income (loss) applicable to common shares by the weighted average common shares outstanding for the period. Diluted earnings (loss) per share are calculated by dividing net income (loss) applicable to common shares by the weighted average common shares outstanding for the period plus the dilutive effects of common stock equivalents unless the effects of such common stock equivalents are anti-dilutive. For the years ended June 30, 2022, 2021 and 2020, no effect for common stock equivalents was considered in the calculation of diluted earnings (loss) per share because their effect was anti-dilutive.

## RECENT ACCOUNTING PRONOUNCEMENTS

### Accounting pronouncements adopted

#### Measurement of Credit Losses on Financial Instruments

The Company adopted "Financial Instruments - Credit Losses" (Topic 326) on July 1, 2020 using the modified retrospective approach through an adjustment to retained earnings, and began calculating our allowance for accounts and finance receivables under an expected loss model rather than an incurred loss model.

The following table represents the impact of adoption of Topic 326 and a roll forward of the allowance for doubtful accounts for accounts and finance receivables for the years ending June 30, 2022 and 2021:

(\$ in thousands)	Year ended June 30,			
	2022		2021	
	Accounts Receivable	Finance Receivable	Accounts Receivable	Finance Receivable
Balance, beginning of period	\$ 7,715	\$ 1,109	\$ 8,777	\$ 150
Impact of adoption of Topic 326	—	—	(757)	409
Provision for expected losses	3,435	36	686	550
Write-offs	(1,822)	(385)	(991)	—
Balance, end of period	\$ 9,328	\$ 760	\$ 7,715	\$ 1,109

#### ASU 2019-12 - Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes

On July 1, 2021, the Company adopted ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." ASU 2019-12 is intended to simplify accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. The adoption of this accounting standard did not materially impact the Company's consolidated financial statements.

### Accounting pronouncements to be adopted

The Company is evaluating whether the effects of the following recent accounting pronouncements, or any other recently issued but not yet effective accounting standards, will have a material effect on the Company's consolidated financial position, results of operations or cash flows.

#### ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting

In March 2020 and January 2021, the FASB issued ASU 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting" and ASU 2021-01, "Reference Rate Reform: Scope", respectively. Together, the ASUs provide temporary optional expedients and exceptions for applying U.S. GAAP guidance on contract modifications and hedging relationships that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. These optional expedients and exceptions are effective beginning March 12, 2020 through December 31, 2022 and adoption is permitted at any time in the effective period. The Company is currently evaluating and assessing the impact these accounting standards will have on its consolidated financial statements and related disclosures and if it will elect these optional standards.

### Lessor Classification

In July 2021, the FASB issued ASU 2021-05, "Lessors – Certain Leases with Variable Lease Payments" which requires lessors to classify leases as operating leases if they have variable lease payments that do not depend on an index or rate and would have selling losses if they were classified as sales-type or direct financing leases. ASU 2021-05 is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. We plan to adopt this pronouncement for our fiscal year beginning July 1, 2022. The Company has evaluated the impact of this accounting standard and does not expect there to be a material effect at adoption to our consolidated financial statements.



## Accounting for Debt and Equity Instruments

In August 2020, the FASB issued ASU 2020-06, "Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" which simplifies accounting for convertible instruments and the derivatives scope exception for contracts in an entity's own equity and improves and amends the related earnings per share ("EPS") guidance. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. We plan to adopt this pronouncement for our fiscal year beginning July 1, 2022. The Company has evaluated the impact of this accounting standard and does not expect there to be a material effect at adoption to our consolidated financial statements.

### 3. LEASES

#### Lessee accounting

We have operating leases which are primarily real estate leases used for corporate functions, product development, sales, and other purposes. The following table provides supplemental balance sheet information related to the Company's operating leases:

(\$ in thousands)	Balance Sheet Classification	As of June 30, 2022	As of June 30, 2021
<b>Assets</b>			
Operating leases	Operating lease right-of-use assets	\$ 2,370	\$ 3,049
<b>Liabilities</b>			
Current	Accrued expenses	1,538	1,166
Long-term	Operating lease liabilities, non-current	2,366	3,645
Total lease liabilities		\$ 3,904	\$ 4,811

Components of lease cost are as follows:

(\$ in thousands)	Year ended June 30, 2022	Year ended June 30, 2021
Operating lease costs*	\$ 1,923	\$ 2,079

\* Includes short-term lease and variable lease costs, which are not material.

Supplemental cash flow information and non-cash activity related to our leases are as follows:

(\$ in thousands)	Year ended June 30, 2022	Year ended June 30, 2021
<b>Supplemental cash flow information:</b>		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,737	\$ 1,635
<b>Non-cash activity</b>		
Right-of-use assets obtained in exchange for lease obligations		
Operating lease liabilities	\$ 471	\$ —

Weighted-average remaining lease term and discount rate for our leases are as follows:

	Year ended June 30, 2022	Year ended June 30, 2021
<b>Weighted-average remaining lease term (years)</b>		
Operating leases	3.4	4.3
<b>Weighted-average discount rate</b>		
Operating leases	6.8 %	6.9 %

Maturities of lease liabilities by fiscal year for our leases are as follows:

(\$ in thousands)	Operating Leases
2023	\$ 1,758
2024	1,029
2025	707
2026	628
2027	265
Thereafter	—
Total lease payments	\$ 4,387
Less: Imputed interest	(483)
Present value of lease liabilities	\$ 3,904

#### *Lessor accounting*

Property and equipment used for the Company's operating lease rental program consisted of the following:

(\$ in thousands)	June 30, 2022	June 30, 2021
Cost	\$ 25,242	26,753
Accumulated depreciation	(22,914)	(24,487)
Net	\$ 2,328	\$ 2,266

The Company's net investment in sales-type leases (carrying value of lease receivables) and the future minimum amounts to be collected on these lease receivables as of June 30, 2022 are disclosed within Note 7, Finance Receivables.

## 4. REVENUE

### *Disaggregated Revenue*

Beginning in fiscal year 2022, the Company disaggregated Subscription and transaction fees presented on the Consolidated Statements of Operations to Transaction fees and Subscription fees categories (described below) as this additional disclosure provides greater visibility into the Company's revenue streams and better aligns the Company's financial performance including how management views and monitors business operations and makes strategic decisions.

- *Transaction fees:* The Company charges its customers a transaction fee generally calculated as a percentage rate on volumes processed through our payment devices.
- *Subscription fees:* Subscription fees are primarily comprised of the monthly service fee charged to our customers for our cashless payment services, service fees originated through our rental program and Seed software services that include inventory management, route logistics optimization, warehouse and accounting management, and responsive merchandising.

Based on similar operational characteristics, the Company's revenue is disaggregated as follows:

(\$ in thousands)	Year-ended June 30,		
	2022	2021	2020
Transaction fees	\$ 110,695	\$ 85,497	\$ 81,244
Subscription fees	58,155	53,745	51,923
Subscription and transaction fees	168,850	139,242	133,167
Equipment sales	36,352	27,697	29,986
Total revenues	\$ 205,202	\$ 166,939	\$ 163,153

### Contract Liabilities

The Company's contract liability (i.e., deferred revenue) balances are as follows:

(\$ in thousands)	Year ended June 30,	
	2022	2021
Deferred revenue, beginning of the period	\$ 1,763	\$ 1,698
Deferred revenue, end of the period	1,893	1,763
Revenue recognized in the period from amounts included in deferred revenue at the beginning of the period	383	595

The change in the contract liabilities year-over-year is primarily the result of timing difference between the Company's satisfaction of a performance obligation and payment from the customer.

### Contract Costs

At June 30, 2022, the Company had net capitalized costs to obtain contracts of \$0.5 million included in Prepaid expenses and other current assets and \$2.3 million included in Other noncurrent assets on the Consolidated Balance Sheets. None of these capitalized contract costs were impaired. During the year ended June 30, 2022, amortization of capitalized contract costs was \$0.7 million.

At June 30, 2021, the Company had net capitalized costs to obtain contracts of \$0.4 million included in Prepaid expenses and other current assets and \$2.0 million included in Other noncurrent assets on the Consolidated Balance Sheets. None of these capitalized contract costs were impaired. During the year ended June 30, 2021, amortization of capitalized contract costs was \$0.6 million.

### Future Performance Obligations

The Company will recognize revenue in future periods related to remaining performance obligations for certain open contracts. Generally, these contracts have terms of one year or less. The amount of revenue related to unsatisfied performance obligations in which the original duration of the contract is greater than one year is not significant.

## 5. LOSS PER SHARE CALCULATION

The following table presents the calculation of basic and diluted loss per share:

(\$ in thousands, except share and per share data)	Year ended June 30,		
	2022	2021	2020
<b>Numerator for basic and diluted loss per share</b>			
Net loss	\$ (1,703)	\$ (8,705)	\$ (40,595)
Preferred dividends	(668)	(668)	(668)
Net loss available to common shareholders	<u>\$ (2,371)</u>	<u>\$ (9,373)</u>	<u>\$ (41,263)</u>
<b>Denominator for basic loss per share - Weighted average shares outstanding</b>	71,091,790	67,002,438	62,980,193
Effect of dilutive potential common shares	—	—	—
<b>Denominator for diluted loss per share - Adjusted weighted average shares outstanding</b>	<u>71,091,790</u>	<u>67,002,438</u>	<u>62,980,193</u>
Basic and diluted loss per share	<u>\$ (0.03)</u>	<u>\$ (0.14)</u>	<u>\$ (0.66)</u>

Potentially anti-dilutive shares excluded from the calculation of diluted loss per share were approximately 5 million, 4 million, and 3 million for the year ended June 30, 2022, 2021 and 2020, respectively.

## 6. ACQUISITION

In August 2021, we completed the acquisition of certain assets and liabilities of Delicious Nutritious LLC, doing business as Yoke Payments (“Yoke”), a micro market payments company. The acquisition of Yoke was accounted for as a business combination using the acquisition method of accounting which includes the results of operations of the acquired business from the date of acquisition. The purchase price of the acquired company is allocated between tangible and intangible assets acquired and liabilities assumed from the acquired business based on their estimated fair values using primarily Level 3 inputs under ASC Topic 820, *Fair Value Measurement*, with the residual of the purchase price recorded as goodwill.

Through the acquisition, Yoke’s point of sale platform will now extend its offering to provide self-checkout while seamlessly integrating with Cantaloupe’s inventory management and payment processing platforms. We plan to differentiate ourselves by providing a single platform to manage consumer and operational aspects of micro markets, while also integrating multiple service providers for flexibility and ultimate ease to our customers.

The consideration transferred for the acquisition includes payments of \$3 million in cash at the close of the transaction and \$1 million in deferred cash payment due on or before July 30, 2022 based on the achievement of certain sales growth targets. As of the date of the acquisition and as of the year ended June 30, 2022, we expected to pay the entire deferred cash payment and we accrued a contingent consideration liability of \$1 million which is included within Accrued expenses in our Consolidated Balance Sheet. On July 27, 2022, the Company made the cash payment of \$1 million in accordance with the agreement consideration.

Additionally in connection with the acquisition, the Company will issue common stock to the former owners of Yoke based on the achievement of certain sales growth targets for software licenses through July 31, 2024 and continued employment as of the respective measurement dates. The accounting treatment for these awards in the context of the business combination is to recognize the awards as a post-combination expense and were not included in the purchase price. We will begin recognizing compensation expense for these awards over the requisite service period when it becomes probable that the performance condition would be satisfied. At each reporting date, we assess the probability of achieving the sales targets and fulfilling the performance condition. For the year ended June 30, 2022, we determined that it is not probable that the performance condition would be satisfied and, accordingly, have not recognized compensation expense related to these awards.

The following table summarizes the total consideration paid for Yoke, total net assets acquired, identifiable assets and goodwill recognized at the acquisition date:

(\$ in thousands)		<b>Amount</b>
<b>Consideration</b>		
Cash	\$	2,966
Contingent consideration arrangement		1,000
<b>Fair value of total consideration transferred</b>		<b>3,966</b>
<b>Recognized amounts of identifiable assets</b>		
Total net assets acquired		21
Identifiable intangible assets		1,235
<b>Total identifiable net assets</b>		<b>1,256</b>
<b>Goodwill</b>	<b>\$</b>	<b>2,710</b>

Amounts allocated to identifiable intangible assets included \$0.9 million related to developed technology, \$0.3 million related to customer relationships, and \$0.1 million related to other intangible assets. The fair value of the acquired developed technology was determined using a multi-period excess earnings method. The fair value of the acquired customer relationships was determined using the with-and-without method which estimates the value using the cash flow impact in a scenario where the customer relationships are not in place. The recognized intangible assets will be amortized on a straight-line basis over the estimated useful lives of the respective assets.

Goodwill of \$2.7 million arising from the acquisition includes the expected synergies between Yoke and the Company and intangible assets that do not qualify for separate recognition at the time of acquisition. The goodwill, which is deductible for income tax purposes, was assigned to the Company’s only reporting unit.

The above table represents the final allocation of the purchase price, noting no material measurement period adjustments. Pro forma financial information of the acquisition is not presented due to the immaterial impact of the financial results of Yoke in the Company's Consolidated Financial Statements.

## 7. FINANCE RECEIVABLES

The Company's finance receivables consist of financed devices under the QuickStart program and devices contractually associated with the Seed platform. Predominately all of the Company's finance receivables agreements are classified as non-cancellable sixty-month sales-type leases. As of June 30, 2022 and 2021, finance receivables consist of the following:

(\$ in thousands)	As of June 30,	
	2022	2021
Current finance receivables, net	\$ 6,721	\$ 7,967
Finance receivables due after one year, net	14,727	11,632
Total finance receivables, net of allowance of \$760 and \$1,109, respectively	\$ 21,448	\$ 19,599

We collect lease payments from customers primarily as part of the flow of funds from our transaction processing service. Balances are considered past due if customers do not have sufficient transaction revenue to cover the monthly lease payment by the end of the monthly billing period. The Company routinely monitors customer payment performance and uses prior payment performance as a measure to assess the capability of the customer to repay contractual obligations of the lease agreements as scheduled. On an as-needed basis, qualitative information may be taken into consideration if new information arises related to the customer's ability to repay the lease.

Credit risk for these receivables is continuously monitored by management and reflected within the allowance for finance receivables by aggregating leases with similar risk characteristics into pools that are collectively assessed. Because the Company's lease contracts generally have similar terms, customer characteristics around transaction processing volume and sales were used to disaggregate the leases. Our key credit quality indicator is the amount of transaction revenue we process for each customer relative to their lease payment due, as we consider this customer characteristic to be the strongest predictor of the risk of customer default. Customers with low processing volume or with transaction sales that are insufficient to cover the lease payment are considered to be at a higher risk of customer default.

Customers are pooled based on their ratio of gross sales to required monthly lease obligations. We categorize outstanding receivables into two categories: high ratio customers (customers who have adequate transaction processing volumes to cover monthly fees) and low ratio customers (customers that do not consistently have adequate transaction processing volumes to cover monthly fees). Using these two categories, we performed an analysis of historical write-offs to calculate reserve percentages by aging buckets for each category of customer.

At June 30, 2022, the gross lease receivable by current payment performance on a contractual basis and year of origination consisted of the following:

(\$ in thousands)	Leases by Origination						Total
	Up to 1 Year Ago	Between 1 and 2 Years Ago	Between 2 and 3 Years Ago	Between 3 and 4 Years Ago	Between 4 and 5 Years Ago	More than 5 Years Ago	
Current	\$ 7,451	\$ 5,047	\$ 2,758	\$ 2,593	\$ 2,807	\$ 103	\$ 20,759
30 days and under	18	10	32	56	94	3	213
31 - 60 days	25	23	26	58	100	—	232
61 - 90 days	25	14	20	46	91	—	196
Greater than 90 days	41	47	97	232	391	—	808
Total finance receivables	\$ 7,560	\$ 5,141	\$ 2,933	\$ 2,985	\$ 3,483	\$ 106	\$ 22,208

At June 30, 2021, the gross lease receivable by current payment performance on a contractual basis and year of origination consisted of the following:

(\$ in thousands)	Leases by Origination						Total
	Up to 1 Year Ago	Between 1 and 2 Years Ago	Between 2 and 3 Years Ago	Between 3 and 4 Years Ago	Between 4 and 5 Years Ago	More than 5 Years Ago	
Current	\$ 6,736	\$ 3,970	\$ 3,942	\$ 3,081	\$ 1,358	\$ 31	\$ 19,118
30 days and under	19	67	90	93	11	1	281
31 - 60 days	4	9	22	2	1	—	38
61 - 90 days	10	42	66	54	10	—	182
Greater than 90 days	46	69	490	419	54	11	1,089
Total finance receivables	\$ 6,815	\$ 4,157	\$ 4,610	\$ 3,649	\$ 1,434	\$ 43	\$ 20,708

At June 30, 2022, credit quality indicators by year of origination consisted of the following:

(\$ in thousands)	Leases by Origination						Total
	Up to 1 Year Ago	Between 1 and 2 Years Ago	Between 2 and 3 Years Ago	Between 3 and 4 Years Ago	Between 4 and 5 Years Ago	More than 5 Years Ago	
High ratio customers	\$ 7,498	\$ 4,853	\$ 2,688	\$ 2,623	\$ 2,950	\$ 102	\$ 20,714
Low ratio customers	62	288	245	362	533	4	1,494
Total finance receivables	\$ 7,560	\$ 5,141	\$ 2,933	\$ 2,985	\$ 3,483	\$ 106	\$ 22,208

At June 30, 2021, credit quality indicators by year of origination consisted of the following:

(\$ in thousands)	Leases by Origination						Total
	Up to 1 Year Ago	Between 1 and 2 Years Ago	Between 2 and 3 Years Ago	Between 3 and 4 Years Ago	Between 4 and 5 Years Ago	More than 5 Years Ago	
High ratio customers	\$ 6,415	\$ 3,824	\$ 3,793	\$ 2,920	\$ 1,290	\$ 24	\$ 18,266
Low ratio customers	400	333	817	729	144	19	2,442
Total finance receivables	\$ 6,815	\$ 4,157	\$ 4,610	\$ 3,649	\$ 1,434	\$ 43	\$ 20,708

The following table represents a rollforward of the allowance for finance receivables for the year ending June 30, 2022 and 2021:

(\$ in thousands)	Year ended June 30, 2022	Year ended June 30, 2021
Balance at June 30	\$ 1,109	\$ 150
Impact of ASC 326*	—	409
Provision for expected losses	36	550
Write-offs	(385)	—
Balance June 30	\$ 760	\$ 1,109

\* The Company adopted ASC 326 on July 1, 2020.

Cash to be collected on our performing finance receivables due for each of the fiscal years after June 30, 2022 are as follows:

(\$ in thousands)

2023	\$	2,937
2024		1,841
2025		3,420
2026		6,039
2027		9,368
Thereafter		1,384
Total amounts to be collected		24,989
Less: interest		(2,781)
Less: allowance for doubtful accounts		(760)
Total finance receivables	\$	<u>21,448</u>

## 8. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

(\$ in thousands)	Useful Lives	As of June 30, 2022		
		Cost	Accumulated Depreciation	Net
Computer equipment and software	3-7 years	\$ 6,758	\$ (6,404)	\$ 354
Internal-use software	3-5 years	12,787	(2,859)	9,928
Property and equipment used for rental program	5 years	25,242	(22,914)	2,328
Furniture and equipment	3-7 years	1,529	(1,396)	133
Leasehold improvements	(a)	286	(245)	41
		<u>\$ 46,602</u>	<u>\$ (33,818)</u>	<u>\$ 12,784</u>

(\$ in thousands)	Useful Lives	As of June 30, 2021		
		Cost	Accumulated Depreciation	Net
Computer equipment and software	3-7 years	\$ 6,497	\$ (6,212)	\$ 285
Internal-use software	3-5 years	4,523	(1,821)	2,702
Property and equipment used for rental program	5 years	26,753	(24,487)	2,266
Furniture and equipment	3-7 years	1,471	(1,222)	249
Leasehold improvements	(a)	192	(124)	68
		<u>\$ 39,436</u>	<u>\$ (33,866)</u>	<u>\$ 5,570</u>

(a) Lesser of lease term or estimated useful life

The Company's total depreciation expense is comprised of depreciation included in our cost of sales for rental equipment and depreciation included in our operating expenses. Depreciation expense included within cost of sales for rental equipment was \$1.0 million, \$1.4 million, and \$2.7 million for the years ended June 30, 2022, 2021, and 2020, respectively. Depreciation expense included within operating expenses for the years ended June 30, 2022, 2021, and 2020 was \$1.1 million, \$1.0 million and \$1.2 million, respectively.

## 9. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible asset balances consisted of the following:

(\$ in thousands)	As of June 30, 2022			Amortization Period
	Gross	Accumulated Amortization	Net	
<b>Intangible assets:</b>				
Brand and tradenames	\$ 1,705	\$ (1,133)	\$ 572	1 - 7 years
Developed technology	11,819	(8,761)	3,058	5 - 6 years
Customer relationships	19,339	(5,022)	14,317	5 - 18 years
<b>Total intangible assets</b>	<b>\$ 32,863</b>	<b>\$ (14,916)</b>	<b>\$ 17,947</b>	
<b>Goodwill</b>	<b>\$ 66,656</b>	<b>\$ —</b>	<b>\$ 66,656</b>	<b>Indefinite</b>
(\$ in thousands)	As of June 30, 2021			Amortization Period
	Gross	Accumulated Amortization	Net	
<b>Intangible assets:</b>				
Brand and tradenames	\$ 1,640	\$ (840)	\$ 800	3 - 7 years
Developed technology	10,939	(6,890)	4,049	5 - 6 years
Customer relationships	19,049	(3,906)	15,143	10 - 18 years
<b>Total intangible assets</b>	<b>\$ 31,628</b>	<b>\$ (11,636)</b>	<b>\$ 19,992</b>	
<b>Goodwill</b>	<b>\$ 63,945</b>	<b>\$ —</b>	<b>\$ 63,945</b>	<b>Indefinite</b>

For the years ended June 30, 2022, 2021 and 2020, amortization expense related to intangible assets was \$3.3 million, \$3.1 million and \$3.1 million, respectively. The weighted-average remaining useful life of the finite-lived intangible assets was 10.5 years as of June 30, 2022, of which the weighted-average remaining useful life for the brand and tradenames was 2.3 years, for the developed technology was 2 years, and for the customer relationships was 13.0 years.

Estimated annual amortization expense for intangible assets is as follows (in thousands):

2023	\$ 3,270
2024	2,151
2025	1,389
2026	1,292
2027	1,069
Thereafter	8,776
	<b>\$ 17,947</b>



## 10. ACCRUED EXPENSES

Accrued expenses consisted of the following as of June 30, 2022 and 2021:

(\$ in thousands)	As of June 30,	
	2022	2021
Accrued sales tax	\$ 14,694	\$ 17,099
Accrued compensation and related sales commissions	3,289	4,233
Operating lease liabilities - current	1,538	1,166
Accrued professional fees	4,200	1,739
Contingent consideration arrangement for Yoke Acquisition	1,000	—
Accrued other taxes and filing fees	2,036	1,450
Accrued other	1,397	773
Total accrued expenses	<u>\$ 28,154</u>	<u>\$ 26,460</u>

## 11. DEBT AND OTHER FINANCING ARRANGEMENTS

The Company's debt and other financing arrangements as of June 30, 2022 and 2021 consisted of the following:

(\$ in thousands)	As of June 30,	
	2022	2021
JPMorgan Credit Facility*	14,813	14,437
Other obligations	70	113
Less: unamortized issuance costs and debt discount	(261)	(231)
Total	14,622	14,319
Less: debt and other financing arrangements, current	(692)	(675)
Debt and other financing arrangements, noncurrent	<u>\$ 13,930</u>	<u>\$ 13,644</u>

\*See discussion below on amendment to the JPMorgan Credit Facility.

Details of interest expense presented on the Consolidated Statements of Operations are as follows:

(\$ in thousands)	Year ended June 30,		
	2022	2021	2020
2020 Antara Term Facility	\$ —	\$ 2,779	\$ 1,218
2021 JPMorgan Credit Facility	904	1,006	—
Interest expense related to change in sales tax reserve	(386)	218	558
2018 JPMorgan Revolving Credit Facility	—	—	303
2018 JPMorgan Term Loan	—	—	160
Other interest expense	6	10	358
Total interest expense	<u>\$ 524</u>	<u>\$ 4,013</u>	<u>\$ 2,597</u>

### *JPMorgan Chase Bank Credit Facility*

*JPMorgan Credit Agreement dated August 14, 2020 and amendment dated March 2, 2021*

On August 14, 2020, the Company repaid all amounts outstanding under the \$30.0 million senior secured term loan facility (“2020 Antara Term Facility”) with Antara Capital Master Fund LP (“Antara”) and entered into a credit agreement with JPMorgan Chase Bank, N.A.(the “2021 JPMorgan Credit Agreement”).

The 2021 JPMorgan Credit Agreement provided for a \$5 million secured revolving credit facility (the “2021 JPMorgan Revolving Facility”) and a \$15 million secured term facility (the “2021 JPMorgan Secured Term Facility”) and together with the 2021 JPMorgan Revolving Facility, as amended, the “2021 JPMorgan Credit Facility”), which included an uncommitted expansion feature that allowed the Company to increase the total revolving commitments and/or add new tranches of term loans in an aggregate amount not to exceed \$5 million.

The 2021 JPMorgan Credit Facility had a three year maturity, with interest determined, at the Company’s option, on a base rate of LIBOR or Prime Rate plus an applicable spread tied to the Company’s total leverage ratio and having ranges between 2.75% and 3.75% for Prime rate loans and between 3.75% and 4.75% for LIBOR rate loans. In the event of default, the interest rate may be increased by 2.00%. The 2021 JPMorgan Credit Facility carries a commitment fee of 0.50% per annum on the unused portion. From August 14, 2020 through March 2, 2021, the applicable interest rate was Prime Rate plus 3.75%. On March 2, 2021, the Company entered into an amendment (the “First Amendment”) to the 2021 JPMorgan Credit Facility lowering the interest rate charged to the Company. In conjunction with the First Amendment, the Company elected to convert its loans to a Eurodollar borrowing which is subject to a LIBOR based interest rate.

The Company’s obligations under the 2021 JPMorgan Credit Facility were secured by first priority security interests in substantially all of the assets of the Company. The 2021 JPMorgan Credit Agreement included customary representations, warranties and covenants, and acceleration, indemnity and events of default provisions, including a financial covenant requiring the Company to maintain an adjusted quick ratio of not less than 2.75 to 1.00 beginning January 1, 2021, and not less than 3.00 to 1.00 beginning April 1, 2021, and a financial covenant requiring the Company to maintain, as of the end of each of its fiscal quarters commencing with the fiscal quarter ended December 31, 2021, a total leverage ratio of not greater than 3.00 to 1.00.

*JP Morgan amended and restated Credit Agreement dated March 17, 2022*

On March 17, 2022, the Company entered into an amended and restated credit agreement with JPMorgan Chase Bank, N.A. which provides for a \$15 million secured revolving credit facility (the “Amended Revolving Facility”) and a \$25 million secured term facility (the “Amended Secured Term Facility”) and together with the Amended Revolving Facility, the “Amended JPMorgan Credit Facility”), and fully replaces our previous 2021 JPMorgan Credit Facility. The Amended Secured Term Facility includes a \$10 million increase from the 2021 JPMorgan Secured Term Facility which is available for a period of up to twelve months following the Closing Date.

The proceeds of the Amended JPMorgan Credit Facility may be used to refinance certain existing indebtedness of the Company and its subsidiaries, to finance the working capital needs, and for general corporate purposes (including permitted acquisitions), of the Company and its subsidiaries.

The Amended JPMorgan Credit Facility has a four year maturity. Interest on the Amended JPMorgan Credit Facility will be based, at the Company’s option, on a base rate or SOFR plus an applicable margin tied to the Company’s total leverage ratio and having ranges of between 2.50% and 3.00% for base rate loans and between 3.50% and 4.00% for SOFR loans; provided that until June 30, 2022 the applicable margin shall be 2.75% for base rate loans and 3.75% for SOFR loans. Subject to the occurrence of a material acquisition and the Company’s total leverage ratio exceeding 3.00 to 1.00, the interest rate on the loans may increase by 0.25%. In an event of default, the interest rate may be increased by 2.00%. The Amended JPMorgan Credit Facility will also carry a commitment fee of 0.50% per annum on the unused portion. As of June 30, 2022, the total applicable interest rate for the Amended Secured Term Facility is 4.4%.

The Amended JPMorgan Credit Facility includes customary representations, warranties and covenants, and acceleration, indemnity and events of default provisions, including, among other things, two financial covenants. One financial covenant requires the Company to maintain, at all times, a total leverage ratio of not more than 3.00 to 1.00 on the last day of any fiscal quarter. The other financial covenant is conditional on a material acquisition occurring: if a material acquisition occurs, the Company is required to maintain a total leverage ratio not greater than 4.00 to 1.00 for the next four fiscal quarters following the material acquisition.

The Amended Secured Term Facility was accounted for as a modification of the 2021 JPMorgan Secured Term Facility. The previously unamortized debt issuance costs remain capitalized, the new fees paid to the creditor were capitalized, and allocated third-party costs incurred allocated to the term facility were charged to expense. We have also evaluated that the borrowing capacity of the Amended Revolving Facility is greater than the borrowing capacity of the 2021 JPMorgan Revolving Facility. The previously unamortized debt issuance costs remain capitalized, the new fees paid to the creditor and allocated third-party costs were capitalized. The Company capitalized \$0.3 million of issuance costs related to the Amended JPMorgan Credit Facility during the year-ended June 30, 2022.

The Company was in compliance with its financial covenants as of June 30, 2022.

#### *Term Facility with Antara*

On October 9, 2019, the Company entered into a commitment letter with Antara Capital Master Fund LP (“Antara”), pursuant to which Antara committed to extend to the Company a \$30.0 million senior secured term loan facility (“2020 Antara Term Facility”). On October 31, 2019, the Company entered into a Financing Agreement with Antara to draw \$15.0 million on the 2020 Antara Term Facility and agreed to draw an additional \$15.0 million at any time between July 31, 2020 and April 30, 2021, subject to the terms of the Financing Agreement. The outstanding amount of the draws under the 2020 Antara Term Facility bore interest at 9.75% per annum, payable monthly in arrears. The proceeds of the initial draw were used to repay the outstanding balance of the 2018 Revolving Credit Facility (as defined below) due to JPMorgan, in the amount of \$10.1 million, including accrued interest, and to pay transaction expenses. The Company would also incur a prepayment premium of 5% of the principal balance if prepaid on or prior to December 31, 2020.

On October 9, 2019, the Company also sold shares of the Company’s common stock to Antara at a price below market value. Since the 2020 Antara Term Facility and equity issuance were negotiated in contemplation of each other and executed within a short period of time, the Company evaluated the debt and equity financing as a combined arrangement, and estimated the fair values of the debt and equity components to allocate the proceeds, net of the registration rights agreement liability on a relative fair value basis between the debt and equity components. The non-lender fees incurred to establish the debt and equity financing arrangement were allocated to the debt and equity components on a relative fair value basis and capitalized on the Company’s balance sheet of which \$0.9 million was allocated to debt issuance costs and \$0.1 million was allocated to debt commitment fees. The 2020 Antara Term Facility agreement also contained a mandatory prepayment feature that was determined to be an embedded derivative, requiring bifurcation and fair value recognition for the derivative liability. The allocation of the proceeds to the debt component and the bifurcation of the embedded derivative liability resulted in a \$2.1 million debt discount, which was de-recognized during the three months ended September 30, 2020.

On August 14, 2020, the Company repaid all amounts outstanding under the 2020 Antara Term Facility and entered into the 2021 JPMorgan Credit Agreement. The Company recorded a liability for the commitment termination fee and prepayment premium for \$1.2 million as of June 30, 2020. As of June 30, 2021, the Company has no outstanding obligations related to the 2020 Antara Term Facility.

#### *Other Long-Term Borrowings*

In the fourth quarter of fiscal year 2020, we received loan proceeds of approximately \$3.1 million (the “PPP Loan”) pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) administered by the U.S. Small Business Administration (the “SBA”). We used the PPP Loan in accordance with the provisions of the CARES Act. The loan bore a fixed interest rate of 1% over a two-year term from the approval date of April 28, 2020. The application for these funds required the Company to, in good faith, certify that the economic uncertainty caused by COVID-19 made the loan request necessary to support the ongoing operations of the Company. This certification further required the Company to take into account our current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds and the forgiveness of the loan is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria.

On June 8, 2021, the Company received notification from the Small Business Administration that they approved the forgiveness of the full \$3.1 million PPP loan and related accrued interest. The Company recorded the forgiveness as a gain on debt extinguishment in Other income in our consolidated financial statements. The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. Under the CARES Act, all borrowers are required to maintain their loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

The expected maturities associated with the Company's outstanding debt and other financing arrangements as of June 30, 2022, were as follows:

2023	770
2024	897
2025	1,250
2026	11,966
2027	—
Principal amounts payable	14,883
Unamortized issuance costs	(261)
Total outstanding debt	<u>\$ 14,622</u>

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of certain of the Company's financial instruments, including cash equivalents, accounts receivable, accounts payable and accrued expenses, are carried at cost which approximates fair value due to their liquid or short-term nature. We have not identified material impacts from COVID-19 on the fair value of our financial assets and liabilities. The Company's obligations under its long-term debt agreements are carried at amortized cost, which approximates their fair value as of June 30, 2022, as the debt facility was recently amended and expanded in March 2022 and the interest rates applicable are variable in nature. The fair value of the Company's obligations under its long-term debt agreements with JPMorgan were considered Level 2 liabilities of the fair value hierarchy because these instruments have interest rates that reset frequently.

## 13. EQUITY

### PRIVATE PLACEMENTS

On February 24, 2021, the Company entered into separate subscription agreements in identical form and substance (the "Subscription Agreements") with institutional accredited investors (the "Purchasers") relating to a private placement (the "Private Placement") with respect to the sale of an aggregate of 5,730,000 shares of the Company's common stock. The Private Placement closed on March 4, 2021 and the Company received aggregate gross proceeds of approximately \$55 million based on the offering price of \$9.60 per share (the "Purchase Price"). The Company incurred \$2.6 million in direct and incremental issuance costs relating to the Private Placement that were accounted as a reduction in the proceeds of the stock. The syndicate for the Private Placement included affiliates of Hudson Executive, a greater than 10% shareholder and a related party of the Company. Affiliates of Hudson Executive purchased 975,000 of the shares sold in the Private Placement for the same purchase price and on the same terms as the other purchasers.

Pursuant to the Subscription Agreements, the Company agreed to file a registration statement with the U.S. Securities and Exchange Commission covering the resale of the Shares within 45 days following the date of the Subscription Agreements and to cause the registration statement to become effective within 60 days following the filing deadline. On April 5, 2021, the Company filed the registration statement with the U.S. Securities and Exchange Commission and, on April 14, 2021, the registration statement was declared effective.

### WARRANTS

During fiscal year 2021, the Company had 23,978 warrants exercisable at \$5 per share outstanding which were exercised and resulted in 12,154 shares issued pursuant to a cashless exercise option election made by the holder. As of June 30, 2022 and June 30, 2021, the Company does not have any warrants outstanding.

## 14. INCOME TAXES

On December 21, 2020, Congress approved the Consolidated Appropriations Act, 2021 (the "Appropriations Act"), which was signed into law by the President on December 27, 2020. The Appropriations Act funds the federal government to the end of the fiscal year and provides further COVID-19 economic relief. Some of the business provisions included in the Appropriations Act are additional Paycheck Protection Program ("PPP") loans, clarification of the deductibility of business expenses that were paid for with PPP funds, expansion of the employee retention credit, and temporary full deduction for business expenses for food and beverages provided by a restaurant. The Appropriations Act did not have a material impact on the Company's income taxes. The Company will continue to monitor for additional legislation related to COVID-19 and its impact on our results of operations.

The Company has significant deferred tax assets, a substantial amount of which result from operating loss carryforwards. The Company routinely evaluates its ability to realize the benefits of these assets to determine whether it is more likely than not that such benefit will be realized. In accordance with the history of losses generated, the Company believes that for the year ended June 30, 2022 and 2021, it is more likely than not that its deferred tax assets will not be realized. Accordingly, the Company re-established a full valuation allowance on its net deferred tax assets.

The provision for income taxes for the years ended June 30, 2022, 2021 and 2020 is comprised of the following:

(\$ in thousands)	Year ended June 30,		
	2022	2021	2020
<b>Current:</b>			
Federal	\$ —	\$ —	\$ 126
State	(179)	(328)	(57)
Total current	(179)	(328)	69
<b>Deferred:</b>			
Federal	(18)	(12)	(156)
State	11	(30)	86
Total deferred	(7)	(42)	(70)
Total income tax provision	\$ (186)	\$ (370)	\$ (1)

A reconciliation of the provision for income taxes for the years ended June 30, 2022, 2021 and 2020 to the indicated provision based on income (loss) before the provision for income taxes at the federal statutory rate of 21.0% for the fiscal years ended June 30, 2022, June 30, 2021, and June 30, 2020 is as follows:

(\$ in thousands)	Year ended June 30,		
	2022	2021	2020
Indicated benefit at federal statutory rate	\$ 319	\$ 1,648	\$ 8,514
Effects of permanent differences			
Stock compensation	(184)	168	(226)
Other permanent differences	(106)	608	(106)
State income taxes, net of federal benefit	(275)	116	1,393
Changes related to prior years	—	—	489
Changes in valuation allowances	184	(2,927)	(10,139)
Other	(124)	17	74
Provision for income taxes	\$ (186)	\$ (370)	\$ (1)

As of June 30, 2022 the Company had federal and state operating loss carryforwards of approximately \$190 million and \$222 million, respectively, to offset future taxable income. As of June 30, 2021 the Company had federal and state operating loss carryforwards of approximately \$187 million and \$221 million, respectively, to offset future taxable income. The timing and extent to which the Company can utilize operating loss carryforwards in any year may be limited because of provisions of the Internal Revenue Code regarding changes in ownership of corporations (i.e. IRS Code Section 382). Federal and state operating loss carryforwards start to expire in 2022 and certain state operating loss carryforwards are currently expiring.

The net deferred tax assets arose primarily from net operating loss carryforwards, as well as the use of different accounting methods for financial statement and income tax reporting purposes as follows:

(\$ in thousands)	As of June 30,	
	2022	2021
<b>Deferred tax assets:</b>		
Net operating loss carryforwards	\$ 47,984	\$ 46,851
Asset reserves	6,666	7,231
Deferred research and development	1,503	1,420
Stock-based compensation	3,416	2,620
Other	(143)	2,135
	<u>59,426</u>	<u>60,257</u>
<b>Deferred tax liabilities:</b>		
Intangibles	(4,316)	(4,956)
Deferred tax assets, net	55,110	55,301
Valuation allowance	(55,296)	(55,480)
Deferred tax liabilities	<u>\$ (186)</u>	<u>\$ (179)</u>

As of June 30, 2022, the Company had total unrecognized income tax benefits of \$0.6 million related to its nexus in certain state tax jurisdictions. If recognized in future years, \$0.6 million of these currently unrecognized income tax benefits would impact the income tax provision and effective tax rate. The following table summarizes the activity related to unrecognized income tax benefits:

(\$ in thousands)	Year ended June 30,		
	2022	2021	2020
Balance at the beginning of the year	\$ 444	\$ 207	\$ 210
Gross increases and decreases related to current period tax positions	—	—	—
Gross increases and decreases related to prior period tax positions	128	237	(3)
Balance at the end of the year	<u>\$ 572</u>	<u>\$ 444</u>	<u>\$ 207</u>

## 15. STOCK BASED COMPENSATION PLANS

The Company has four active stock based compensation plans at June 30, 2022 as shown in the table below:

Date Approved	Name of Plan	Type of Plan	Authorized Shares
June 2013	2013 Stock Incentive Plan	Stock	500,000
June 2014	2014 Stock Option Incentive Plan	Stock options	750,000
June 2015	2015 Equity Incentive Plan	Stock & stock options	1,250,000
April 2018	2018 Equity Incentive Plan	Stock & stock options	4,000,000
			<u>6,500,000</u>

As of June 30, 2022, the Company had reserved shares of Common Stock for future issuance for the following:

Common Stock	Reserved Shares
Conversions of Preferred Stock and cumulative Preferred Stock dividends	106,141
Issuance upon exercise of stock options granted to current CEO	1,000,000
Issuance of shares to former CEO George Jensen upon the occurrence of a Cantaloupe transaction <sup>(1)</sup>	140,000
Issuance under 2014 Stock Option Incentive Plan	115,687
Issuance under 2015 Equity Incentive Plan	392,159
Issuance under 2018 Equity Incentive Plan	179,843
<b>Total shares reserved for future issuance</b>	<b>1,933,830</b>

<sup>(1)</sup> Represents 140,000 shares issuable to our former CEO George Jensen upon the occurrence of a "USA Transaction" as such term is defined in the Jensen Stock Agreement dated September 27, 2011 by and between the Company and George R. Jensen.

### STOCK OPTIONS

Stock options are granted at exercise prices equal to the fair market value of the Company's common stock at the date of grant. The options typically vest over a three year period and each option, if not exercised or terminated, expires on the seventh anniversary of the grant date.

The Company estimates the grant date fair value of the stock options with service conditions (i.e., a condition that requires an employee to render services to the Company for a stated period of time to vest) it grants using a Black-Scholes valuation model. The Company's assumption for expected volatility is based on its historical volatility data related to market trading of its own common stock. The Company uses the simplified method to determine expected term, as the Company does not have adequate historical exercise and forfeiture behavior on which to base the expected life assumption. The dividend yield assumption is based on dividends expected to be paid over the expected life of the stock option. The risk-free interest rate assumption is determined by using the U.S. Treasury rates of the same period as the expected option term of each stock option.

The fair value of options granted during the years ended June 30, 2022, 2021, and 2020 was determined using the following assumptions:

	For the year ended June 30,		
	2022	2021	2020
Expected volatility	73.2 - 74.6%	74.3 - 77.3%	74.6 - 90.1%
Expected life (years)	4.5 - 4.6	4.5	3.5 - 4.8
Expected dividends	0.0%	0.0%	0.0%
Risk-free interest rate	1.0 - 2.9%	0.2-0.7%	0.3-1.6%

The following tables provide information about outstanding options for the years ended June 30, 2022, 2021, and 2020:

	For the year ended June 30, 2022			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding options, beginning of period	2,952,092	\$ 6.97	5.6	\$ 14,419
Granted	904,500	\$ 8.86		
Exercised	(121,248)	\$ 6.30		\$ (53)
Forfeited	(205,511)	\$ 8.09		
Expired	—	\$ —		
Outstanding options, end of period	3,529,833	\$ 7.41	4.5	\$ 194
Exercisable options, end of period	1,538,302	\$ 6.79	4.5	\$ 183

**For the year ended June 30, 2021**

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding options, beginning of period	2,437,425	\$ 6.43	6.2	\$ 1,411
Granted	755,000	\$ 8.40		
Exercised	(74,667)	\$ 3.81		\$ (601)
Forfeited	(165,666)	\$ 6.90		
Expired	—	\$ —		
Outstanding options, end of period	2,952,092	\$ 6.97	5.6	\$ 14,419
Exercisable options, end of period	1,040,131	\$ 6.52	5.1	\$ 5,558

**For the year ended June 30, 2020**

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding options, beginning of period	1,127,098	\$ 4.84	4.3	\$ 2,917
Granted	2,075,760	\$ 6.47		
Exercised	(440,435)	\$ 2.48		\$ (595)
Forfeited	(324,998)	\$ 6.55		
Expired	—	\$ —		
Outstanding options, end of period	2,437,425	\$ 6.43	6.2	\$ 1,411
Exercisable options, end of period	560,871	\$ 6.01	4.8	\$ 559

The weighted average grant date fair value per share for the Company's stock options granted during the years ended June 30, 2022, 2021, and 2020 was \$5.12, \$4.92, and \$3.84, respectively. The total fair value of stock options vested during the years ended June 30, 2022, 2021, and 2020 was \$3.0 million, \$2.4 million, and \$1.7 million, respectively.

*Performance based awards*

The Company has awarded stock options to certain executives which vest each year over a three to four year period. These stock options are also subject to the achievement of performance goals to be established by the Company's Board for each fiscal year.

On January 27, 2021, the Compensation Committee of the Board of Directors established the performance metrics as a price target for the trading price of the Company's common stock in each applicable fiscal year. The price target is achieved if the average closing price of the common stock during any consecutive 30-trading-day period during the applicable fiscal year meets or exceeds: (i) \$10.50 in the case of fiscal year 2021; (ii) \$13.50 in the case of fiscal year 2022; (iii) \$16.50 in the case of fiscal year 2023; and (iv) \$19.50 in the case of fiscal year 2024. If at least 80% of the performance goals for an applicable fiscal year are achieved, the Compensation Committee may determine that the portion of the option eligible to vest based on such fiscal year's performance will vest on a prorated basis. In so determining, the Compensation Committee will consider the Company's performance relative to its market competitors and any other considerations deemed relevant by the Compensation Committee. The Compensation Committee's guideline is generally that for every percentage point the achieved price falls below the price target, the percentage of the performance options eligible to vest in respect of the applicable fiscal year should be reduced by 2%, but the Compensation Committee may vary this formula in its sole discretion.

For these performance based awards that provide discretion to the Compensation Committee, a mutual understanding of the key terms and conditions between the Company and the employees have not yet been met and a grant date has not been established. When the service period begins prior to the grant date, the Company begins recognizing compensation cost before there is a grant date. The Company estimates the award's fair value at each reporting period for these equity classified awards, until the grant date, utilizing a Monte Carlo simulation valuation model. The total expense recognized during the years ended June 30, 2022 and 2021 for these awards was \$1.0 million and \$2.1 million, respectively.



## STOCK GRANTS

The Company makes annual grants of restricted shares of common stock to executive officers pursuant to long-term stock incentive plans ("LTIPs") which vest annually, typically over three years.

The Company also grants restricted stock units ("RSU"s) to members of the board of directors as compensation for their service on the board as well as to employees as additional compensation. These stock awards typically vest over a one to three year period.

Two employees of Hudson Executive, a greater than 10% shareholder and a related party of the Company, entered into consulting agreements with the Company in August and September of 2020, respectively, under which the consultants were to provide financial and strategic analysis and advisory services to the Company's CEO through July 31, 2021. As consideration for the services, in March 2021 the consultants were granted a total of 80,000 restricted stock units. The total expense recognized as of June 30, 2021 for these agreements was \$0.8 million. These restricted stock units had fully vested as of June 30, 2021.

During August and September of 2021, the Company extended these consulting agreements to provide advisory services from August 1, 2021 through July 31, 2022. As consideration for the extended agreements the consultants were granted an additional 20,000 restricted stock units. The restricted stock units granted to each consultant vested in equal installments on January 1, 2022 and July 1, 2022. On February 2, 2022, the Board of Directors of the Company appointed one of the above mentioned employees of Hudson Executive as a director of the Company, effective immediately. In connection with the appointment to the Board, the consulting agreement for that individual was terminated, effective February 2, 2022. Total expense recognized for the year ended June 30, 2022 for these consulting agreements was \$0.2 million.

A summary of the status of the Company's nonvested common shares and RSUs as of June 30, 2022, 2021, and 2020, and changes during the years then ended is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at June 30, 2019	38,971	\$ 9.19
Granted	651,715	7.28
Vested	(109,050)	7.52
Forfeited	(368,622)	7.89
Nonvested at June 30, 2020	213,014	\$ 6.50
Granted	187,848	10.33
Vested	(248,016)	7.71
Forfeited	(15,000)	\$ 6.28
Nonvested at June 30, 2021	137,846	\$ 9.57
Granted	507,729	7.33
Vested	(101,515)	10.34
Forfeited	(95,152)	8.89
Nonvested at June 30, 2022	<u>448,908</u>	<u>\$ 7.00</u>

## STOCK BASED COMPENSATION EXPENSE

The Company applies the fair value method to recognize compensation expense for stock-based awards. Using this method, the estimated grant-date fair value of the award is recognized over the requisite service period using the accelerated attribution method. The Company accounts for forfeitures as they occur.

A summary of the Company's stock-based compensation expense recognized during the years ended June 30, 2022, 2021, and 2020 is as follows (in thousands):

Award type	For the year ended June 30,		
	2022	2021	2020
Stock options	\$ 4,424	\$ 7,806	\$ 2,181
Stock grants	1,824	1,269	848
Total stock-based compensation expense	\$ 6,248	\$ 9,075	\$ 3,029

The Company recognized tax benefits of \$0.6 million, \$2.4 million, and \$0.5 million related to stock compensation expense for the years ended June 30, 2022, 2021, and 2020.

A summary of the Company's unrecognized stock-based compensation expense as of June 30, 2022 is as follows:

Award type	As of June 30, 2022	
	Unrecognized Expense (in thousands)	Weighted Average Recognition Period (in years)
Stock options	\$ 4,223	2.4
Stock grants	\$ 2,131	1.5

## 16. PREFERRED STOCK

The authorized Preferred Stock may be issued from time to time in one or more series, each series with such rights, preferences or restrictions as determined by the Board of Directors. As of June 30, 2022 each share of Series A Convertible Preferred Stock is convertible into 0.1988 of a share of Common Stock and each share of Series A Convertible Preferred Stock is entitled to 0.1988 of a vote on all matters on which the holders of Common Stock are entitled to vote. Series A Convertible Preferred Stock provides for an annual cumulative dividend of \$1.50 per share, payable when, and if declared by the Board of Directors, to the shareholders of record in equal parts on February 1 and August 1 of each year. Any and all accumulated and unpaid cash dividends on the Series A Convertible Preferred Stock must be declared and paid prior to the declaration and payment of any dividends on the Common Stock.

The Series A Convertible Preferred Stock may be called for redemption at the option of the Board of Directors for a price of \$11.00 per share plus payment of all accrued and unpaid dividends. No such redemption has occurred as of June 30, 2022. In the event of any liquidation as defined in the Company's Articles of Incorporation, the holders of shares of Series A Convertible Preferred Stock issued shall be entitled to receive \$10.00 for each outstanding share plus all cumulative unpaid dividends. If funds are insufficient for this distribution, the assets available will be distributed ratably among the preferred shareholders. The Series A Convertible Preferred Stock liquidation preference as of June 30, 2022 and 2021 is as follows:

(\$ in thousands)	June 30, 2022	June 30, 2021
For shares outstanding at \$10.00 per share	\$ 4,451	\$ 4,451
Cumulative unpaid dividends	17,662	16,996
	\$ 22,113	\$ 21,447

The Company has determined that its Series A Convertible Preferred Stock is contingently redeemable due to the existence of deemed liquidation provisions contained in its certificate of incorporation, and therefore classifies its convertible preferred stock outside of permanent equity. The Company has not made any adjustments to the carrying value of the Series A Convertible Preferred Stock to reflect the liquidation value of the shares because the Company has determined that a deemed liquidation event is not probable of occurring.

Cumulative unpaid dividends are convertible into common shares at \$1,000 per common share at the option of the shareholder. During the years ended June 30, 2022, 2021 and 2020, no shares of Preferred Stock nor cumulative preferred dividends were converted into shares of common stock.

## **17. RETIREMENT PLAN**

The Company's 401(k) Plan (the "Retirement Plan") allows employees to make voluntary contributions, beginning on their first day of active employment, up to a maximum of 100% of their annual compensation, as defined in the Retirement Plan. The Company may, in its discretion, make a matching contribution, a profit sharing contribution, a qualified non-elective contribution, and/or a safe harbor 401(k) contribution to the Retirement Plan. The Company must make an annual election, at the beginning of the plan year, as to whether it will make a safe harbor contribution to the plan. In fiscal years 2022, 2021 and 2020, the Company elected and made safe harbor matching contributions of 100% of the participant's first 3% and 50% of the next 2% of compensation deferred into the Retirement Plan. The Company's safe harbor contributions for the years ended June 30, 2022, 2021 and 2020 approximated \$0.7 million, \$0.2 million and \$0.5 million, respectively, and are included within general and administrative expenses within our Consolidated Statements of Operations.

## **18. COMMITMENTS AND CONTINGENCIES**

### *Litigation*

We are a party to litigation and other proceedings that arise in the ordinary course of our business. These types of matters could result in fines, penalties, compensatory or treble damages or non-monetary sanctions or relief. In accordance with the accounting guidance for contingencies, we reserve for litigation claims and assessments asserted or threatened against us when a loss is probable and the amount of the loss can be reasonably estimated. We cannot predict the outcome of legal or other proceedings with certainty.

### *Department of Justice Subpoena*

As previously reported, in the third quarter of fiscal year 2020, the Company responded to a subpoena received from the U.S. Department of Justice ("DOJ") that sought records regarding Company activities that occurred during prior financial reporting periods, including restatements. During the current fiscal year, the DOJ staff has notified us that they have concluded their investigation and that they do not intend to proceed with any further investigation or enforcement.

### *Securities and Exchange Commission ("SEC") Inquiries*

Since fiscal year 2019, the Company has received inquiries from the SEC into the facts and circumstances of the 2019 Investigation and has fully cooperated with these inquiries.

### *Purchase Commitments*

As of June 30, 2022, the Company had firm commitments to purchase inventory of approximately \$21.4 million over the next two years.

## **19. RELATED PARTY TRANSACTIONS**

A member of our Board of Directors serves as a strategic advisor to a consulting firm that we utilize for payments analytics and advisory services. These services are utilized by the Company to reduce the cost of our interchange and other processing fees charged by payment processors and credit card networks. As consideration for the services, we pay the consulting firm a success fee based on the savings realized by the Company and a recurring monthly subscription fee for the analytics services. The total expense recognized within Cost of subscription and transaction fees for the year ended June 30, 2022 for these arrangements was \$1.1 million. The Company did not recognize an expense related to this arrangement for the ended June 30, 2021.

See *Note 15 - Stock-based Compensation* for information on transactions relating to Hudson Executive.

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

None.

### **Item 9A. Controls and Procedures**

#### **a) Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded that, due to the existence of material weaknesses in our internal controls in the Company’s internal control over financial reporting described below, and based on the evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15, that the Company’s disclosure controls and procedures were not effective as of June 30, 2022.

Notwithstanding the existence of the material weaknesses described below, management believes that the consolidated financial statements and related financial information included in this Annual Report on Form 10-K fairly present, in all material respects, our financial position, results of operations and cash flows as of and for the periods presented, in conformity with generally accepted accounting principles in the United States of America (“GAAP”). Furthermore, we believe that the audited consolidated financial statements included in this Annual Report on Form 10-K are accurate.

#### **b) Management’s Report on Internal Control over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company’s internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company’s internal control over financial reporting as of June 30, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) the *Internal Control - Integrated Framework (2013)*. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on its assessment, management has concluded that the Company did not maintain effective internal control over financial reporting as of June 30, 2022, due to the following material weaknesses:

- Management did not maintain appropriately designed entity-level controls impacting the control environment, risk assessment procedures, and monitoring activities to prevent or detect material misstatements to the consolidated financial statements. These deficiencies were attributed to insufficient identification and assessment of risks impacting the design, implementation, and operating effectiveness of internal controls over financial reporting, and insufficient evaluation and determination as to whether components of internal control were present and functioning based upon evidence maintained for activity level controls, including management review controls, across substantially all of the Company’s financial statement areas.
- Management did not maintain effective information technology general controls in the areas of user access management, change management, and segregation of duties, within its systems supporting the Company’s accounting and reporting processes. Many of the Company’s manual controls dependent upon the information derived from these information technology systems were also ineffective, as management did not design and implement controls to

validate the completeness and accuracy of underlying data utilized in the operation of those manual controls (referred to as information provided by the entity or IPE).

- Management did not appropriately design and maintain controls over certain aspects of its revenue recognition process and related accounts, including controls over the appropriate identification of performance obligations within customer contracts, allocation of transaction price to those performance obligations, identification of transactions requiring gross presentation, input of executed contract terms into the Company's information systems that perform revenue recognition, including the completeness and accuracy of reports utilized in the operation of controls over revenue recognition.

Although these material weaknesses did not result in any material misstatement of our consolidated financial statements for the periods presented, there is a possibility they could lead to a material misstatement of account balances or disclosures. Accordingly, management has concluded that these control deficiencies constitute material weaknesses.

#### *Management's Plan for Remediation*

In response to the material weaknesses, management, with oversight of the Audit Committee of the Board of Directors, has identified and begun to implement steps to remediate the material weaknesses. Our internal control remediation efforts include the following:

- Enhancing policies and procedures to improve our overall control environment and develop proper monitoring controls around timely evaluation and communication of internal control deficiencies to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.
- Enhancing user access provisioning and monitoring controls to enforce appropriate system access and segregation of duties.
- We have recruited and continue to recruit key positions within our technology, accounting, internal audit and other support functions that will further enhance internal control capabilities, allow for appropriate segregation of duties and change management, and provide appropriate oversight and reviews.
- The Company began improving the completeness and accuracy of underlying data used in the operation of certain controls within its financial reporting process in the fourth quarter of fiscal year 2022 by working with control preparers and reviewers to enhance documentation and properly identifying control attributes. An IPE checklist has also been prepared to assist in this process.
- The Company is redesigning existing management review controls including input of executed contract terms into the Company's information systems that perform revenue recognition.

We are committed to ensuring that our internal controls over financial reporting are designed and operating effectively. Management believes the efforts taken to date and the planned remediation will improve the effectiveness of our internal control over financial reporting. While these remediation efforts are ongoing, the controls must be operating effectively for a sufficient period of time and be tested by management in order to consider them remediated and conclude that the design is effective to address the risks of material misstatement. The company anticipates completing the remediation of the controls related to revenue and associated accounts by the third quarter of fiscal year 2023. We also anticipate the remediation of the identified material weakness regarding information technology general controls and management's design and monitoring activities of entity level controls to be remediated by the end of fiscal year 2023.

#### **e) Attestation Report of Independent Registered Public Accounting Firm**

Our independent registered public accounting firm, BDO USA, LLP, as auditor of our consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of our internal control over financial reporting as of June 30, 2022.

#### **d) Changes in Internal Control Over Financial Reporting**

Other than the material weaknesses and the management remediation plan described above, there were no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information.**

Not applicable.

**Item 9C. Disclosure regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this item is incorporated herein by reference to our definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after June 30, 2022.

### **Item 11. Executive Compensation.**

The information required by this item is incorporated herein by reference to our definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after June 30, 2022.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.**

The information required by this item is incorporated herein by reference to our definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after June 30, 2022.

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

The information required by this item is incorporated herein by reference to our definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after June 30, 2022.

### **Item 14. Principal Accounting Fees and Services.**

The information required by this item is incorporated herein by reference to our definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after June 30, 2022.

**PART IV****Item 15. Exhibits, Financial Statement Schedules.**

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">Amended and Restated Articles of Incorporation, (incorporated by reference to Exhibit 3.1 to Form 10-Q filed on February 4, 2022).</a>
3.2	<a href="#">Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to Form 8-K filed on August 10, 2021).</a>
4.1*	<a href="#">Description of Securities.</a>
10.1	<a href="#">Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated (Portions of this exhibit were redacted pursuant to a confidential treatment request)(incorporated by reference to Exhibit 10.2 to Form 10-Q filed May 15, 2015).</a>
10.1.1	<a href="#">First Amendment to Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated dated April 27, 2015 (Portions of this exhibit were redacted pursuant to a confidential treatment request)(incorporated by reference to Exhibit 10.45 to Form 10-K filed September 30, 2015).</a>
10.1.2	<a href="#">Second Amendment to Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated dated July 13, 2015 (incorporated by reference to Exhibit 10.14.2 to Form 10-K filed October 9, 2019).</a>
10.1.3	<a href="#">Third Amendment to Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated dated July 17, 2018 (incorporated by reference to Exhibit 10.14.3 to Form 10-K filed October 9, 2019).</a>
10.2	<a href="#">Third Party Payment Processor Agreement dated April 24, 2015 by and among the Company, JPMorgan Chase Bank, N.A. and Paymentech, LLC (Portions of this exhibit were redacted pursuant to a confidential treatment request)(incorporated by reference to Exhibit 10.46 to Form 10-K filed September 30, 2015).</a>
10.2.1	<a href="#">Integrator Amendment (2018) to Third Party Payment Processor Agreement dated October 22, 2018 by and among the Company, JPMorgan Chase Bank, N.A. and Paymentech, LLC (incorporated by reference to Exhibit 10.15.1 to Form 10-K filed October 9, 2019).</a>
10.3	<a href="#">Merchant Processing Agreement dated April 6, 2018 by and among Cantaloupe Systems, Inc., and Heartland Payment Systems, Inc (incorporated by reference to Exhibit 10.16 to Form 10-K filed October 9, 2019).</a>
10.4	<a href="#">Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A., dated March 17, 2022 (incorporated by reference to Exhibit 10.1 to Form 8-K filed March 24, 2022).</a>
10.5†	<a href="#">USA Technologies, Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.6 to Form 10-K filed on September 30, 2013).</a>
10.6†	<a href="#">USA Technologies, Inc. 2014 Stock Option Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on form DEF 14A filed on May 15, 2014).</a>
10.7†	<a href="#">USA Technologies, Inc. 2015 Equity Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed on May 15, 2015).</a>
10.8†	<a href="#">USA Technologies, Inc. 2018 Equity Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed on April 2, 2018).</a>
10.8.1†	<a href="#">First Amendment to the USA Technologies, Inc. 2018 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Form 8-K filed on May 26, 2020).</a>
10.8.2†*	<a href="#">Form of Nonqualified Stock Option Award Agreement under the Cantaloupe, Inc. (f/k/a USA Technologies, Inc.) 2018 Equity Incentive Plan.</a>
10.8.3†*	<a href="#">Form of Restricted Stock Unit Award Agreement under the Cantaloupe, Inc. (f/k/a USA Technologies, Inc.) 2018 Equity Incentive Plan.</a>
10.9†	<a href="#">Employment Agreement, dated May 8, 2020, between USA Technologies, Inc. and Sean Feeney (incorporated by reference to Exhibit 10.2 to Form 8-K filed on May 13, 2020).</a>
10.10†	<a href="#">Non-Qualified Stock Option Agreement, dated May 8, 2020, between USA Technologies, Inc. and Sean Feeney (incorporated by reference to Exhibit 10.3 to Form 8-K filed on May 13, 2020).</a>



10.11†	<a href="#">Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement by and between the Company and Anant Agrawal dated November 9, 2017 (incorporated by reference to Exhibit 10.9 to Form 10-K filed October 9, 2019).</a>
10.11.1†	<a href="#">First Amendment to Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement by and between the Company and Anant Agrawal dated February 25, 2018 (incorporated by reference to Exhibit 10.9.1 to Form 10-K filed October 9, 2019).</a>
10.11.2†	<a href="#">Second Amendment to Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement by and between the Company and Anant Agrawal dated August 7, 2019 (incorporated by reference to Exhibit 10.9.2 to Form 10-K filed October 9, 2019).</a>
10.12†	<a href="#">Restricted Stock Unit Award Agreement, dated May 29, 2020, between USA Technologies, Inc. and Anant Agrawal (incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 3, 2020).</a>
10.13†	<a href="#">Employment Agreement, by and between R. Wayne Jackson and USA Technologies, Inc., effective as of August 10, 2020 (incorporated by reference to Exhibit 10.1 to Form 8-K filed August 14, 2020).</a>
10.14†	<a href="#">Non-Qualified Stock Option Agreement, by and between R. Wayne Jackson and USA Technologies, Inc., dated as of August 10, 2020 (incorporated by reference to Exhibit 10.2 to Form 8-K filed August 14, 2020).</a>
10.15	<a href="#">Payment Solutions Agreement between the Company, First Data Merchant Services LLC and Wells Fargo Bank, N.A., dated March 20, 2020 (portions of this exhibit were redacted pursuant to a confidential treatment request)(incorporated by reference to Exhibit 10.1 to Form 10-Q filed on June 24, 2020).</a>
10.16†	<a href="#">Offer Letter, by and between Scott Stewart and USA Technologies, Inc., dated as of August 6, 2020 (incorporated by reference to Exhibit 10.1 to Form 8-K filed on September 18, 2020).</a>
10.17	<a href="#">Form of Subscription Agreement (incorporated by reference to Exhibit 10.1 to Form 8-K filed February 25, 2021).</a>
10.18†	<a href="#">Separation and Transition Agreement, by and between Cantaloupe, Inc. and R. Wayne Jackson (incorporated by reference to Exhibit 10.3 to Form 8-K filed February 3, 2022).</a>
10.19†	<a href="#">Employment Agreement, between Cantaloupe, Inc. and Scott Stewart (incorporated by reference to Exhibit 10.4 to Form 8-K filed February 3, 2022).</a>
10.20†	<a href="#">Employment Agreement, between Cantaloupe, Inc. and Ravi Venkatesan (incorporated by reference to Exhibit 10.5 to Form 8-K filed February 3, 2022).</a>
10.21†	<a href="#">Separation and Transition Agreement, by and between Cantaloupe, Inc. and Sean Feeney (incorporated by reference to Exhibit 10.1 to the Form 8-K filed September 8, 2022).</a>
10.22†	<a href="#">Promotion Letter, between Cantaloupe, Inc. and Ravi Venkatesan (incorporated by reference to Exhibit 10.2 to the Form 8-K filed September 8, 2022).</a>
21.1*	<a href="#">List of significant subsidiaries of the Company</a>
23.1*	<a href="#">Consent of BDO USA, LLP, Independent Registered Public Accounting Firm.</a>
31.1*	<a href="#">Certifications of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</a>
31.2*	<a href="#">Certifications of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</a>
32.1**	<a href="#">Certification by the Chief Executive Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2**	<a href="#">Certification by the Chief Financial Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase

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\* Filed herewith.

\*\* Furnished herewith.

† Management contract or compensatory plan or arrangement.

**Item 16. Form 10-K Summary.**

Not applicable.

## SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cantaloupe, Inc.

By: /s/ Ravi Venkatesan

Ravi Venkatesan, Chief Executive Officer

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

<u>SIGNATURES</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Ravi Venkatesan</u> Ravi Venkatesan	Chief Executive Officer and Director (Principal Executive Officer)	October 19, 2022
<u>/s/ Scott Stewart</u> Scott Stewart	Chief Financial Officer (Principal Financial Officer)	October 19, 2022
<u>/s/ Ankit Varia</u> Ankit Varia	Chief Accounting Officer (Principal Accounting Officer)	October 19, 2022
<u>/s/ Lisa P. Baird</u> Lisa P. Baird	Director	October 19, 2022
<u>/s/ Douglas G. Bergeron</u> Douglas G. Bergeron	Chairman of the Board of Directors	October 19, 2022
<u>/s/ Ian Harris</u> Ian Harris	Director	October 19, 2022
<u>/s/ Jacob Lamm</u> Jacob Lamm	Director	October 19, 2022
<u>/s/ Michael K. Passilla</u> Michael K. Passilla	Director	October 19, 2022
<u>/s/ Ellen Richey</u> Ellen Richey	Director	October 19, 2022
<u>/s/ Anne M. Smalling</u> Anne M. Smalling	Director	October 19, 2022
<u>/s/ Shannon S. Warren</u> Shannon S. Warren	Director	October 19, 2022

**DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO  
SECTION 12 OF SECURITIES EXCHANGE ACT OF 1934**

As of June 30, 2022, Cantaloupe, Inc. has two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): (1) our Common Stock; (2) our Preferred Stock.

**Authorized Capital Shares**

Our authorized capital shares consist of 640,000,000 shares of common stock, no par value (“Common Stock”), and 1,800,000 shares of undesignated preferred stock. As of the date hereof, 900,000 preferred shares have been designated as series A convertible preferred stock, no par value (“Preferred Stock”). The outstanding shares of our Common Stock are fully paid and nonassessable.

**Description of Common Stock**

The following description of our Common Stock sets forth certain general terms and provisions of our Common Stock to which any prospectus supplement may relate, including a prospectus supplement providing that Common Stock will be issuable upon conversion or exchange of our debt securities or Preferred Stock or upon the exercise of warrants or rights to purchase our Common Stock. All shares of our Common Stock covered by this prospectus will be duly authorized, fully paid and nonassessable.

**Voting Rights**

The holder of each share of Common Stock is entitled to one vote on all matters submitted to a vote of the shareholders, including the election of directors. There is no cumulative voting for directors.

**Dividend Rights**

No dividend may be paid on the Common Stock until all accumulated and unpaid dividends on the Preferred Stock have been paid. Each holder of our Common Stock is entitled to receive such dividends as the Board of Directors may from time to time declare out of funds legally available for payment of dividends.

**Liquidation Rights**

Subject to any preferential rights of outstanding shares of Preferred Stock, holders of Common Stock will share ratably in all assets legally available for distribution to our shareholders in the event of dissolution. Upon any liquidation, dissolution or winding up of the Company, holders of our Common Stock are entitled to receive *pro rata* all of the assets of the Company available for distribution, subject to the liquidation preference of the Preferred Stock of \$10 per share, and any unpaid and accumulated dividends on the Preferred Stock.

## **Other Rights and Preferences**

Our Common Stock has no sinking fund or redemption provisions or preemptive, conversion or exchange rights. Holders of our Common Stock may act by unanimous written consent.

## **Listing**

The Common Stock is quoted on the Nasdaq Global Select Market under the trading symbol, "CLTP".

## **Description of Preferred Stock**

Our charter authorizes our board of directors to classify any unissued shares of Preferred Stock and to reclassify any previously classified but unissued shares of any series. Prior to issuance of shares of each series, our board of directors is required by the PBCL and our charter to set the preferences, voting powers, designations, restrictions, limitations and relative rights for each such series. Thus, our board of directors could authorize the issuance of shares of Preferred Stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change of control of our company that might involve a premium price for holders of our Common Stock or that stockholders believe may be in their best interests. As of the date hereof, 445,063 shares of our Series A Preferred Stock are outstanding. Our Preferred Stock will, when issued, be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights.

## **Voting Rights**

The holders of our Preferred Stock have the number of votes per share equal to the number of shares of Common Stock into which each such share is convertible, and are entitled to vote on all matters submitted to the vote of the shareholders of the Company, including the election of directors.

## **Dividend Rights**

The holders of our Preferred Stock are entitled to an annual cumulative cash dividend of \$1.50 per annum, payable when, as and if declared by the Board of Directors. No dividend may be paid on the Common Stock until all accumulated and unpaid dividends on the Preferred Stock have been paid. The record dates for payment of dividends on the Preferred Stock are February 1 (\$0.75) and August 1 (\$0.75) of each year. Any and all accumulated and unpaid cash dividends on the Preferred Stock must be declared and paid prior to the declaration and payment of any dividends on the Common Stock. Any unpaid and accumulated dividends will not bear interest.

## **Liquidation Rights**

Upon any liquidation, dissolution, or winding-up of the Company, the holders of our Preferred Stock are entitled to receive a distribution in preference to the Common Stock in the amount of \$10 per share plus any accumulated and unpaid dividends. As more fully described in our Articles of Incorporation, the holders of at least 60% of the outstanding shares of our Preferred Stock could elect to treat the occurrence of any of the following events as a liquidation: (i) consolidation or merger of the Company with another corporation; (ii) sale of substantially all of the Company's assets, or (iii) disposition by the Company of more than 50% of voting power of the Company.

## **Other Rights and Preferences**

Shares of our Preferred Stock are convertible at any time into shares of fully issued and non-assessable Common Stock as provided in our Articles of Incorporation. Accrued and unpaid dividends earned on shares of Preferred Stock being converted into Common Stock are also convertible into Common Stock at the rate of \$1,000 per share of Common Stock at the time of conversion, and whether or not such dividends have then been declared by the Company.

We have the right, at any time, to redeem all or any part of the issued and outstanding Preferred Stock for the sum of \$11 per share plus any and all unpaid and accumulated dividends thereon. Upon notice by the Company of such call, the holders of the Preferred Stock so called will have the opportunity to convert their shares and any unpaid and accumulated dividends thereon into shares of Common Stock. There is no restriction on our right to repurchase or redeem our Common Stock while there is an arrearage in the payment of dividends to the holders of our Preferred Stock.

## **Listing**

The Preferred Stock is quoted on the OTC Markets' Pink Open Market under the trading symbol, "CLTPP".

**CANTALOUPE, INC.  
2018 EQUITY INCENTIVE PLAN  
NOTICE OF NON-QUALIFIED STOCK OPTION GRANT AND  
NON-QUALIFIED STOCK OPTION AGREEMENT**

Cantaloupe, Inc., a Pennsylvania corporation, f/k/a USA Technologies, Inc. (the “Company”), pursuant to its 2018 Equity Incentive Plan (as amended from time to time, the “Plan”) hereby grants to the holder listed below (the “Participant”) a non-qualified stock option (the “Option”) to purchase the number of shares of common stock, no par value, of the Company (the “Shares”) set forth below. The Option is subject to the terms and conditions set forth herein, including in the Notice of Non-Qualified Stock Option Grant attached at the end of this document (the “Notice”) and the following Non-Qualified Stock Option Agreement (together with the Notice, the “Agreement”), and in the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined in this document shall have the meanings given to them in the Plan.

By Participant’s electronic acceptance on this site, Participant agrees to be bound by the terms and conditions of the Plan and the Agreement (including, without limitation, the Notice). Participant has reviewed the Plan and the Agreement (including, without limitation, the Notice) in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Agreement, and fully understands all provisions of the Plan and the Agreement (including, without limitation, the Notice). Participant hereby accepts as binding, conclusive, and final all decisions or interpretations of the Committee upon any questions arising under the Plan or the Agreement (including, without limitation, the Notice).

**Your detailed award information can be found in the Notice, which is attached at the end of this document.**

**CANTALOUPE, INC.**

**NON-QUALIFIED STOCK OPTION AGREEMENT**

**2018 EQUITY INCENTIVE PLAN**

This Non-Qualified Stock Option Agreement (together with the Notice of Non-Qualified Stock Option Grant (“Notice”) attached hereto, the “Agreement”) made as of the Grant Date set forth in the Notice, by and between the Participant set forth in the Notice (the “Original Grantee,” or together with any permitted assignee or transferee of this option under Section 9 hereof, the “Grantee”) and CANTALOUPE, INC., a Pennsylvania corporation, f/k/a USA Technologies, Inc. (the “Company”).

**BACKGROUND**

Original Grantee is providing services to the Company. The Company’s 2018 Equity Incentive Plan (as amended from time to time, the “Plan”) provides for Awards based upon the Common Stock of the Company. The Company has determined to make an award to Original Grantee of an Option to purchase Shares, as further set forth below. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Plan.

**AGREEMENT**

NOW, THEREFORE, in consideration of the covenants set forth herein, and intending to be legally bound hereby, the Company and Original Grantee agree as follows:

1. **Grant of Option.** Subject to the terms hereof, the Company hereby grants to the Original Grantee an Option to purchase the number of Shares set forth in the Notice, at an exercise price per Share set forth in the Notice, pursuant to the Plan. The Option is not currently vested or exercisable and is subject to vesting and forfeiture as more fully described in Section 2 below. The number of Shares subject to, and the exercise price of, the Option shall be subject to adjustment as provided in the Plan.

2. **Exercisability of Option.**

(a) Except as otherwise provided in the Plan, the Option shall vest and become exercisable as provided in the Notice. Any portion of the Option that is not vested pursuant to the preceding sentence on the date of Original Grantee’s termination of Service for any reason shall be immediately forfeited on the date of such termination for no consideration. Upon a Change of Control that occurs after the Grant Date, Section 9 of the Plan shall apply.

(b) Notwithstanding anything to the contrary in this Agreement, if Original Grantee’s Service is terminated for Cause (as defined below), the Option shall immediately terminate and be forfeited for no consideration (regardless of whether the Option, or any portion thereof, is then vested or unvested).



If Original Grantee is party to an employment or severance agreement with the Company that contains a definition of “cause” for termination of employment, for the purposes of this Agreement, “Cause” shall have the meaning ascribed to such term in such agreement. Otherwise, for the purposes of this Agreement, the term “Cause” shall mean, with respect to the termination of Original Grantee’s employment, termination of such employment by the Company for any of the following reasons, as determined by the Committee: (i) any material act or omission by Original Grantee involving malfeasance or gross negligence in the performance of Original Grantee’s duties to, or material deviation from, any of the provisions of the Employee Handbook or Code of Business Conduct and Ethics, or policies or directives of, the Company; (ii) the conviction of Original Grantee of, or plea of guilty or nolo contendere to, any felony or any other crime involving moral turpitude, whether or not relating to Original Grantee’s employment; (iii) fraud, embezzlement, theft or dishonesty by Original Grantee against the Company; or (iv) violation of any applicable written proprietary information, confidentiality, non-competition and/or non-solicitation agreements with the Company.

### **3. Term of Option.**

Unless the Option is terminated at an earlier date pursuant to the provisions of the Agreement or the Plan, the Option shall expire on the Expiration Date set forth in the Notice. In no event may the Option be exercised after the Expiration Date. Notwithstanding the foregoing, the Option shall automatically terminate prior to the Expiration Date upon the happening of any of the following events:

- (a) The expiration of the three (3)-month period following the Original Grantee’s termination of Service, if the termination of Service is for any reason whatsoever other than death or disability (as defined in Section 22(e)(3) of the Code), or
- (b) The expiration of the twelve (12)-month period after the Original Grantee’s termination of Service on account of the Grantee’s death or disability (as defined in Section 22(e)(3) of the Code).

### **4. Exercise Procedures.**

(a) The Grantee may exercise the vested portion of the Option only in the following manner: from time to time prior to the Expiration Date of the Option, the Grantee may give written notice (or notice in another form approved by the Committee, including electronic notice) to the Company of Grantee’s election to purchase some or all of the Shares purchasable at the time of such notice. This notice shall specify the number of Shares to be purchased.

(b) The exercise price of the Option may be payable: (i) in cash by personal check, bank draft or money order payable to the order of the Company, by money transfers or direct account debits; (ii) through the delivery or deemed delivery based on attestation to the ownership of previously acquired Shares with a Fair Market Value equal to the total payment due from the Grantee; (iii) authorizing the Company to withhold whole Shares, which would otherwise be

delivered, having an aggregate Fair Market Value, determined as of the date of exercise, equal to the amount necessary to satisfy such obligation; (iv) by a combination of the methods described in (i), (ii) and (iii) above; (v) except as may be prohibited by applicable law, in cash by a broker-dealer acceptable to the Company to whom the Grantee has submitted an irrevocable notice of exercise; or (vi) by such other methods as the Committee may deem appropriate.

(c) The transfer to the Grantee on the records of the Company or of the transfer agent of the Shares will be contingent upon (i) the Company's receipt from the Grantee of the full purchase price for the Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Shares to be purchased pursuant to the exercise of the Option under the Plan and any subsequent resale of the Shares will be in compliance with applicable laws and regulations. In the event the Grantee chooses to pay the purchase price by previously-owned Shares through the attestation method, the number of Shares transferred to the Grantee upon the exercise of the Option shall be net of the Shares attested to.

(d) The Grantee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any Shares subject to the Option unless and until the Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Grantee, and the Grantee's name shall have been entered as the shareholder of record on the books of the Company. Thereupon, the Grantee shall have full voting and other ownership rights with respect to such Shares.

(e) Notwithstanding any other provision hereof or of the Plan, no portion of the Option shall be exercisable after the Expiration Date hereof.

5. **Nature of the Option.** The Option is not intended to constitute, and shall not be treated at any time by the Grantee or the Company as, an incentive stock option, as defined under Section 422(b) of the Code.

#### 6. **Tax Withholding.**

(a) The Company does not represent or warrant that the Option (or the purchase or sale of the Shares subject hereto) will be subject to any particular tax treatment. The Grantee acknowledges that the Grantee: (i) has reviewed, or has had the opportunity to review, the tax treatment of the Option (including the purchase and sale of Shares subject hereto) with the Grantee's own tax advisors; and (ii) is relying solely on those advisors in that regard. The Grantee understands that the Grantee (and not the Company) will be responsible for the Grantee's own tax liabilities arising in connection with the Option.

(b) The Grantee shall, not later than the date as of which the exercise of the Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Company for payment of any Federal, state, and local taxes

required by law to be withheld on account of such taxable event in accordance with procedures described in Section 10 of the Plan.

7. **Grant Subject to Plan Provisions.** This grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The grant and exercise of the Option are subject to interpretations, regulations, and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan. The Committee shall have the authority to interpret and construe the Option pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder.

8. **No Right to Continued Service; No Rights as Shareholder.** Neither the Plan nor this Agreement shall confer upon the Grantee any right to be retained in any capacity as a service provider to the Company or any of its affiliates. The Grantee shall not have any rights as a shareholder with respect to any Shares subject to the Option unless and until certificates representing the Shares have been issued by the Company following exercise of the Option to the holder of such Shares, or the Shares have otherwise been recorded on the books of the Company or of a duly authorized transfer agent as owned by such holder.

9. **Assignment and Transfers.**

(a) The rights and interests of the Grantee under this Agreement may not be sold, assigned, encumbered, or otherwise transferred, except in the event of the death of the Grantee, by will, or by the laws of descent and distribution, provided that the transferees, devisees, or beneficiaries are Immediate Family (as defined in subsection (c) below).

(b) Notwithstanding subsection (a) above, the Grantee may transfer the Option through a gift or domestic relations order to the Immediate Family (as defined in subsection (c) below), and each transferee shall remain subject to all terms and conditions applicable to the Option prior to such transfer, and each transferee shall so acknowledge in writing as a condition precedent to the effectiveness of such transfer.

(c) The term "Immediate Family" shall mean the Original Grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Original Grantee's household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Original Grantee) control the management of assets, and any other entity in which these persons (or the Original Grantee) own more than fifty percent of the voting interests.

(d) The Option may not be transferred for value by the Grantee. The following transactions are not prohibited transfers for value: (i) a transfer to Immediate Family under a domestic relations order in settlement of marital property rights; and (ii) a transfer to an entity in

which more than fifty percent of the voting interests are owned by the Immediate Family (or the Original Grantee) in exchange for an interest in that entity.

(e) In order to transfer any portion of the Option in accordance with the provisions of subsection (b) above, the Grantee must notify the Company of such transfer, and the Grantee and proposed transferee must execute and deliver to the Company such certification and documentation deemed necessary by and approved by the Company.

(f) Notwithstanding anything else set forth in this Agreement or the Plan, in no event shall the Option be held at any time by, transferred to, or exercised by, any person or entity unless such person or entity is the Original Grantee or Immediate Family.

(g) Except as provided otherwise in this Section 9, during the Original Grantee's lifetime: (i) only the Original Grantee (or, in the event of legal incapacity or incompetency, the Grantee's guardian or representative) may exercise the Option; (ii) the Option shall not be assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise); and (iii) the Option shall not be subject to execution, attachment, or similar process. Any attempted transfer, assignment, pledge, hypothecation, or other disposition of the Option or of any rights granted hereunder contrary to the provisions of this Section 9 shall be null and void. Any levy of an attachment or similar process upon the Option shall be null and void.

(h) The rights and protections of the Company hereunder shall extend to any successors and assigns of the Company and to the Company's parents, subsidiaries, and affiliates. The Company may assign this Agreement without the consent of the Grantee.

10. **Data Privacy Consent.** In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates, and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth, and other information that is necessary or desirable for the administration of the Plan or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee: (i) authorizes the Company to collect, process, register, and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights that the Grantee may have with respect to the Relevant Information; and (iii) authorizes the Relevant Companies to store and transmit such information in electronic form. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

11. **Compliance with Law.** The issuance of Shares upon exercise of the Option shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Shares may be listed. No Shares shall be issued or transferred unless and until any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. Grantee understands that the

Company is under no obligation to register any Shares with the Securities and Exchange Commission, any state securities commission or any stock exchange to effect such compliance.

12. **Notice**. Any notice to the Company provided for in this Agreement shall be addressed to the Company in care of the Secretary at the corporate headquarters of the Company, and any notice to the Grantee shall be addressed to such Grantee at the current address shown in the Company's records, or to such other address as the Grantee may designate to the Company in writing. Any notice shall be delivered by hand, sent by telecopy, or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

13. **Governing Law**. To the extent that federal laws do not otherwise control, this Agreement shall be construed in accordance with and governed by the law of the Commonwealth of Pennsylvania.

14. **Severability**. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

15. **Entire Agreement; Amendment**. This Agreement and the Plan constitute the entire agreement with respect to the subject matter hereof between the parties hereto and there are no other agreements between the parties relating to the subject matter hereof. The Company and Grantee have made no promises, agreements, conditions, or understandings relating to the Option, either orally or in writing, that are not included in this Agreement or the Plan. This Agreement may only be modified by an agreement in writing executed by both the Company and Grantee. Emailed copies (pdf format) of any party's signature hereto will have the same effect as an original signature.

*[Notice of Non-Qualified Stock Option Grant Follows]*

**CANTALOUPE, INC.**  
**2018 EQUITY INCENTIVE PLAN**  
**NOTICE OF NON-QUALIFIED STOCK OPTION GRANT**

Cantaloupe, Inc., a Pennsylvania corporation, f/k/a USA Technologies, Inc. (the "Company") has granted to you, the "Participant" named below, a non-qualified stock option (the "Option") to purchase shares of common stock, no par value, of the Company (the "Shares") under the Company's 2018 Equity Incentive Plan (as amended from time to time, the "Plan"). The terms of the grant are set forth in the Non-Qualified Stock Option Agreement (together with this Notice of Non-Qualified Stock Option Grant, the "Agreement") provided to you and which immediately precedes this Notice. The following provides a summary of the key terms of your award; however, you should read the entire Agreement, along with the terms of the Plan, to fully understand your award and the terms and conditions applicable to it.

**SUMMARY OF NON-QUALIFIED STOCK OPTION AWARD**

Participant: \_\_\_\_\_

Grant Date: \_\_\_\_\_

Total Number of Shares Underlying Option: \_\_\_\_\_

Exercise Price Per Share: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

Vesting Commencement Date: \_\_\_\_\_

Vesting Schedule: [The Option shall vest and become exercisable [*insert vesting schedule*], subject to Participant's continued Service through each such date\*]

\*Unless otherwise provided in the Agreement or the Plan.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Grant Date.  
CANTALOUPE, INC.

By: \_\_\_\_\_  
Name:  
Title:

**THE UNDERSIGNED PARTICIPANT ACKNOWLEDGES RECEIPT OF THIS NOTICE OF NON-QUALIFIED STOCK OPTION GRANT, THE NON-QUALIFIED STOCK OPTION AWARD AGREEMENT, ANY EXHIBIT ATTACHED THERETO, AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF THE OPTION HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS NOTICE OF NON-QUALIFIED STOCK OPTION GRANT, THE NON-QUALIFIED STOCK OPTION AWARD AGREEMENT, ANY EXHIBIT ATTACHED THERETO, AND THE PLAN.**

PARTICIPANT

\_\_\_\_\_  
\_\_\_\_\_

**CANTALOUPE, INC.**  
**2018 EQUITY INCENTIVE PLAN**  
**NOTICE OF RESTRICTED STOCK UNIT GRANT AND**  
**RESTRICTED STOCK UNIT AWARD AGREEMENT**

Cantaloupe, Inc., a Pennsylvania corporation, f/k/a USA Technologies, Inc. (the “Company”), pursuant to its 2018 Equity Incentive Plan (as amended from time to time, the “Plan”) hereby grants to the holder listed below (the “Participant”) an award of restricted stock units (“RSUs”) as set forth below. The RSUs are subject to the terms and conditions set forth herein, including in the Notice of Restricted Stock Unit Grant attached at the end of this document (the “Notice”) and the following Restricted Stock Unit Award Agreement (together with the Notice, the “Agreement”), and in the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined in this document shall have the meanings given to them in the Plan.

By Participant’s electronic acceptance on this site, Participant agrees to be bound by the terms and conditions of the Plan and the Agreement (including, without limitation, the Notice). Participant has reviewed the Plan and the Agreement (including, without limitation, the Notice) in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Agreement, and fully understands all provisions of the Plan and the Agreement (including, without limitation, the Notice). Participant hereby accepts as binding, conclusive, and final all decisions or interpretations of the Committee upon any questions arising under the Plan or the Agreement (including, without limitation, the Notice).

**Your detailed award information can be found in the Notice, which is attached at the end of this document.**



**CANTALOUPE, INC.**

**RESTRICTED STOCK UNIT AWARD AGREEMENT**

**2018 EQUITY INCENTIVE PLAN**

This Restricted Stock Unit Award Agreement (together with the Notice of Restricted Stock Unit Grant (“Notice”) attached hereto, the “Agreement”) made as of the Grant Date set forth in the Notice, by and between the Participant set forth in the Notice and CANTALOUPE, INC., a Pennsylvania corporation, f/k/a USA Technologies, Inc. (the “Company”).

**BACKGROUND**

Participant is providing services to the Company. The Company’s 2018 Equity Incentive Plan (as amended from time to time, the “Plan”) provides for Awards based upon the Common Stock of the Company. The Company has determined to make an award to Participant of restricted stock units (“RSUs”) as further set forth below. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Plan.

**AGREEMENT**

NOW, THEREFORE, in consideration of the covenants set forth herein, and intending to be legally bound hereby, the Company and Participant agree as follows:

1. **Grant of RSUs.** Subject to the terms hereof, the Company hereby grants to Participant an award of the number of RSUs set forth in the Notice pursuant to the Plan. Each RSU represents the right to receive one (1) share of the Company’s Common Stock (each, a “Share”) upon vesting and settlement in accordance with Sections 2 and 3 below. The RSUs (and the Shares underlying the RSUs) are not vested and shall be subject to forfeiture by Participant as more fully described in Section 2 below.

2. **Vesting of RSUs.** Except as otherwise provided in the Plan, the RSUs shall vest as provided in the Notice. Any RSUs that are not vested pursuant to the preceding sentence on the date of Participant’s termination of Service for any reason shall be immediately forfeited on the date of such termination for no consideration. Upon a Change of Control that occurs after the Grant Date, Section 9 of the Plan shall apply.

3. **Settlement; Issuance of Shares.** One (1) Share shall be issued in respect of each vested RSU, if any, within thirty (30) days following the applicable date on which such RSU vested. The Company shall issue any such Shares registered in the name of Participant, Participant’s authorized assignee, or Participant’s legal representative, which shall be evidenced by stock certificates representing the Shares with the appropriate legends affixed thereto,

appropriate entry on the books of the Company or of a duly authorized transfer agent, or other appropriate means as determined by the Company.

4. **Restriction on Transfer.** The RSUs shall be non-transferable, and Participant shall not sell, transfer, pledge, hypothecate or otherwise dispose of any RSUs or any Shares underlying the RSUs until such Shares have been delivered to Participant in accordance with Section 3.

5. **No Right to Continued Service; No Rights as Shareholder.** Neither the Plan nor this Agreement shall confer upon Participant any right to be retained in any capacity as a service provider to the Company or any of its affiliates. Participant shall not have any rights as a shareholder with respect to any Shares subject to the RSUs unless and until certificates representing the Shares have been issued by the Company to the holder of such Shares, or the Shares have otherwise been recorded on the books of the Company or of a duly authorized transfer agent as owned by such holder.

6. **Tax Consequences; Section 409A.** Participant understands that Participant (and not the Company) shall be responsible for Participant's tax liability that may arise as a result of the transactions contemplated by this Agreement; provided, that Participant acknowledges and agrees that the Company shall have the right to deduct from payments of any kind otherwise due to Participant any federal, state, or local taxes of any kind required by law to be withheld with respect to the grant of this Award, the vesting of the RSUs, or the issuance of the Shares in accordance with the procedures set forth in Section 10 of the Plan, which is expressly incorporated by reference herein. This Agreement and the RSUs are intended to comply with, or be exempt from, the provisions of Section 409A of the Code and shall be interpreted in accordance with Section 409A of the Code and the Treasury regulations and other interpretive guidance issued thereunder ("Section 409A"). If the Company at any time determines that this Agreement or the RSUs are not compliant with, or otherwise exempt from, Section 409A, the Company may amend this Agreement or adopt other policies and procedures (including amendments, policies, and procedures with retroactive effect), or take any other actions, that the Company determines to be necessary or appropriate to cause this Agreement and the transactions contemplated thereby to (i) comply with Section 409A, or (ii) otherwise be exempt from Section 409A. For the avoidance of doubt, any termination of Participant's Service must constitute a "separation from service" (as defined under Section 409A) in order to be deemed a termination of Service hereunder.

7. **Compliance with Law.** The issuance of Shares shall be subject to compliance by the Company and the Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Shares may be listed. No Shares shall be issued or transferred unless and until any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. Participant understands that the Company is under no obligation to register any Shares with the Securities and Exchange Commission, any state securities commission or any stock exchange to effect such compliance.

8. **Notices.** Any notice to the Company provided for in this Agreement shall be addressed to the Company in care of the chief executive officer at the corporate headquarters of the Company, and any notice to Participant shall be addressed to Participant at the current address shown in the Company's records, or to such other address as Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by telecopy, sent by electronic mail, or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

9. **Governing Law.** The implementation and interpretation of this Agreement shall be governed by and enforced in accordance with the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws rules.

10. **Binding Effect and Assignability.** The rights and obligations of both parties under this Agreement shall inure to the benefit of and shall be binding upon their personal representatives, heirs, successors and assigns. This Agreement, or any part thereof, may not be assigned by Participant.

11. **Data Privacy Consent.** In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates, and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth, and other information that is necessary or desirable for the administration of the Plan or this Agreement (the "Relevant Information"). By entering into this Agreement, Participant: (i) authorizes the Company to collect, process, register, and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights that Participant may have with respect to the Relevant Information; and (iii) authorizes the Relevant Companies to store and transmit such information in electronic form. Participant shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

12. **Severability.** The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

13. **Entire Agreement.** This Agreement and the Plan constitute the entire agreement with respect to the subject matter hereof between the parties hereto and there are no other agreements between the parties relating to the subject matter hereof. The Company and Participant have made no promises, agreements, conditions, or understandings relating to the RSUs, either orally or in writing, that are not included in this Agreement or the Plan. This Agreement may only be modified by an agreement in writing executed by both the Company and Participant. Emailed copies (pdf format) of any party's signature hereto will have the same effect as an original signature.

*[Notice of Restricted Stock Unit Grant Follows]*

**CANTALOUPE, INC.**  
**2018 EQUITY INCENTIVE PLAN**  
**NOTICE OF RESTRICTED STOCK UNIT GRANT**

Cantaloupe, Inc., a Pennsylvania corporation, f/k/a USA Technologies, Inc. (the “Company”) has granted to you, the “Participant” named below, an award of restricted stock units (“RSUs”) under the Company’s 2018 Equity Incentive Plan (as amended from time to time, the “Plan”). The terms of the grant are set forth in the Restricted Stock Unit Award Agreement (together with this Notice of Restricted Stock Unit Grant, the “Agreement”) provided to you and which immediately precedes this Notice. The following provides a summary of the key terms of your award; however, you should read the entire Agreement, along with the terms of the Plan, to fully understand your award and the terms and conditions applicable to it.

**SUMMARY OF RESTRICTED STOCK UNIT AWARD**

Participant: \_\_\_\_\_

Grant Date: \_\_\_\_\_

Total Number of RSUs Granted: \_\_\_\_\_

Vesting Commencement Date: \_\_\_\_\_

Vesting Schedule: [One-third (1/3) of the RSUs shall vest [*insert vesting schedule*], subject to Participant’s continued Service through each such date\*]

\*Unless otherwise provided in the Agreement or the Plan.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Grant Date.  
CANTALOUPE, INC.

By: \_\_\_\_\_  
Name:  
Title:

**THE UNDERSIGNED PARTICIPANT ACKNOWLEDGES RECEIPT OF THIS NOTICE OF RESTRICTED STOCK UNIT GRANT, THE RESTRICTED STOCK UNIT AWARD AGREEMENT, ANY EXHIBIT ATTACHED THERETO, AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS NOTICE OF RESTRICTED STOCK UNIT GRANT, THE RESTRICTED STOCK UNIT AWARD AGREEMENT, ANY EXHIBIT ATTACHED THERETO, AND THE PLAN.**

PARTICIPANT

\_\_\_\_\_  
\_\_\_\_\_

**SUBSIDIARIES OF THE REGISTRANT**

<b><u>Subsidiary</u></b>	<b><u>State or Province of Incorporation</u></b>	<b><u>Country of Incorporation</u></b>
Cantaloupe Solutions Canada, Inc.	British Columbia	Canada
Cantaloupe International, Inc.	Delaware	United States
Cantaloupe Systems, Inc.	Delaware	United States
Stitch Networks Corporation	Delaware	United States
USAT Capital Corp, LLC.	Pennsylvania	United States

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Cantaloupe, Inc.  
Malvern, Pennsylvania

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-248106, 333-248105, 333-217818, 333-234233, and 333-199009) of Cantaloupe, Inc. of our reports dated October 19, 2022, relating to the consolidated financial statements, and the effectiveness of Cantaloupe, Inc.'s internal control over financial reporting, which appear in this Form 10-K. Our report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of June 30, 2022.

/s/ BDO USA, LLP

Richmond, Virginia  
October 19, 2022

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Ravi Venkatesan, certify that:

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

Date: October 19, 2022

/s/ Ravi Venkatesan

Ravi Venkatesan  
Chief Executive Officer



**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Scott Stewart, certify that:

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

Date: October 19, 2022

/s/ Scott Stewart  
Scott Stewart  
Chief Financial Officer

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report of Cantaloupe, Inc., a Pennsylvania corporation (the "Company"), on Form 10-K for the period ended June 30, 2022 (the "Report"), I, Ravi Venkatesan, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 19, 2022

/s/ Ravi Venkatesan

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Ravi Venkatesan  
Chief Executive Officer

**CERTIFICATIONS OF CHIEF FINANCIAL OFFICER PURSUANT TO  
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report of Cantaloupe, Inc., a Pennsylvania corporation (the "Company"), on Form 10-K for the period ended June 30, 2022 (the "Report"), I, Scott Stewart, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 19, 2022

/s/ Scott Stewart

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Scott Stewart  
Chief Financial Officer