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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, 2019

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

USA Technologies, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania	23-2679963
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Deerfield Lane, Suite 300, Malvern, Pennsylvania	19355
(Address of principal executive offices)	(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	USAT	The NASDAQ Stock Market LLC The NASDAQ Stock Market LLC
Series A Convertible Preferred Stock	USATP	

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 ☐ Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Emerging growth company ☐

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

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, 2018, was $227,255,418.

As of September 19, 2019, there were 60,008,481 outstanding shares of Common Stock, no par value.

USA TECHNOLOGIES, INC.

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SPECIAL NOTE REGARDING 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 the Company. 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.

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 in the "Risk Factors" section 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.

EXPLANATORY NOTE

Financial Information Included in this Form 10-K

This Annual Report on Form 10-K for the fiscal year ended June 30, 2019 contains our audited consolidated financial statements for the fiscal years ended June 30, 2019 and 2018, which have not previously been filed, as well as restatements of the following previously filed consolidated financial statements: (i) our audited consolidated financial statements for the fiscal year ended June 30, 2017; (ii) our selected financial data as of and for the fiscal year ended June 30, 2017 contained in Item 6 of this Form 10-K; (iii) our selected financial data as of and for the fiscal year ended June 30, 2016 contained in Item 6 of this Form 10-K; (iv) our selected financial data as of and for the fiscal year ended June 30, 2015 contained in Item 6 of this Form 10-K; and (v) our unaudited consolidated financial statements for the fiscal quarters ended September 30, 2016, December 31, 2016, March 31, 2017, September 30, 2017, December 31, 2017 and March 31, 2018, in Note 20, “Unaudited Quarterly Data” of the Notes to Consolidated Financial Statements, located in Item 8 of this Form 10-K.

We have not filed and do not intend to file amendments to any of our previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the periods affected by the restatements of our consolidated financial statements. Accordingly, as disclosed in our Current Reports on Form 8-K filed on February 6, 2019, and October 9, 2019, the consolidated financial statements contained in these previously filed financial reports, including any related press releases, earnings releases, management’s report on the effectiveness of internal control over financial reporting, or investor communications should no longer be relied upon.

We have not filed and do not intend to file a separate Annual Report on Form 10-K for the fiscal year ended June 30, 2018. Concurrent with this filing, we are filing our Quarterly Reports on Form 10-Q for each of the fiscal quarters ended September 30, 2018, December 31, 2018, and March 31, 2019 (the “Fiscal Year 2019 Form 10-Qs”).

We have not timely filed our Annual Report on Form 10-K for the fiscal year ended June 30, 2018 and the Fiscal Year 2019 Form 10-Qs as a result of the internal investigation of the Audit Committee of the Company’s Board of Directors (the “Audit Committee”) and the subsequent restatement of certain of our prior period financial statements as more fully described below.

As previously reported, our common stock and preferred stock were suspended from trading on The Nasdaq Stock Market (“Nasdaq”) effective September 26, 2019 as a result of our inability to remain current in our SEC reporting obligations. Pursuant to applicable Nasdaq rules, we intend to request that the Nasdaq Listing and Hearing Review Council review the determination of the Nasdaq Hearings Panel to delist our securities. During the appeal period and the appeals process, trading in the Company’s securities on Nasdaq will remain suspended, and Nasdaq will not take further action to delist the Company’s securities. Following the suspension of trading in its securities on Nasdaq, the Company’s securities have been quoted on the OTC Markets.

Audit Committee Investigation and Subsequent Restatement

On September 11, 2018, the Company announced that the Audit Committee with the assistance of independent legal and forensic accounting advisors, was in the process of conducting an internal investigation of 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 Audit Committee’s investigation focused principally on certain customer transactions entered into by the Company during fiscal years 2017 and 2018.

On January 14, 2019, the Company reported that the Audit Committee’s internal investigation was substantially completed, the principal findings of the internal investigation, and the remedial actions to be implemented by the Company as a result of the internal investigation. The Audit Committee proposed certain adjustments to previously reported revenues related to fiscal quarters occurring during the 2017 and 2018 fiscal years of the Company.

On February 1, 2019, the Company’s former registered public accounting firm ("independent auditor") notified the Audit Committee of its resignation. The former independent auditor also indicated that reliance should not be placed on: (i) the Report of Independent Public Accounting Firm dated August 22, 2017 relating to the Company’s internal control over financial reporting and consolidated financial statements for the year ended June 30, 2017; and (ii) the completed interim reviews for the periods ended September 30, 2017, December 31, 2017 and March 31, 2018. The former independent auditor also recalled its previously issued audit report on the Company’s internal control over financial reporting and consolidated financial statements for the fiscal year ended June 30, 2017.

On February 4, 2019, the Board of Directors of the Company, upon the recommendation of the Audit Committee, and based upon the adjustments to previously reported revenues proposed by the Audit Committee, determined that the following financial statements previously issued by the Company should no longer be relied upon: (1) the audited consolidated financial statements

for the fiscal year ended June 30, 2017; and (2) the quarterly and year-to-date unaudited consolidated financial statements for September 30, 2017, December 31, 2017, and March 31, 2018.

On March 8, 2019, the Audit Committee approved the engagement of BDO USA, LLP ("BDO") as the Company's new independent registered public accounting firm effective as of the same date.

Non-Investigatory Adjustments Resulting From Financial Reporting Issues Identified During the Audit Process

During the audit process, significant financial reporting issues were identified by current management, including our new interim Chief Financial Officer (the "CFO"), and our new independent auditor, 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. These issues were primarily due to the lack of supporting documentation for various historical accounting reserves and policies, failure to adequately and consistently complete the financial integration of Cantaloupe, and the inadequate performance of our internal controls during the 2019 fiscal year.

Based upon these non-investigatory adjustments, on October 7, 2019, the Board of Directors of the Company, upon the recommendation of the Audit Committee, determined that the following financial statements previously issued by the Company should no longer be relied upon: (1) the audited consolidated financial statements for the fiscal year ended June 30, 2015; (2) the audited consolidated financial statements for the fiscal year ended June 30, 2016; and (3) the quarterly and year-to-date unaudited consolidated financial statements for September 30, 2016, December 31, 2016, and March 31, 2017.

The non-investigatory adjustments relate to revenue recognition, deferred income tax accounting, sales tax reserves, reserves for bad debts, inventory reserves, sale-leaseback accounting, balance sheet classification of preferred stock, and various other matters.

For more information regarding the aforementioned restatements and adjustments, refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", Note 2, "Restatement of Consolidated Financial Statements", Note 20, "Unaudited Quarterly Data" of the Notes to Consolidated Financial Statements in Item 8, and Item 9A. of this Form 10-K.

USA TECHNOLOGIES, INC.

PART I

Item 1. Business.

OVERVIEW

USA Technologies, Inc. (the "Company", "We", "USAT", or "Our") was incorporated in the Commonwealth of Pennsylvania in January 1992. We are a provider of technology-enabled solutions, including wireless networking, cashless transactions, asset monitoring and other value-added services that facilitate electronic payment transactions primarily within the unattended point of sale ("POS") market. We are a leading provider in the small ticket beverage and food vending industry in the United States and are expanding our solutions and services in other unattended market segments, such as amusement, commercial laundry, air/vac, car wash, kiosk and others. Since our founding, we have designed and marketed systems, devices and solutions that facilitate electronic payment options, as well as telemetry and services facilitated by the Internet of Things ("IoT"), which include the ability to remotely monitor, control, and report on the health and performance of distributed assets containing our electronic payment solutions. Historically, these distributed assets have relied on cash for payment in the form of coins or bills, whereas, our systems allow them to accept cashless payments such as through the use of credit or debit cards or other emerging contactless forms, such as mobile payment.

On November 9, 2017, we acquired Cantaloupe Systems, Inc. ("Cantaloupe"), a premier provider of cloud and mobile solutions for the self-service retail market, in a transaction valued at approximately $88 million, consisting of $65 million in cash and $23 million in shares of our common stock. The acquisition expanded our existing cashless payment and asset monitoring platform to an end-to-end logistics and enterprise platform by integrating Cantaloupe's Seed software services, which provide advanced operational analytics, dynamic route scheduling, automated pre-kitting, proactive malfunction management, responsive merchandising, inventory management, warehouse purchasing and accounting management. We believe that the services we obtained as a result of the acquisition are highly complementary, value-added cloud-based and mobile services, which we are now cross-selling to our existing customer base. As a result of the Cantaloupe acquisition, we acquired approximately 1,400 new customers and 270,000 new connections to our service.

We derive the majority of our revenues from license and transaction fees resulting from connections to, as well as services provided by, our ePort Connect service. These services include cashless payment, loyalty, inventory management, route logistics optimization, warehouse and accounting management, and responsive merchandising. Connections to the Company's service include those resulting from the sale or lease of our 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 Connect customers pay a monthly fee plus a blended transaction rate on the transaction dollar volume processed by the Company. Connections to the ePort Connect service, therefore, are the most significant driver of the Company's revenues, particularly revenues from license and transaction fees.

As of June 30, 2019, the Company had approximately 1,169,000 connections to its ePort Connect and Seed services, compared to approximately 1,028,000 connections to the ePort Connect service as of June 30, 2018, representing a 14% increase. During the fiscal year ended June 30, 2019, the Company processed approximately 847.2 million cashless transactions totaling approximately $1.6 billion in transaction dollars, representing a 35% increase in transaction volume and a 38% increase in dollars processed from the 627.2 million cashless transactions totaling approximately $1.2 billion during the fiscal year ended June 30, 2018.

The Company counts a telemeter and/or cashless payment device (for example, an ePort cashless payment device or Seed telemeter) as a connection upon shipment of an activated device to a customer under contract, at which time the device is capable of transmitting cashless payment and other data to USALive, the Company's online reporting platform, or utilizing the Seed management services.

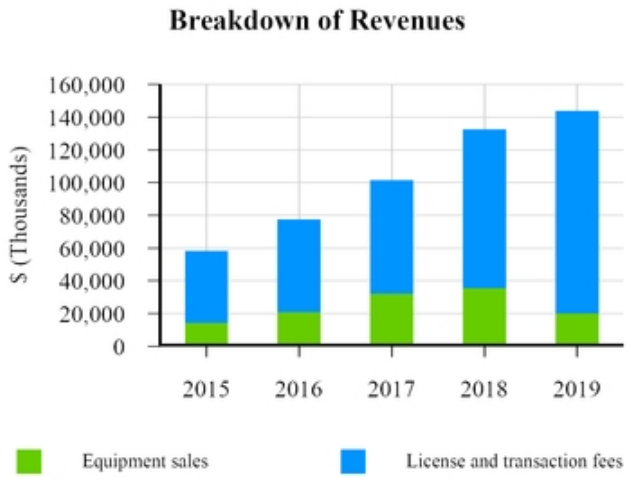
The Company counts a self-service retail location that does not utilize our telemeter and/or cashless payment device as a connection upon (i) receipt of notice from a customer under contract of a location that has been enabled with our API software, and (ii) our subsequent activation of the location on our platform which enables the location to utilize our payment transaction and logistics management services.

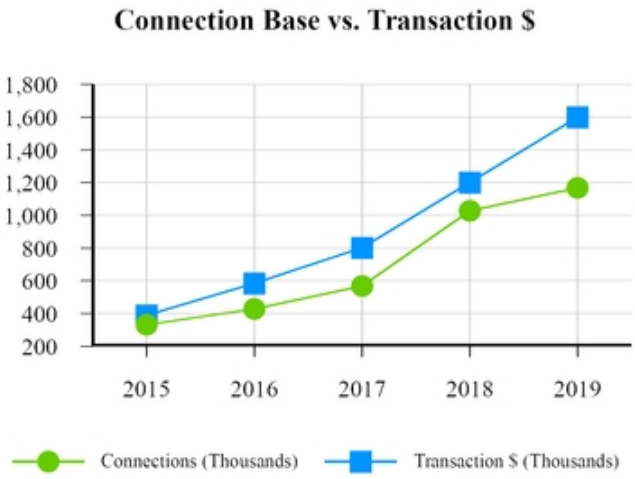
A connection to our device does not necessarily mean that our telemeter or cashless payment device has already been installed by the customer at a location, or has begun accepting and transmitting payment transactions, or has actually begun utilizing management services, or that the Company has begun receiving monthly service fees in connection with the device. Likewise, a non-device connection does not necessarily mean that the location has begun transmitting payment transactions, or has actually begun utilizing

the management services, or that the Company has begun receiving monthly service fees. Rather, at the time of shipment of the device or the activation of the non-device location on our platform, the customer becomes obligated to pay the one-time activation fee (if applicable), and is obligated to pay monthly service fees and lease payments (if applicable) in accordance with the terms of the customer's contract with the Company.

A self-service retail location that utilizes an ePort cashless payment device as well as Seed management services constitutes only one connection.

Our customer contracts provide that the customer may deactivate a device or a non-device location, as the case may be, from our platform by prior notice to us (generally thirty to sixty days). We will no longer count an existing connection as a connection following the receipt of instructions from the customer to deactivate the device or non-device location, as the case may be, upon the expiration of the applicable notice period, provided that the notice is in accordance with the terms of the customer contract. A previously installed telemeter or cashless payment system that is no longer being utilized by our customer is considered and reported as an existing connection unless and until the customer provides the appropriate notice under the contract and the applicable notice period has expired.





The above charts show the increases over the last five fiscal years in the number of connections, revenues and the dollar value of transactions handled by us. The vertical bars depict total revenues, segmented by license and transaction and Seed services fees and equipment revenues. The solid lines depict the number of connections to our ePort Connect and Seed services and the dollar value of transactions handled by us, as of the end of each of the last five fiscal years.

Our cashless solutions and services have been designed to simplify the transition to cashless for traditionally cash-only based businesses. As such, they are turn-key and include our comprehensive ePort Connect service and POS electronic payment devices or certified payment software, which are able to process traditional magnetic stripe credit and debit cards, contactless credit and debit cards and mobile payments. Standard services through ePort Connect are maintained on our proprietary operating systems and include merchant account setup on behalf of the customer, automatic processing and settlement, sales reporting and 24x7 customer support. Other value-added services that customers can choose from include cashless deployment planning, cashless performance review, loyalty products and services, and vending management solutions. Our solutions also provide flexibility to execute a variety of payment applications on a single system, transaction security, connectivity options, compliance with certification standards, and centralized, accurate, real-time sales and inventory data to manage distributed assets (wireless telemetry and IoT). The ePort® Interactive, which was unveiled in April 2016, is a cloud-based interactive media and content delivery management system and enables delivery of nutritional information, remote refunds, loyalty programs, and multimedia-marketing campaigns for the unattended and self-serve retail markets. Our Seed services complement our cashless services and provide customers with advanced operational analytics, dynamic route scheduling, automated pre-kitting, proactive equipment malfunction management, responsive merchandising, inventory management, warehouse purchasing, and accounting management.

Our customers range from global food service organizations to small businesses that operate primarily in the self-serve, small ticket retail markets including beverage and food vending, amusement and arcade machines, smartphones via our ePort Online solution, commercial laundry, and various other self-serve kiosk applications as well as equipment developers or manufacturers who incorporate our ePort Connect service into their product offerings.

We believe that we have a history of being a market leader in cashless payments with a recognized brand name, a value-added proposition for our customers and a reputation of innovation in our products and services. We believe that these attributes position us to capitalize on industry trends.

In January 2016, the Company acquired the cloud-based content delivery platform, device platform and products, customer base, and intellectual property of VendScreen, Inc. of Portland, Oregon. In addition to new technology and services, this acquisition, in addition to the acquisition of Cantaloupe in November 2017, has added an extended operational footprint for the Company, providing greater efficiencies in operational performance, expanded customer services, sales and technical support to the Company's customer base. As a result of the acquisition, the Company added to its product line an interactive media, content delivery system, including a vending application that provides consumer product information, including nutritional data. The technology is NFC-enabled and compatible with mobile wallets including Apple Pay and Google Pay, and supports instant refunds, couponing, advertising and real-time consumer feedback to the owner and operator.

THE INDUSTRY

We operate primarily in the small ticket electronic payments and vending management industry and, more specifically, the broad unattended POS market. We provide our customers the ability to accept cashless payment "on the go" through mobile-based payment services. Our solutions and services facilitate electronic payments in industries that have traditionally relied on cash transactions and simplify inventory, warehouse, logistics, and accounting management. We believe the following industry trends are driving growth in demand for electronic payment systems and advanced logistics management in general and more specifically within the markets we serve:

- Ongoing shift toward electronic payment transactions and away from cash and checks;
- Increasing demand for electronic transaction functionality from both consumers and merchant/operators;
- Improving POS technology and NFC equipped mobile phone payment technology; and
- Increasing demand for business efficiency through modern, cloud based logistics and inventory management systems.

Shift toward electronic payment transactions and away from cash and checks

There has been an ongoing shift away from paper-based methods of payment, including cash and checks, towards electronic-based methods of payment. According to The Nilson Report, August 2018, during 2017, three card-based systems-credit, debit, and

prepaid global general-purpose cards from U.S. issuers-generated $5.55 trillion in purchase volume for goods and services, and purchases on commercial cards increased 8.8%. Consumer card purchase volume was up 7.7%. Employees of private companies, government agencies, and nonprofit organizations using credit and debit cards, as well as consumers using various prepaid products (payroll, government benefits, insurance payouts, disaster relief, and more) generated $1.242 trillion in commercial card purchase volume. This was 22.37% of combined commercial and consumer card purchase volume in 2017. That market share was an increase from 22.19% in 2016.

Increase in Consumer and Merchant/Operator Demand for Electronic Payments

Increase in Consumer Demand. The unattended, vending and kiosk POS market has historically been dominated by cash purchases. However, oftentimes, where purchases can only be made by cash at unattended POS locations, the requirement represents a cumbersome transaction for the consumer because they do not have the correct monetary value (paper or coin), or the consumer does not have the ability to convert their bills into coins. We believe electronic payment system providers such as the Company that can meet consumers' demand within the unattended market will be able to offer retailers, card associations, card issuers and payment processors and business owners an expanding value proposition at the POS. Based upon our survey of selected vending machines connected to our service, we estimate that average annual cashless sales per machine increased by approximately 53% over the first twelve months following cashless deployment, and cashless sales as a percentage of total machine sales (cashless and cash) increased by 16% from those of such prior twelve-month period. In addition, average consumer purchases during the recent twelve-month period in which the consumer utilized a credit or debit card were approximately 38% higher than purchases where the consumer utilized cash.

Increase in Merchant/Operator Demand, for Electronic Payments. We believe that, increasingly, merchants and operators of unattended payment locations (e.g., vending machines, laundry, tabletop games, etc.) are utilizing electronic payment alternatives as a means to improve business results. The Company works with its customers to help them drive increased revenue of their distributed assets through this expanded market opportunity. In addition, electronic payment systems can provide merchants and operators real-time sales and inventory data utilized for back-office reporting and forecasting, like the Company's Seed solutions and services, helping them to manage their business more efficiently.

Increase in Demand for Integrated Payment Solutions. We believe that merchants have come to value payment solutions that are integrated or bundled with other solutions and software. Offering an integrated solution allows us to provide a single-source solution for our customers, and results in better customer retention and a better overall experience for our customers. Our recent acquisition of Cantaloupe allows us to provide an end-to-end enterprise solution to our customers, which includes advanced operational analytics, dynamic route scheduling, automated pre-kitting, proactive equipment malfunction management, responsive merchandising, inventory management, warehouse purchasing, and accounting management. We also view our integrated solutions as a significant competitive advantage as competitors will need fully integrated solutions to compete.

Increase in Demand for Networked Assets. IoT technology includes capturing value from wireless modules and electronic devices to improve business productivity and customer service. In addition, networked assets can provide valuable information regarding consumers' purchasing patterns and payment preferences, allowing operators to more effectively tailor their offerings to consumers. In February 2017, Gartner, Inc. forecasted that worldwide connected things would reach 20.4 billion by 2020.

POS Technology and NFC Equipped Mobile Phone Payment Improvements

Near Field Communication ("NFC") is a short range wireless connectivity technology that uses electromagnetic radio fields to enable communication between devices when there is a physical touch, or when they are within close proximity to one another. We believe that POS contactless terminals that are enabled to accept NFC payments and digital wallet applications, such as Google Wallet, Chase Pay, Apple Pay, Android Pay, and others, stand to benefit from these evolving trends in mobile payment. Digital wallet is essentially a digital service, accessed via the web or a mobile phone application that serves as a substitute for the traditional credit or debit card. Providers can also market directly to targeted consumers with coupons and loyalty programs.

As approximately 792,000 of the Company's connections are contactless enabled to accept NFC payments (in addition to magnetic stripe cards) as of June 30, 2019, we believe that we are well-positioned to benefit from this emerging space.

OUR TECHNOLOGY-BASED SOLUTION

Our solutions are designed to be turn-key and include the ePort Connect service, which is a cashless payment gateway, the Seed services, which provide customers with inventory management, logistics, warehouse and accounting management, and responsive merchandising solutions. Our POS electronic payment devices contain certified payment software which is able to process traditional magnetic stripe as well as contactless credit and debit cards and NFC-equipped mobile phones that allow consumers

to make payments with their cell phones. We believe that our ability to bundle our products and services, as well as the ability to tailor and customize them to individual customer needs, makes it easy and efficient for our customers to adopt and deploy our technology, and results in a service unmatched in the small-ticket, unattended retail market today.

The Product. The Company offers its customers several different devices or software to connect and manage their distributed assets. These range from our QuickConnect™ Web service, more fully described below under the section "OUR PRODUCTS," and encrypted magnetic stripe card readers to our ePort® hardware that can be attached to the door of a stand-alone terminal.

The Network. Our ePort Connect services network is designed to transmit from our customers' terminals payment information for processing and sales and diagnostic data for storage and reporting to our customers. Also, the network, through server-based software applications, provides remote management information, and enables control of the networked device's functionality. Through our network we have the ability to upload software and update devices remotely enabling us to manage the devices easily and efficiently (e.g., change protocol functionality, provide software upgrades, and change terminal display messages).

The Connectivity Mediums. The client devices (described below) are interconnected for the transfer of our customers' data through our ePort Connect network that provides wireless-based connectivity. Increased wireless connectivity options, coverage and reliability have allowed us to service a greater number of geographically dispersed customer locations. Additionally, we make it easy for our customers to deploy wireless solutions by acting as a single point of contact. We have contracted with Verizon Wireless and AT&T Mobility in order to supply our customers with wireless network coverage.

Data Security. We are listed on the VISA Global Registry of Service Providers, meaning that VISA has reviewed and accepted the Report on Compliance (RoC) from our authorized Payment Card Industry ("PCI") assessor as a PCI DSS Service Provider. Our entry on this registry is renewed annually, and our current entry is valid through December 31, 2019. The VISA listing can be found online at http://www.visa.com/splisting/searchGrsp.do.

OUR SERVICES

For the fiscal year ended June 30, 2019, license and transaction fees generated by our ePort Connect and Seed services represented 86% of the Company's revenues, compared to 73% of the Company's revenues for the fiscal year ended June 30, 2018. Our ePort Connect solution provides customers with all of the following services, under one cohesive service umbrella:

- Diverse POS options. Ability to connect to a broad product line of cashless acceptance devices or software.
- 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 (EFTs) to our customers' bank accounts for all settled card transactions as well as ensure compliance with current processing guidelines.
- Wireless Connectivity. We manage wireless account activations, distributions, and relationships with wireless providers for our customers, if needed.
- Customer/Consumer Services. We support our installed base by providing 24-hour help desk support, repairs, and replacement of impaired system solutions. In addition, all inbound consumer billing inquiries are handled through a 24-hour help desk, thereby eliminating the need for our customers to deal with consumer billing inquiries and potential chargebacks.
- Online Sales Reporting. Via the USALive online reporting system, we provide customers with a host of sales and operational data, including information regarding their credit and cash transactions, user configuration, reporting by machine and region, by date range and transaction type, data reports for operations and finance, graphical reporting of sales, and condition monitoring for equipment service, as well as activation of new devices and redeployments.
- IoT Telemetry and DEX data transfer. DEX, an acronym for digital exchange, is the vending industry's standard way to communicate information such as sales, cash in bill-validators, coins in coin-boxes, sales of units by selection, pricing, door openings, and much more. The Company is able to remotely transfer and push DEX data to customers' route management systems through DEX. The Company operates within the VDI (Vending Data Interchange) standards established by NAMA (National Automatic Merchandising Association) and sends DEX files compatible with most major remote management software systems.

- Seed Vending Management. The Seed vending management software provides cloud and mobile solutions for advanced operational analytics, dynamic route scheduling, automated pre-kitting, proactive equipment malfunction management, responsive merchandising, inventory management, warehouse purchasing, and accounting management for any unattended retail points of service, including vending machines, micromarkets, and office coffee services.
- Over-the-Air Update Capabilities. Automatic over-the-air updates to software, settings, and features from our network to our ePort card reader keep our customers' hardware up to date and enable customers to benefit from any advancement made after their hardware or software purchase.
- Value-added Services. Access to additional services such as MORE, our loyalty program, two-tier pricing, special promotions such as our nationwide Apple Pay mobile payment for vending customers, as well as a menu of hardware purchasing options including our JumpStart and QuickStart programs.
- Deployment Planning. Access to services to help operators successfully deploy cashless payment systems and integrated solutions that is based on our extensive market and customer experience data.
- Premium Services. USAT offers Premium Services to support our customers that fully leverages the Company's industry expertise and access to data. These services include planning, project management, installation support, Seed implementation, marketing and performance evaluation.

In connection with providing cashless payment services which we have historically provided to our customers, we enter into an ePort Connect Services Agreement, our processing and licensing agreement, with the customer pursuant to which we act as a provider of cashless financial services for the customer's distributed assets, and the customer agrees to have us retain from settled funds an activation fee, monthly service fees, and transaction processing fees. Our agreements are generally cancelable by the customer upon thirty to sixty days' notice to us. It typically takes thirty to sixty days for a new connection to begin contributing to the Company's license and transaction fee revenues.

In connection with providing Seed vending management solutions, with or without Seed cashless financial services, we enter into Subscription Agreements with our customers. Pursuant to the Subscription Agreement and the related Master Service Agreement, the customer typically assumes a non-cancellable obligation to receive and pay for our services for a period of five years. For some of these customers, we serve as the merchant of record, and the customer agrees to have fees for both cashless and vending management services withheld from the settled funds. For the remainder of the customers, Global Payments, Inc., formerly Heartland Payment Systems, Inc., serves as the merchant of record, and we bill the customers for our vending management solutions.

OUR PRODUCTS

ePort is the Company's core device, which is currently being utilized in self-service, unattended markets such as vending, amusement and arcade, and various other kiosk applications. Our ePort product facilitates cashless payments by capturing payment information and transmitting it to our network for authorization with the payment system (e.g., credit card processors). Additional capabilities of our ePort consist of control/access management by authorized users, collection of audit information (e.g., date and time of sale and sales amount), diagnostic information of the host equipment, and transmission of this data back to our network for web-based reporting, or to a compatible remote management system. Our ePort products are available in several distinctive modular configurations, and as hardware, software or as an API Web service, offering our customers flexibility to install a POS solution that best fits their needs and consumer demands.

- ePort Edge™ is a one-piece, magnetic swipe-only cashless system with basic features that the Company continues to support.
- ePort G-9 is a two-piece design for traditional magnetic stripe credit/debit cards and contactless cards with features that support enhanced acceptance options, consumer engagement offerings and advanced diagnostics, which the Company continues to support.
- ePort G10-S is a 4G LTE cashless payment device that enables faster processing and enhanced functionality for payment and consumer engagement applications that require higher speeds and large data loads, operates on the AT&T and Verizon networks, and has built-in NFC support for mobile payments while also allowing the acceptance of traditional credit and debit cards.

- Seed Cashless is a 4G LTE cashless payment device which operates on the AT&T network and has built-in NFC support for mobile payments while also allowing the acceptance of traditional credit and debit cards.
- ePort Interactive is a cloud-based interactive media and content delivery management system, enabling delivery of nutritional information, remote refunds, loyalty programs, and multimedia-marketing for the unattended and self-serve retail markets.
- QuickConnect is a web service that allows a client application to securely interface with the Company's ePort Connect service. QuickConnect essentially replaces ePort SDK (software development kit), which captured our ePort technology in software form for PC-based devices such as kiosks.
- Seed Cloud is an enterprise-grade vending management software which provides cloud and mobile solutions for advanced operational analytics, dynamic route scheduling, automated pre-kitting, proactive equipment malfunction management, responsive merchandising, inventory management, warehouse purchasing, and accounting management that is layered on, and takes advantage of, the data provided by the ePort devices.

Other forms of our ePort technology include:

- eSuds, our solution developed for the commercial laundry industry that enables laundry operators to provide customers cashless transactions via the use of their credit cards, debit cards and other payment mediums such as student IDs. Effective with the April 2013 mutually exclusive agreement with Setomatic Systems, we are no longer selling the entire eSuds solution to new customers, but we continue to provide processing services for laundry machines equipped with cashless hardware supplied by Setomatic Systems.
- ePort Online, which enables customers to use USALive to securely process cards typically held on file for the purpose of online billing and recurring charges. ePort Online helps USAT's customers reduce paper invoicing and collections.

SPECIFIC MARKETS WE SERVE

Our current customers are primarily in the self-serve, small ticket retail markets in North America, including beverage and food vending and kiosk, commercial laundry, car wash, tolls, amusement and gaming, and office coffee. We estimate that there are approximately 13 million to 15 million potential connections in this self-serve, small ticket retail market. The 1,169,000 connections to our service as of June 30, 2019 constitute 8% of these potential connections, compared to 1,028,000 connections to our service as of June 30, 2018, which constituted 7% of these potential connections. While these industry sectors represent only a small fraction of our total market potential, as described below, these are the areas where we have gained the most traction to date. In addition to being our current primary markets, we believe these sectors serve as a proof-of-concept for other unattended POS industry applications.

Vending. According to the 2018 Census of the Convenience Services Industry conducted by Technomic for NAMA, the convenience services industry, which consists of vending machines, micro markets, office coffee service (OCS) and pantry services, is estimated to represent a total annual revenue of $26 billion, a 4% increase since 2016. The Census found that while the vending segment of the convenience services industry continued to contract (-3% since 2016), micro markets, OCS and pantry service segments have more than made up for the shortfall. According to the Census, micro markets continued their rapid expansion, with revenues growing 99% over the previous two years, while OCS grew at 7%. The Company believes these machines represent a significant market opportunity for electronic payment conversion when compared to the Company's existing ePort Connect service base and the overall low rate of industry adoption to date. For example, in another study conducted by Automatic Merchandiser (State of the Vending Industry, June 2015) that included a representative 5.1 million machines, cashless adoption was estimated at only 11% in 2014. With the continued shift to electronic payments and the advancement in mobile and POS technology, we believe that the traditional beverage and food vending industry will continue to look to cashless payments and telemetry systems to improve their business results.

Kiosk. The second annual Kiosk Market Census Report found that sales of global interactive kiosks - not counting vending machines, ATMs and mounted tablets - reached $9.2 billion in 2019, marking an 18 percent 1-year gain and surpassing the prior year's growth rate. We believe that kiosks are becoming increasingly popular as credit, debit or contactless payment options enable kiosks to sell an increased variety of items. In addition, the study points to the increasing trend toward self-sufficiency, where time is the most important commodity of the consumer. As merchants continue to seek new ways to reach their customers through kiosk applications, we believe the need for a reliable cashless payment provider experienced with machine integration, PCI compliance and cashless payment services designed specifically for the unattended market will be of increasing value in this market. Our

existing kiosk customers integrate with our cashless payment services via our QuickConnect Web service using one of our encrypted readers or ePort POS technologies.

Laundry. Our primary targets in laundry consist of the coin-operated commercial laundry and multi-housing laundry markets. According to the Coin Laundry Association, the U.S. commercial laundry industry is comprised of about 29,500 coin laundries in the U.S., with an estimated gross annual revenue of nearly $5 billion.

OUR COMPETITIVE STRENGTHS

We believe that we benefit from a number of advantages gained through our nearly twenty-five year history in our industry. They include:

1. *One-Stop Shop, End-to-End Solution.* We believe that our ability to offer our customers one point of contact through a bundled cashless payment solution makes it easy and efficient for our customers to adopt and deploy our electronic payment solutions and results in a service that is unmatched in the small ticket, self-service retail market today. To our knowledge, other cashless payment and vending management solutions available in the market today require the operator to set up their own accounts for cashless processing (i.e., act as the merchant of record) and manage multiple service providers (i.e., hardware terminal manufacturer, wireless network provider, and/or credit card processor). We interface directly with our card processor and wireless service provider, and, with our hardware solutions, are able to offer a bundled and integrated solution to our customers for whom we serve as the merchant of record.

2. *Trusted Brand Name.* We believe that the ePort has a strong national reputation for quality, reliability, and innovation. We believe that card associations, payment processors, and merchants/operators trust our system solutions and services to handle financial transactions in a secure operating environment. Our trusted brand name is exemplified by our high level of customer retention and numerous exclusive three-year agreements with customers for use of our ePort Connect service. We have agreements with partners like Visa, MasterCard, Chase Paymentech and Verizon Wireless as well as several one-way exclusive relationships which we have solidified with leading organizations within the unattended POS industry, including Setomatic Systems and AMI Entertainment Network, Inc.

3. *Market Leadership.* We believe we have one of the largest installed bases of unattended POS electronic payment systems in the unattended small ticket retail market for food and beverage in the United States and we are continuing to expand to other adjacent markets such as laundry, amusement, gaming, and kiosks. As of June 30, 2019, we had approximately 1,169,000 connections to our network. Our installed base supports our sales and marketing initiatives by enhancing our ability to establish or expand our market position. In addition, this data in combination with our industry experts and analysis enables us to offer Premium Services to our customers to help them deploy and better leverage our technology in their locations. We believe our installed base also provides multiple opportunities for referrals for new business, either from the merchant or operator of the deployed asset or through one of our several strategic partnerships.

4. *Attractive Value Proposition for Our Customers.* We believe that our solutions provide our customers an attractive value proposition. Our solutions and services make possible increased purchases by consumers who in the past were limited to the physical cash on hand while making a purchase at an unattended terminal, thereby increasing the universe of potential customers and the size of the purchases of those customers. In addition, we offer value-added offerings and services such as Two-Tier Pricing, which allows the operator to charge different amounts for the same product depending upon whether the consumer chooses to pay by cash or credit/debit. Consumer engagement services further extend the potential for customers to build new revenue opportunities, customer loyalty and brand distinction. One of such services is provided through the ePort interactive platform, our cloud-based interactive media and content delivery management system, which enables delivery of nutritional information, remote refunds, loyalty programs, and multimedia-marketing campaigns for the unattended and self-serve retail markets. Lastly, with our new Seed Cloud, we provide the ability for customers to pursue additional opportunities to reduce costs and improve operating efficiencies with tools such as advanced operational analytics, dynamic route scheduling, automated pre-kitting, proactive equipment malfunction management, responsive merchandising, inventory management, warehouse purchasing, and accounting management on a modern, cloud based SaaS offering.

5. *Increasing Scale and Financial Stability.* Due to the continued growth in connections to the Company’s ePort Connect and Seed services, during the 2019 fiscal year, 86% of the Company’s revenues were from license and transaction fees which are recurring in nature, compared to 73% of the Company's revenues during the 2018 fiscal year. We believe that this growing scale provides us improved financial stability and the footprint to market and distribute our products and services more effectively and in more markets than most of our competitors.

6. *Customer-Focused Research and Development.* Our research and development initiatives focus primarily on adding features and functionality to our electronic payment solutions and logistics management platform based on customer input and emerging

market trends. As of June 30, 2019, we had 87 patents (US and International) in force, and 7 United States and 7 international patent applications pending. We have generated considerable intellectual property and know-how associated with creating a seamless, end-to-end experience for our customers.

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, commercial laundry, and other similar markets. We plan to execute our growth strategy organically and through strategic acquisitions. The Company believes its service-approach business model can create a high-margin stream of recurring revenues that could create a foundation for long-term value and continued growth. Key elements of our strategy are to:

Drive Growth in Connections

Leverage Existing Customers/Partners. We have a solid base of key customers across multiple markets, particularly in vending, that have currently deployed our solutions and services to a portion of their deployed base. Approximately 86% of our new connections during the fiscal year ended June 30, 2019 and approximately 75% of our new connections during the fiscal year ended June 30, 2018 were from existing customers. We estimate that our current customers represent approximately 3,100,000 potential connections. Based on the 1,169,000 connections to our service as of June 30, 2019, there remain approximately 1,900,000 million potential connections from our current customers that could be connected to our service. As a result, they are a key component of our plan to drive future sales. We have worked to build these relationships, drive future deployments, and develop customized network interfaces. Our customers have seen the benefits of our products and services first-hand and we believe they currently represent the largest opportunity to scale connections to our service.

Expand Distribution and Sales Reach. We are intently focused on driving profitable growth through efficient sales channels. Our sales resources and new distribution relationships have led to increased penetration in markets such as amusement and arcade, and commercial laundry. When a reseller sells our ePort, we count a customer as a new customer upon the signing of the applicable services agreement with the customer.

Further Penetrate Attractive Adjacent Markets. We plan to continue to introduce our turn-key solutions and services to various adjacent markets such as the broad-based kiosk market and other similar markets by leveraging our expertise in cashless payment integration combined with the capacity and uniqueness of our ePort Connect solution.

Capitalize on Opportunities in International Markets. We are currently focused on the U.S. and Canadian markets for our ePort devices and related ePort Connect service but may seek to establish a presence in electronic payment markets in Europe, Asia, and Latin America. In order to do so, however, we would have to invest in additional sales and marketing and research and development resources targeted towards these regions. At this time, the Company believes the most efficient route to these markets will be achieved by optimizing and coordinating opportunities with its global partners and customers.

Expanding the Value of our Service

Capitalize on the emerging NFC and growing mobile payments trends. With approximately 91% of our cashless connected base enabled to accept NFC payments (including mobile wallets), the Company believes that continued increases in consumer preferences towards contactless payments, including mobile wallets like Apple Pay and Android Pay, represent a significant opportunity for the Company to further drive adoption. As the variety of payment methods expands and consumer behaviors evolve, the ability to make credit and debit card payments at unattended terminals is highly in demand among consumers, with 70% of U.S., U.K. and Australian respondents in the 2018 TNS Unattended Terminals Survey saying they would prefer unattended vending machines and kiosks to accept both card and cash payments. This same survey found that 57% of adults between the ages of 18 and 34 were willing to make a payment at an unattended terminal with a digital wallet such as Apple Pay, Samsung Pay or Google Pay. Further, 33% of the U.S. respondents said they would be willing to make a payment at an unattended kiosk or vending machine using a wearable device, such as a bracelet, fitness tracker, keyring, etc. As consumers continue to adopt these new methods of cashless payments, it is our belief that adoption will continue to accelerate at a rapid pace and result in more rapid adoption of cashless solutions like the Company's ePort in the markets that we serve.

Continuous Innovation. We are continuously enhancing our solutions and services in order to satisfy our customers and the end-consumers relying on our products at the POS locations. Our product innovation team is always working to enhance the design, size, and speed of data transmission, as well as security and compatibility with other electronic payment solution providers' technologies. We believe our continued innovation will lead to further adoption of USAT's solutions and services in the unattended POS payments market.

Comprehensive Service and Support. In addition to its industry-leading ePort cashless payments system, the Company seeks to provide its customers with a comprehensive, value-added ePort Connect service that is designed to encourage optimal return on investment through business planning and performance optimization; business metrics through the Company's KnowledgeBase of data; a loyalty and rewards program for consumer engagement; marketing strategy and executional support; sales data and machine alerts; DEX data transmission; and the ability to extend cashless payments capabilities and the full suite of services across multiple aspects of an operator's business including micro-markets contract food industry, online payments and mobile payments.

Leverage Intellectual Property. Through June 30, 2019, we have 87 U.S. and foreign patents in force that contain various claims, including claims relating to payment processing, networking and energy management devices. In addition, we own numerous trademarks, copyrights, and trade secrets. We will continue to explore ways to leverage this intellectual property in order to add value for our customers, attain an increased share of the market, and generate licensing revenues.

SALES AND MARKETING

The Company's sales strategy includes both direct sales and channel development, depending on the particular dynamics of each of our markets. Our marketing strategy is diversified and includes media relations, direct mail, digital automation, conferences, and client referrals. As of June 30, 2019, the Company was marketing and selling its products through its full and part-time sales staff consisting of 26 people.

Direct Sales

Our direct sales efforts are currently primarily focused on the beverage and food vending industry in the United States, although we continue to further develop our presence in our ancillary market segments.

Indirect Sales/ Distribution

As part of our strategy to expand our sales reach while optimizing resources, we have agreements with select resellers in the car wash, amusement and arcade, and vending markets. We also have a strategic marketing relationship in the commercial laundry market that makes the Company the exclusive service provider to Setomatic Systems' POS offering, SpyderWash. We also have a distribution and white label program with the Wittern Group, a manufacturer of vending machines, pursuant to which Wittern embeds our Seed cashless hardware into its vending machines and sells Seed services to its customers. We have also entered into agreements with resellers and distributors in connection with our energy management products.

Marketing

Our marketing strategy includes advertising and outreach initiatives designed to build brand awareness, make clear USAT's competitive strengths, and prove the value of our services to our target markets-both for existing and prospective customers. Activities include creating company and product presence on the web including www.usatech.com and www.energymisers.com, digital advertising, SEO (Search Engine Optimization), and social media; the use of direct mail and email campaigns; educational and instructional online training sessions; 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 and new, innovative solutions that drive customer and consumer adoption of our services.

IMPORTANT RELATIONSHIPS

Verizon Wireless

In April 2011, we signed an agreement with Verizon for access to their digital wireless wide area network for the transport of data, including credit card transactions and inventory management data. The initial term of the agreement was three years, which was extended until April 2016. Since the end of the term, the agreement automatically renewed and will continue to automatically renew for successive one month periods unless terminated by either party upon thirty days' notice.

On September 21, 2011, the Company and Verizon entered into a Joint Marketing Addendum (the "Verizon Agreement") which amended the agreement described above. Pursuant to the Verizon Agreement, the Company and Verizon would work together to help identify business opportunities for the Company's products and services. Verizon may introduce the Company to existing or potential Verizon customers that Verizon believes are potential purchasers of the Company's products or services and may attend sales calls with the Company made to these customers. The Company and Verizon would collaborate on marketing and communications materials that would be used by each of them to educate and inform customers regarding their joint marketing

work. Verizon has the right to list the Company's products and services in its Data Solutions Guide for use by its sales and marketing employees and in its external website. The Verizon Marketing Agreement is terminable by either party upon 45 days' notice.

VISA

As of July 1, 2017, we entered into a three-year agreement with Visa U.S.A. Inc. ("Visa"), pursuant to which Visa has agreed to continue to make available to the Company certain promotional interchange reimbursement fees for small ticket debit and credit card transactions in the unattended beverage and food vending merchant category code, as well as for small ticket regulated debit card transactions in the other unattended vending and/or retail merchant category codes covered by the agreement. As previously reported, following implementation of the Durbin Amendment, Visa had significantly increased its interchange fees for small ticket regulated debit card transactions effective October 1, 2011. The promotional interchange reimbursement fees provided by the aforementioned agreement will continue until September 30, 2020.

MasterCard

On January 12, 2015, we entered into a three-year MasterCard Acceptance Agreement ("MasterCard Agreement") with MasterCard International Incorporated ("MasterCard"), pursuant to which MasterCard has agreed to make available to us reduced interchange rates for small ticket debit card transactions in certain merchant category codes. As previously reported, MasterCard had significantly increased its interchange rates for small ticket regulated debit card transactions effective October 1, 2011, and as a result, the Company ceased accepting MasterCard debit card products in mid-November 2011. Pursuant to the MasterCard Agreement, however, the Company is currently accepting MasterCard debit card products for small ticket debit card transactions in the unattended beverage and food vending merchant category code. The Company and MasterCard entered into a first amendment on April 27, 2015, pursuant to which the conditions under, or the transactions to, which the MasterCard custom pricing would be available, was amended. The reduced interchange rates became effective on April 20, 2015. Pursuant to an amendment effective July 17, 2018, the agreement was extended until March 1, 2019, and will automatically renew for successive one-year terms thereafter, unless either party provides 60 days' advance notice of non-renewal.

Chase Paymentech

We entered into a five-year Third Party Payment Processor Agreement, dated April 24, 2015 with Paymentech, LLC, through its member, JPMorgan Chase Bank, N.A. ("Chase Paymentech"), pursuant to which Chase Paymentech will act as the provider of credit and debit card transaction processing services (including authorization, conveyance and settlement of transactions) to the Company, which acts as the merchant of record. The Agreement provides that Chase Paymentech will act as the exclusive provider of transaction processing services to the Company for at least 250 million transactions per year. The Agreement provides that Chase Paymentech may modify the pricing for its services upon 30-days' notice, and in connection with certain such increases, the Company has the right to terminate the Agreement upon 120-days' notice. Following the expiry of the initial term of the Agreement on April 24, 2020, the Agreement will automatically renew for successive one-year terms unless either party provides 30 days' advance notice of non-renewal.

Compass/Foodbuy

On June 30, 2009, we entered into a Master Purchase Agreement ("MPA") with Foodbuy, LLC ("Foodbuy"), the procurement company for Compass Group USA, Inc. ("Compass") and other customers. The MPA provides, among other things that, USAT shall be a preferred supplier and provider to Foodbuy and its customers, including Compass, of USAT's products and services. The MPA automatically renews for successive one-year periods unless terminated by either party upon sixty days' notice prior to the end of any such one-year renewal period. In addition, on July 1, 2009, USAT and Compass, in conjunction with the MPA described above, also entered into a three-year ePort Connect Services Agreement pursuant to which USAT will provide Compass with all card processing, data, network, communications and financial services, and DEX telemetry data services required in connection with all Compass vending machines utilizing ePorts. The agreement automatically renews for successive one-year periods unless terminated by either party upon sixty days' notice prior to the end of any such one-year renewal period. During the fiscal years ended June 30, 2019 and June 30, 2018, Compass represented approximately 17% and 16% of our total revenues, respectively. Our Seed Pro software is utilized by vending machines operated by Compass for dynamic scheduling, pre-kitting, asset health management, and merchandising to Compass's customers nationwide.

AMI Entertainment

On August 22, 2011, we entered into an exclusive three-year agreement with AMI Entertainment ("AMI") as their exclusive processor of credit and debit cards and other electronic payments in connection with equipment operated on AMI's network in

the U.S. and Canada. The agreement is subject to renewal for one-year periods thereafter, subject to notice of non-renewal by either party. AMI manufactures various types of amusement, entertainment and music equipment for sale to third party users.

Setomatic Systems

In April 2013, we entered into a three-year exclusive agreement with Setomatic Systems ("Setomatic"), a privately owned and operated developer and manufacturer of both open and closed loop card payment systems, drop coin meters and electronic timers for the commercial laundry industry. Under the terms of the agreement, the Company, through our ePort Connect® service, will act as the exclusive service provider for all credit/debit card processing for all new customers of Setomatic's SpyderWash, a credit/debit card acceptance product. Similarly, the Company will market its ePort Connect service in the United States laundry market exclusively through Setomatic. After the initial three-year term, the agreement has been renewing automatically for successive one-year periods but is subject to 120 days' notice of non-renewal by either party.

Global Payments

For a vast majority of our customers who receive Seed vending management solutions and Seed cashless services from us, the credit and debit card transaction processing services are provided by Global Payments, Inc., formerly Heartland Payment Systems. We entered into a three-year agreement with Global Payments on April 6, 2018, pursuant to which Global Payments will act as the provider of credit and debit card transaction processing services (including authorization and conveyance) for transactions on points of sale owned or operated by our customers. For some of the customers, Global Payments serves as the merchant of record and settles funds directly to the customers, while for other customers, we serve as the merchant of record and will settle the transactions to the customer, after withholding monthly fees for cashless and vending management solutions. Our agreement with Global Payments automatically renews for successive one-year periods unless either party provides 60 days' notice of non-renewal to the other party.

AT&T

In August 2017, we signed an agreement with AT&T for access to their LTE machine to machine wireless wide area network for the transport of data, including credit card transactions and inventory management data. The initial term of the agreement is five years. The agreement will automatically renew for successive one year periods unless terminated by either party upon thirty days' notice.

QUICK START PROGRAM

In order to reduce customers' upfront capital costs associated with the ePort hardware, the Company makes available to its customers the Quick Start 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. At the end of the lease period, the customer would have the option to purchase the device for a nominal fee.

From its introduction in September 2014 and through approximately mid-March 2015, the Company entered into these leases directly with its customers. In the third and fourth quarter of fiscal year 2015, however, the Company signed vendor agreements with two leasing companies, whereby our customers could enter into leases directly with the leasing companies.

There has been a shift by our customers from acquiring our product via JumpStart (our rental program), which accounted for 11.51% of our gross connections in fiscal year 2018, and for 11.01% of our gross connections in fiscal year 2019. The shift to a straight purchase, along with our ability to increase cash collections under QuickStart sales by utilizing leasing companies, improves cash provided by operating activities.

Due to the success of the QuickStart program, as measured by customer utilization of the program and the positive impact on the Company's cash flows from operating activities when a leasing company is utilized, the Company intends to expand this program by entering into additional vendor agreements with leasing companies and/or expanding its relationship with the three incumbent leasing companies.

JUMP START PROGRAM

Pursuant to the JumpStart Program, customers acquire the ePort cashless device at no upfront cost by paying a higher monthly service fee, avoiding the need to make a major upfront capital investment. The Company would continue to own the ePort device utilized by its customer. At the time of the shipment of the ePort device, the customer is obligated to pay to the Company a one-time activation fee, and is later obligated to pay monthly ePort Connect service fees in accordance with the terms of the customer's

contract with the Company, in addition to transaction processing fees generated from the device. In fiscal year 2019, the Company added approximately 6% of its gross new connections through JumpStart, compared to approximately 4% in fiscal year 2018.

MANUFACTURING

The Company utilizes independent third-party companies for the manufacturing of its products. Our internal manufacturing process mainly consists of quality assurance of materials and testing of finished goods received from our contract manufacturers. We have not entered into a long-term contract with our contract manufacturers, nor have we agreed to commit to purchase certain quantities of materials or finished goods from our manufacturers beyond those submitted under routine purchase orders, typically covering short-term forecasts.

COMPETITION

We are a leading provider of cashless payments systems for the small-ticket, unattended market in the United States, and believe we have the largest installed base of unattended POS electronic payment systems in the beverage and food vending industry in the United States. Factors that we consider to be our competitive advantages are described above under "OUR COMPETITIVE STRENGTHS." Our competitors are increasingly and actively marketing products and services that compete with our products and services in the vending space including manufacturers who may include in their new vending machines their own (or another third party's) cashless payment systems and services. Our major competitor is Crane Payment Innovations. In addition to these competitors, there are also numerous credit card processors that offer card processing services to traditional retail establishments that could decide to offer similar services to the industries that we serve.

In the cashless laundry market, our joint solution with Setomatic Systems 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.

TRADEMARKS, PROPRIETARY INFORMATION, AND PATENTS

The Company owns US federal registrations for the following trademarks and service marks: Blue Light Sequence®, Business Express®, CM2iQ®, Creating Value Through Innovation®, EnergyMiser®, ePort®, ePort Connect®, ePort Edge®, ePort GO®, ePort Mobile®, eSuds®, Intelligent Vending®, SnackMiser®, TransAct®, USA Technologies® USALive®, VendingMiser®, PC EXPRESS®, VENDSCREEN® and VM2iQ®.

Cantaloupe owns US federal and European Union registrations for the following trademarks and service marks: Buzzbox®, Cantaloupe circle logo (design only), Cantaloupe Systems®, Cantaloupe Systems & design (Cantaloupe circle logo), Compuvend®, Openvdi®, Routemaster®, Seed®, Seed & design, Seed Office®, SeedCashless & design, VendPro®, Warehouse Master®, Because Machines Can't Cry For Help®.

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. There can be no assurance that the Company will be successful in maintaining such trade secret protection, that they will be recognized as trade secrets by a court of law, or that others will not capitalize on certain aspects of the Company's technology.

Through June 30, 2019, 130 patents have been granted to the Company or its subsidiaries, including 95 United States patents and 35 foreign patents, and 7 United States and 7 international patent applications are pending. Of the 130 patents, 87 are still in force. Our patents expire between 2019 and 2038.

EMPLOYEES

As of June 30, 2019, the Company had 118 full-time employees and 8 part-time employees.

Item 1A. Risk Factors.

Risks Relating to Our Business

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 2019. For fiscal years 2019, 2018, and 2017, we incurred a net loss of $32.0 million, $11.3 million, and $7.5 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 the Company's products and services can generate sufficient annual revenues, the Company will be required to use its cash and cash equivalents on hand and may raise capital to meet its 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.

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, 2019, we had net working capital of $2.8 million and cash and cash equivalents of $27.5 million. We had net cash provided by (used in) operating activities of $(28.7) million, $12.4 million, and $(6.1) million for fiscal years ended 2019, 2018, and 2017, respectively. Unless we maintain or grow our current level of operations, 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 full remediation of internal control deficiencies that existed as of June 30, 2019 and shareholder class action lawsuits, government inquiries or enforcement actions that could potentially arise from the circumstances that gave rise to our restatements and extended filing delay in filing our periodic reports. 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 prospects.

Our existing loan agreement contains restrictions which may limit our flexibility in operating and growing our business.

Our existing loan agreement contains covenants regarding our maintenance of a minimum fixed charge coverage ratio and a maximum total leverage ratio, each as defined in our loan agreement. Additionally, the loan agreement requires us to deliver to our bank, among other things, audited and unaudited financial statements on a periodic basis. We are not in compliance with these covenants and have obtained waivers and extensions of time to deliver such financial statements until October 31, 2019. Future failures to be in compliance with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all or a portion of our outstanding indebtedness, which would have a material adverse effect on our business, financial condition and results of operations.

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

We have derived, and believe we may 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, 2019, 2018 and 2017 were as follows:

	For the year ended June 30,		
Single customer	**2019**	**2018**	**2017**
Total revenue	17%	16%	25%

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 results of operations and revenue 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 cancelable by the customer on thirty to sixty days' notice. Additionally, the Audit Committee's internal investigation of certain matters that was commenced in the first quarter of fiscal year 2019 and the resulting delay in the filing of the Company's periodic reports could affect the willingness of potential customers to purchase the Company's products and services and of existing customers to continue their relationship with the Company without revised terms and/or special provisions.

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.

We are dependent on key management personnel, particularly the Chief Executive Officer, Stephen P. Herbert. The loss of services of Mr. Herbert or other officers could dramatically affect our business prospects. Our executive officers and certain of our officers and employees are particularly valuable to us because:

- they have specialized knowledge about our company and operations;
- they have specialized skills that are important to our operations; or
- they would be particularly difficult to replace.

We have entered into an employment agreement with Mr. Herbert, which contains confidentiality and non-compete provisions. The agreement provided for an initial term continuing through January 1, 2013, which is automatically renewed for consecutive one year periods unless terminated by either Mr. Herbert or the Company upon at least 90 days' notice prior to the end of the initial term or any one-year extension thereof.

Our success and future growth also depends to a significant degree on the skills and continued services of our management team, many of whom are recent hires, including our interim Chief Financial Officer, our Chief Operating Officer and our Chief Compliance Officer. Further, potential reputational harm arising from the restatements and extended delay in filing our periodic reports may make it difficult for us to retain these new hires and other existing senior management, 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.

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, 2019, the United States Government and other countries have granted us 130 patents, of which 87 are still in force. We had 14 pending United States and foreign 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.

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, 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.

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 wireless networked devices depends upon the capacity, reliability and security of services provided to us by our wireless telecommunication services providers, AT&T Mobility and Verizon Wireless. In addition, if we terminate relationships with our current telecommunications service providers, we may have to replace hardware that is part of our existing ePort or Seed products that are already installed in the marketplace in order to make them compatible with a new network. This could significantly harm our reputation and could cause us to lose customers and revenues.

Substantially all of the network 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 network service contracts with us for any or no reason upon providing us with thirty or 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, defects, or dissatisfaction 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.

Security is vital to our customers and therefore breaches in the security of transactions involving our products or services could adversely affect our reputation 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 are exposed to the ever-evolving threat of compromised security, in the form of a risk of potential breach, system failure, computer virus, or unauthorized or fraudulent use by consumers, customers, company employees, or employees of third party vendors. The steps we take to deter and mitigate these risks, including being certified for PCI compliance, 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 the fraudulent use of confidential data. Additionally, we could become subject to significant fines, litigation, and loss of reputation, potentially impacting our financial results.

Further, substantially all of the cashless payment transactions handled by our network involve Visa or 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.

We rely on other card payment processors, and if they fail or no longer agree to provide their services, our customer relationships could be adversely affected, and we could lose business.

We rely on agreements with other large payment processing organizations, primarily Chase Paymentech and Global Payments, Inc., formerly Heartland Payment Systems, 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 will adversely affect our relationships with the customers whose accounts we serve and may cause those customers to terminate their processing agreements with us.

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.

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 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.

New legislation could be enacted regulating the basis upon which interchange rates are charged for debit or credit card transactions, which could increase the debit or credit card interchange fees charged by bankcard networks. An example of such legislation is the so-called "Durbin Amendment," an amendment to the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010. The Durbin Amendment regulates the basis upon which interchange rates for debit card transactions are made to ensure that interchange rates are "reasonable and proportionate to costs." Pursuant to regulations that were promulgated by the Federal Reserve, Visa and MasterCard have significantly increased their interchange fees for small ticket debit card transactions.

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.

As of July 1, 2017, we entered into a three-year agreement with Visa U.S.A. Inc. ("Visa"), pursuant to which Visa has agreed to continue to make available to the Company certain promotional interchange reimbursement fees for small ticket debit and credit

card transactions. Similarly, MasterCard International Incorporated ("MasterCard") has agreed to make available to us reduced interchange rates for small ticket debit card transactions through March 1, 2019, and for successive one-year periods thereafter unless the agreement between the parties is terminated by either party upon sixty days' notice prior to the end of any such one-year renewal period. During the term of the Visa Agreement, the Company does not anticipate accepting any debit cards with interchange fees that are higher than the rates provided under the Visa Agreement. The Company will continue to accept Visa- and MasterCard- branded debit cards in addition to all major credit cards, including Visa, MasterCard, Discover and American Express at its current processing rates. If the Visa or MasterCard Agreements are not extended, our financial results would be materially adversely affected unless we are able to pass these significant additional charges to our customers.

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.

Failure to maintain effective systems of internal control over financial reporting and disclosure controls and procedures could result in additional costs being incurred for remediation, 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. We previously identified a material weakness in our internal controls over financial reporting as of the end of fiscal years 2016 and 2015. Additionally, the Board of Directors of the Company, upon the recommendation of the Audit Committee and following discussions with management, determined that the following financial statements previously issued by the Company should no longer be relied upon: (1) the audited consolidated financial statements for the fiscal year ended June 30, 2015, (2) the audited consolidated financial statements for the fiscal year ended June 30, 2016, (3) the audited consolidated financial statements for the fiscal year ended June 30, 2017, and (4) the quarterly and year-to-date unaudited consolidated financial statements for September 30, 2016, December 31, 2016, March 31, 2017, September 30, 2017, December 31, 2017, and March 31, 2018. Similarly, it was determined that reliance should not be placed on the management’s report on the effectiveness of internal control over financial reporting as of June 30, 2017. Additionally, we have concluded that our internal controls over financial reporting were not effective as of June 30, 2019 due to the existence of material weaknesses in such controls, and we have also concluded that our disclosure controls and procedures were not effective as of June 30, 2019, all as described in Item 9A, “Controls and Procedures,” of this Form 10-K. Remediation efforts to address the identified weaknesses are ongoing and we were not able to fully remediate our material weaknesses in internal controls as of June 30, 2019, and 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, 2020. We also cannot assure you that additional material weaknesses in our internal control over financial reporting will not arise or be identified in the future. We intend to continue our control remediation activities and to continue to improve the procedures and controls relating to our operational and financial systems, as well as to continue to expand, train, retain and manage our personnel who are essential to effective internal controls. In doing so, we will continue to incur expenses and expend management time on compliance-related issues.

If our remediation measures are insufficient to address the identified deficiencies, or if additional deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results. Moreover, because of the inherent limitations of any control system, material misstatements due to error or fraud may not be prevented or detected on a timely basis, or at all. If we are unable to provide reliable and timely financial reports in the future, our business and reputation may be further harmed. Failures in internal controls may negatively affect investor confidence in our management and the accuracy of our financial statements and disclosures, or result in adverse publicity and concerns from investors, any of which could have a negative effect on the price of our shares, subject us to regulatory investigations and penalties and/or shareholder litigation, and materially adversely impact our business and financial condition.

Shareholder activists could cause a disruption to our business.

The circumstances that gave rise to our restatement and extended delays in filing our periodic reports and in holding an annual meeting of shareholders has increased the risk that we may be subject to legal and business challenges in the operation of our company due to actions instituted by activist shareholders or others, such as shareholder proposals, media campaigns, proxy contests and other such actions. Responding to proxy contests or such other actions could be costly and time-consuming, disrupt our operations and divert the attention of our Board and management from the pursuit of business strategies, which could adversely affect our results of operations and financial condition. Additionally, perceived uncertainties as to our future direction as a result of shareholder activism or potential changes to the composition of our Board may lead to the perception of a change in the direction of the business, loss of potential business opportunities, instability or lack of continuity. This may be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel. In addition, actions of activist shareholders may cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business. On May 20, 2019, Hudson Executive Capital LP filed a Schedule 13D with the SEC reporting that it was the beneficial owner of 12% of our common stock, by an amendment thereto filed on August 5, 2019, reported that it was the beneficial owner of 14% of our common stock, and, by an amendment thereto filed on September 27, 2019, reported that it was the beneficial owner of 16.9% of our common stock.

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 the filing of class action lawsuits and the receipt of derivative demand letters, and may result in additional expense and/or litigation.

We have incurred significant expenses, including audit, legal, consulting and other professional fees, in connection with the Audit Committee's investigation, the review of our accounting, the audits, the restatements of previously filed financial statements, bank consents, and the ongoing remediation of deficiencies in our internal control over financial reporting. Specifically, during the fiscal year ended June 30, 2019, the Company incurred various expenses including those relating to the internal investigation in the amount of $13.5 million, relating to the restatement in the amount of $1.9 million, and relating to pending class action litigation in the amount of $0.5 million. To the extent that steps we are continuing 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 receive inquiries from the SEC, Nasdaq or other regulatory authorities regarding our restated financial statements or matters relating thereto, or that we will not be subject to future claims, investigations or proceedings. Any future inquiries from the SEC, Nasdaq or other regulatory authority, or future claims or proceedings or any related regulatory investigation will, regardless of the outcome, likely consume a significant amount of our internal resources and result in additional legal and accounting costs.

We are also subject to a shareholder class action arising out of the misstatements in our financial statements or public filings. For additional discussion, see Item 3. Legal Proceedings and "Legal Matters" in Note 19 to our Consolidated Financial Statements. Our management has been, and may in the future be, required to devote significant time and attention to this litigation, 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. While we cannot estimate our potential exposure in these matters at this time, we have already incurred significant expense defending this litigation and expect to continue to need to incur significant expense.

We and certain of our current and former officers and directors have been named in shareholder class action 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 current and former officers and directors have been named in shareholder class action lawsuits, and may become subject to further litigation, government investigations or proceedings arising therefrom. The pending litigation has been, and any future litigation, investigation or other actions that may be filed or initiated against us or our current or former officers or directors may be time consuming and expensive. We cannot predict what losses we may incur in these litigation 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 pending litigation 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 each of our directors and certain of our 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.

For additional discussion of these matters, refer to Item 3. "Legal Proceedings" and Footnote 19. *Commitments and Contingencies* of the Notes to Consolidated Financial Statements.

Matters relating to or arising from the restatement and the Audit Committee's investigation, including adverse publicity and potential concerns from our customers could continue to have an adverse effect on our business and financial condition.

We have restated our consolidated financial statements as of and for the fiscal year 2017, our selected financial data as of and for the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, 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, such restatements and other findings of the Audit Committee following the internal investigation, 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 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.

Risks Relating to Our Common Stock

Trading in our securities has been suspended by, and may be delisted from, Nasdaq, and we cannot assure you that the suspension will be lifted, or that, if our securities are delisted, that they will be relisted.

As a result of the delay in filing our periodic reports with the SEC, we failed to comply with the listing standards of The Nasdaq Stock Market LLC ("Nasdaq"). As a result, a Nasdaq Hearings Panel determined to delist our securities and suspended the trading of our securities on Nasdaq effective September 26, 2019. Pursuant to applicable Nasdaq rules, we intend to request that the Nasdaq Listing and Hearing Review Council (the "Review Council") review the determination of the Nasdaq Hearings Panel to delist our securities. There can be no assurance that our appeal will be successful or if we will be able to relist our securities on Nasdaq. If our securities are delisted and we are unable to relist our securities, or in the event that our securities would be relisted or the trading suspension lifted by the Review Council, no assurance can be provided that an active trading market will develop or, if one develops, will continue.

The suspension or ultimate delisting of our securities from Nasdaq, could have a material adverse effect on us by, among other things, reducing:

The liquidity of our common stock;

The market price of our common stock;

The number of institutional and other investors that will consider investing in our common stock;

The number of market makers in our common stock;

The availability of information concerning the trading prices and volume of our common stock;

The number of broker-dealers willing to execute trades in shares of our common stock;

Our ability to obtain equity financing for the continuation of our operations;

Our ability to use our equity as consideration in any acquisition; and

The effectiveness of equity-based compensation plans for our employees used to attract and retain individuals important to our operations.

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, 2019 was approximately $20 million.

Director and officer liability is limited.

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.

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, including the recent suspension of trading in our securities or a potential delisting of our securities by Nasdaq, 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.

Item 2. Properties.

The Company leases approximately 23,138 square feet of space located in Malvern, Pennsylvania, for its principal executive office and for general administrative functions, sales activities, product development, and customer support. The Company's monthly base rent for the premises is approximately $48 thousand, and will increase each year up to a maximum monthly base rent of approximately $53 thousand. The lease expires on November 30, 2023.

The Company also leases 11,250 square feet of space in Malvern, Pennsylvania, for its product warehousing and shipping under a lease agreement which expires on December 31, 2019. As of June 30, 2019, the Company's rent payment is approximately $6 thousand per month.

The Company leases space in Portland, Oregon. The current lease commenced on October 17, 2016, and will terminate on December 31, 2019. The leased premises consist of approximately 5,362 square feet of rentable space. The lease includes monthly rental payments of approximately $11 thousand per month through December 31, 2019.

The Company leases approximately 8,400 square feet of space in San Francisco, California, for general office purposes, including engineering, technical testing and software development. The current lease commenced on February 1, 2010 and will terminate on January 31, 2020. The Company's monthly base rent for the premises is approximately $45 thousand, and will increase each year up to a maximum monthly base rent of approximately $47 thousand.

The Company leases approximately 7,745 square feet of office space in Matairie, Louisiana. The lease is for a period of 74 months, and commenced on November 12, 2018. The Company's monthly base rent for the premises will initially be approximately $15 thousand, and will increase each year up to a maximum monthly base rent of approximately $16 thousand.

The Company leases approximately 16,713 square feet of office space in Denver, Colorado. The lease is for a period of 89 months, and commenced on August 1, 2019. The Company's monthly base rent for the premises, which is payable from January 1, 2020, will initially be approximately $45 thousand, and will increase each year up to a maximum monthly base rent of approximately $53 thousand. The Company intends to consolidate its Portland and San Francisco offices into this new office location.

Item 3. Legal Proceedings.

New Jersey District Court Consolidated Shareholder Class Actions

On September 11, 2018, Stéphane Gouet filed a putative class action complaint against the Company, Stephen P. Herbert, the Chief Executive Officer, and Priyanka Singh, the former Chief Financial Officer, in the United States District Court for the District of New Jersey. The class is defined as purchasers of the Company's securities from November 9, 2017 through September 11, 2018. The complaint alleges that the Company disclosed on September 11, 2018 that it was unable to timely file its Annual Report on Form 10-K for the fiscal year ended June 30, 2018 (the "2018 Form 10-K"), and that the Audit Committee of the Company's Board of Directors was in the process of conducting an internal investigation of 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 complaint alleges that the defendants disseminated false statements and failed to disclose material facts and engaged in practices that operated as a fraud or deceit upon Gouet and others similarly situated in connection with their purchases of the Company's securities during the proposed class period. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "1934 Act") and Rule 10b-5 promulgated thereunder.

Two additional class action complaints, containing substantially the same factual allegations and legal claims, were filed against the Company, Herbert and Singh in the United States District Court for the District of New Jersey. On September 13, 2018, David Gray filed a putative class action complaint, and on October 3, 2018, Anthony E. Phillips filed a putative class action complaint. Subsequently, multiple shareholders moved to be appointed lead plaintiff, and on December 19, 2018, the Court consolidated the three actions, appointed a lead plaintiff (the "Lead Plaintiff"), and appointed lead counsel for the consolidated actions (the "Consolidated Action").

On February 28, 2019, the Court approved a Stipulation agreed to by the parties in the Consolidated Action for the filing of an amended complaint within fourteen days after the Company files the 2018 Form 10-K. On January 22, 2019, the Company and Herbert filed a motion to transfer the Consolidated Action to the United States District Court for the Eastern District of Pennsylvania. On February 5, 2019, the Lead Plaintiff filed its opposition to the Motion to Transfer. On September 30, 2019, the Court granted the motion to transfer.

On August 12, 2019, the University of Puerto Rico Retirement System ("UPR") filed a putative class action complaint in the United States District Court for the District of New Jersey against the Company, Herbert, Singh, the Company's Directors at the relevant time (Steven D. Barnhart, Joel Books, Robert L. Metzger, Albin F. Moschner, William J. Reilly and William J. Schoch) ("the Independent Directors"), and the investment banking firms who acted as underwriters for the May 2018 follow-on public offering of the Company (the "Public Offering"): William Blair & Company; LLC; Craig-Hallum Capital Group, LLC; Northland Securities, Inc.; and Barrington Research Associates, Inc. ("the Underwriter Defendants"). The class is defined as purchasers of the Company's shares pursuant to the registration statement and prospectus issued in connection with the Public Offering. Plaintiff seeks to recover damages caused by Defendants' alleged violations of the Securities Act of 1933 (the "1933 Act"), and specifically Sections 11, 12 and 15 thereof. The complaint generally seeks compensatory damages, rescissory damages and attorneys' fees and costs. The UPR complaint was consolidated into the Consolidated Action and the UPR docket was closed. Pursuant to the February 28, 2019 Stipulation referred to above, plaintiffs' counsel in the Consolidated Action will file one amended complaint (covering the 1933 Act and the 1934 Act claims) after the 2018 Form 10-K has been filed, and no response to the complaint is required at this time.

The Company plans to vigorously defend against the claims asserted in the Consolidated Action.

Chester County, Pennsylvania Class Action

On May 17, 2019, the City of Warren Police and Fire Retirement System filed a putative class action complaint in the Court of Common Pleas, Chester County, Pennsylvania. The class is defined as purchasers of the Company's shares pursuant to the registration statement and prospectus issued in connection with the Public Offering. The defendants are the Company, Herbert, Singh, the Independent Directors, and the Underwriter Defendants. Plaintiff alleges that the registration statement contained untrue statements of material facts or omitted to state facts necessary to make the statements not misleading, and was not prepared in accordance with the rules and regulations governing its preparation. Plaintiff seeks to recover damages caused by defendants' alleged violations of the 1933 Act, and specifically Sections 11, 12 and 15 thereof. The complaint generally seeks compensatory

damages, rescissory damages, attorneys' fees and costs. Defendants filed a Petition for Stay due to the previously filed Consolidated Action, and on September 20, 2019, and following a hearing, the Court granted the Petition and stayed the action pending the final disposition of the Consolidated Action. The Company plans to vigorously defend against these claims.

The Shareholder Demand Letters

By letter dated October 12, 2018, Peter D'Arcy, a purported shareholder of the Company, demanded that the Board of Directors investigate, remedy and commence proceedings against certain of the Company's current and former officers and directors for breach of fiduciary duties. The letter alleged the officers and directors made false and misleading statements that failed to disclose that the Company's accounting treatment, financial reporting and internal controls related to certain of the Company's contractual agreements would result in an internal investigation and would delay the Company's filing of its 2018 Form 10-K, and that the Company failed to maintain adequate internal controls. By letter dated October 18, 2018, Chiu Jen-Ting, a purported shareholder of the Company, demanded that the Board of Directors investigate, remedy and commence proceedings against certain of the Company's current and former officers and directors for breach of fiduciary duties in connection with issues similar to those asserted by Mr. D'Arcy. By letter dated August 2, 2019, Stan Emanuel, a purported shareholder of the Company, demanded that the Board of Directors investigate, remedy and commence proceedings against certain of the Company's current and former officers and directors for breach of fiduciary duties in connection with issues similar to those asserted by Mr. D'Arcy. In response to the first two demand letters, and in accordance with Pennsylvania law, in January 2019, the Board of Directors formed a special litigation committee (the "SLC") consisting of Joel Brooks and William Reilly, Jr., in order to, among other things, investigate and evaluate the demand letters. The SLC has retained counsel and the SLC and its counsel are currently investigating the matters raised in these letters.

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 was traded on The NASDAQ Global Market under the symbol "USAT" until September 26, 2019, when such trading was suspended by a Nasdaq Hearings Panel due to our failure to comply with our periodic filing obligations. Following the suspension of trading in its securities on Nasdaq, the Company's common stock has been quoted on the OTC Markets' Pink Open Market under the symbol "USAT."

As of September 19, 2019, there were approximately 558 holders of record of our common stock and 253 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 September 19, 2019, such accumulated unpaid dividends amounted to approximately $16 million. The preferred stock is also entitled to a liquidation preference over the common stock which, as of June 30, 2019 equaled approximately $20 million.

As of June 30, 2019, equity securities authorized for issuance by the Company with respect to compensation plans were as follows:

Plan category	Number of Securities to be issued upon exercise of outstanding options and warrants (a)	Weighted average exercise price of outstanding options and warrants (b)	Number of securities remaining available for future issuance (excluding securities reflected in column (a)) (c)	
Equity compensation plans approved by security holders	1,127,097	$ —	1,944,253	(1)
Equity compensation plans not approved by security holders	—	—	—	
TOTAL	1,127,097	$ —	1,944,253	

(1) Represents (i) 1,500,000 stock options or shares of common stock remaining to be awarded under the 2018 Equity Incentive Plan, (ii) 342,806 stock options or shares of common stock remaining to be awarded under the 2015 Equity Incentive Plan, and (iii) 101,447 stock options remaining to be awarded under the 2014 Stock Option Incentive Plan.

As of September 19, 2019, shares of common stock reserved for future issuance were as follows:

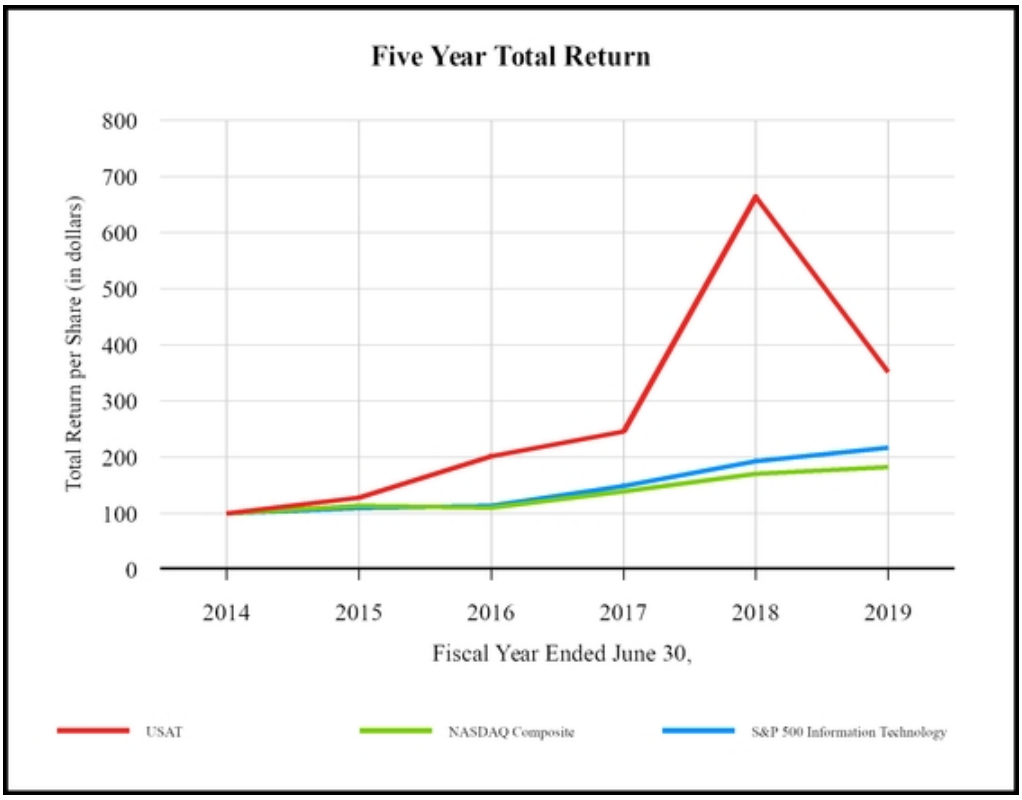
- 23,978 shares issuable upon the exercise of common stock warrants at an exercise price of $5.00 per share
- 104,472 shares issuable upon the conversion of outstanding preferred stock and cumulative preferred stock dividends;
- 627,167 shares underlying stock options issued or to be issued under the 2014 Stock Option Incentive Plan;
- 944,183 shares issuable, and shares underlying stock options issued, under the 2015 Equity Incentive Plan;
- 1,500,000 shares issuable, and shares underlying stock options to be issued, under the 2018 Equity Incentive Plan; and
- 140,000 shares issuable to our former CEO 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, Jr.

PERFORMANCE GRAPH

The following graph shows a comparison of the 5-year cumulative total shareholder return for our common stock with The NASDAQ Composite Index and the S&P 500 Information Technology Index in the United States. The graph assumes a $100 investment on June 30, 2014 in our common stock and in the NASDAQ Composite Index and the S&P 500 Information Technology Index, including reinvestment of dividends.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN

Among USA Technologies, Inc., The NASDAQ Composite Index and The S&P 500 Information Technology Index



Total Return For:	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
USA Technologies, Inc.	$ 100	$ 128	$ 202	$ 246	$ 664	$ 352
NASDAQ Composite	$ 100	$ 113	$ 110	$ 139	$ 170	$ 182
S&P 500 Information Technology Index	$ 100	$ 109	$ 113	$ 149	$ 193	$ 217

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. Selected Financial Data.

We have restated the selected financial data presented in this report as of and for the years ended June 30, 2017, 2016 and 2015 to reflect adjustments to our previously issued consolidated financial statements as more fully described in Note 2 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K. The impacts of the restatement are shown below in each of the applicable periods.

The following selected financial data as of and for the three years ended June 30, 2019 is derived from the audited consolidated financial statements of USA Technologies. The selected financial data as of and for the years ended June 30, 2016 (as restated) and 2015 (as restated) is unaudited, was derived from our unaudited consolidated financial statements, which were prepared on the same basis as our audited consolidated financial statements, and reflects the impact of adjustments to, or restatement of, our previously filed financial information. The selected financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related Notes thereto included in this 10-K under the caption Item 8, "Financial Statements and Supplementary Data."

	As of and for the year ended June 30,				
($ in thousands, except per share data)	**2019**	**2018 (3)**	**2017 (As Restated)**	**2016 (As Restated)**	**2015 (As Restated)**
Consolidated Statement of Operations Data:				*(unaudited)*	*(unaudited)*
Revenue [1]	$ 143,799	$ 132,508	$ 101,436	$ 77,572	$ 58,134
Operating loss	$ (30,156)	$ (9,223)	$ (4,134)	$ (3,121)	$ (589)
Net loss [2]	$ (32,028)	$ (11,284)	$ (7,465)	$ (38,337)	$ (2,114)
Cumulative preferred dividends	$ (668)	$ (668)	$ (668)	$ (668)	$ (668)
Net loss applicable to common shares	$ (32,696)	$ (11,952)	$ (8,133)	$ (39,005)	$ (2,782)
Net loss per common share - basic	$ (0.54)	$ (0.23)	$ (0.20)	$ (1.07)	$ (0.08)
Net loss per common share - diluted	$ (0.54)	$ (0.23)	$ (0.20)	$ (1.07)	$ (0.08)
Cash dividends per common share	—	—	—	—	—
Consolidated Balance Sheet Data:					
Total assets	$ 181,097	$ 231,995	$ 67,544	$ 59,852	$ 80,310
Line of credit, net	$ —	$ —	$ 7,036	$ 7,184	$ 4,000
Capital lease obligations and long-term debt, including current portion	$ 12,773	$ 35,766	$ 4,259	$ 6,859	$ 10,664
Shareholders' equity	$ 112,453	$ 142,688	$ 24,468	$ 19,328	$ 49,145
Consolidated Statement of Cash Flows Data:					
Net cash (used in) provided by operating activities	$ (28,701)	$ 12,431	$ (6,072)	$ 11,976	$ (2,845)
Net cash (used in) provided by investing activities	$ (4,230)	$ (68,861)	$ (3,439)	$ (7,434)	$ 4,535
Net cash (used in) provided by financing activities	$ (23,569)	$ 127,649	$ 2,984	$ 3,465	$ 612
Net (decrease) increase in cash and cash equivalents	$ (56,500)	$ 71,219	$ (6,527)	$ 8,007	$ 2,302
Cash and cash equivalents at beginning of year	$ 83,964	$ 12,745	$ 19,272	$ 11,374	$ 9,072
Cash and cash equivalents at end of year	$ 27,464	$ 83,964	$ 12,745	$ 19,381	$ 11,374
Connections & Transaction Data (unaudited):					
Net New Connections	141,000	460,000	140,000	95,000	67,000
Total Connections	1,169,000	1,028,000	568,000	428,000	333,000
New Customers Added	3,200	3,500	1,650	1,450	2,300
Total Customers	19,400	16,200	12,700	11,050	9,600
Total Number of Transactions (millions)	847.2	627.2	414.9	316.5	216.6
Transaction Volume ($ millions)	$ 1,647.0	$ 1,197.5	$ 803.0	$ 584.8	$ 388.9

(1) As discussed in Note 3—Accounting Policies, revenue for the years ended June 30, 2015, 2016, 2017 and 2018 is not comparable to revenue for the year ended June 30, 2019 due to our adoption of Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606" or "Topic 606").
(2) Net loss for the year ended June 30, 2016 includes income tax expense of $30 million for the increase of tax valuation allowance.
(3) Financial statement results beginning in the year ended June 30, 2018 include the results of Cantaloupe since the acquisition by the Company.

In connection with the significant account and transaction review performed by management, as more fully described in Note 2 of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K, certain errors were identified in the years ended June 30, 2016 and 2015 and were corrected as part of the restatement. The effects of the errors in the years ended June 30, 2016 and 2015 on the financial data are as follows:

($ in thousands, except per share data)	As of June 30, 2016		
	As Previously Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 19,272	$ —	$ 19,272
Accounts receivable	4,899	4	4,903
Finance receivables, net	3,588	—	3,588
Inventory, net	2,031	(581)	1,450
Prepaid expenses and other current assets	987	(35)	952
Deferred income taxes	2,271	(2,271)	—
Total current assets	33,048	(2,883)	30,165
Non-current assets:			
Finance receivables due after one year	3,718	—	3,718
Other assets	348	—	348
Property and equipment, net	9,765	3,355	13,120
Deferred income taxes	25,453	(25,453)	—
Intangibles, net	798	—	798
Goodwill	11,703	—	11,703
Total non-current assets	51,785	(22,098)	29,687
Total assets	$ 84,833	$ (24,981)	$ 59,852
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 12,354	$ 16	$ 12,370
Accrued expenses	3,458	3,558	7,016
Line of credit, net	7,119	65	7,184
Capital lease obligations and current obligations under long-term debt	629	4,654	5,283
Income taxes payable	18	—	18
Deferred revenue	—	153	153
Warrant liabilities	3,739	—	3,739
Deferred gain from sale-leaseback transactions	860	(860)	—
Total current liabilities	28,177	7,586	35,763
Long-term liabilities:			
Deferred income taxes	—	32	32
Capital lease obligations and long-term debt, less current portion	1,576	—	1,576
Accrued expenses, less current portion	15	—	15
Deferred gain from sale-leaseback transactions, less current portion	40	(40)	—
Total long-term liabilities	1,631	(8)	1,623
Total liabilities	$ 29,808	$ 7,578	$ 37,386
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,108 at June 30, 2016	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,108 at June 30, 2016	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 37,783,444 shares issued and outstanding at June 30, 2016	233,394	—	233,394
Accumulated deficit	(181,507)	(32,559)	(214,066)
Total shareholders' equity	55,025	(35,697)	19,328
Total liabilities, convertible preferred stock and shareholders' equity	$ 84,833	$ (24,981)	$ 59,852

($ in thousands, except per share data)	Year ended June 30, 2016		
	As Previously Reported	Adjustments	As Restated
Revenue:			
License and transaction fees	$ 56,589	$ (7)	$ 56,582
Equipment sales	20,819	171	20,990
Total revenue	77,408	164	77,572
Costs of sales:			
Cost of services	38,089	(574)	37,515
Cost of equipment	17,334	717	18,051
Total costs of sales	55,423	143	55,566
Gross profit	21,985	21	22,006
Operating expenses:			
Selling, general and administrative	22,373	1,675	24,048
Depreciation and amortization	647	—	647
Impairment of intangible asset	432	—	432
Total operating expenses	23,452	1,675	25,127
Operating loss	(1,467)	(1,654)	(3,121)
Other income (expense):			
Interest income	320	—	320
Interest expense	(600)	(1,546)	(2,146)
Change in fair value of warrant liabilities	(5,674)	—	(5,674)
Total other expense, net	(5,954)	(1,546)	(7,500)
Loss before income taxes	(7,421)	(3,200)	(10,621)
Benefit (provision) for income taxes	615	(28,331)	(27,716)
Net loss	(6,806)	(31,531)	(38,337)
Preferred dividends	(668)	—	(668)
Net loss applicable to common shares	$ (7,474)	$ (31,531)	$ (39,005)
Net loss per common share			
Basic	$ (0.21)	$ (0.86)	$ (1.07)
Diluted	$ (0.21)	$ (0.86)	$ (1.07)
Weighted average number of common shares outstanding			
Basic	36,309,047	—	36,309,047
Diluted	36,309,047	—	36,309,047

($ in thousands)	Year ended June 30, 2016		
	As Previously Reported	Adjustments	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (6,806)	$ (31,531)	$ (38,337)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Non-cash stock-based compensation	849	—	849
(Gain) loss on disposal of property and equipment	(167)	—	(167)
Non-cash interest and amortization of debt discount	13	35	48
Bad debt expense	1,450	(12)	1,438
Provision for inventory reserve	—	767	767
Depreciation and amortization	5,222	1,208	6,430
Impairment of intangible asset	432	—	432
Change in fair value of warrant liabilities	5,674	—	5,674
Deferred income taxes, net	(660)	28,440	27,780
Recognition of deferred gain from sale-leaseback transactions	(860)	860	—
Changes in operating assets and liabilities:			
Accounts receivable	(375)	265	(110)
Finance receivables, net	(2,040)	—	(2,040)
Inventory, net	1,036	1,423	2,459
Prepaid expenses and other current assets	(763)	382	(381)
Deferred revenue	—	(118)	(118)
Accounts payable and accrued expenses	3,080	4,208	7,288
Income taxes payable	383	(419)	(36)
Net cash provided by operating activities	6,468	5,508	11,976
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(536)	(1,662)	(2,198)
Proceeds from sale of property and equipment	389	—	389
Cash paid for assets acquired from VendScreen	(5,625)	—	(5,625)
Net cash used in investing activities	(5,772)	(1,662)	(7,434)
FINANCING ACTIVITIES:			
Cash used in retirement of common stock	(213)	—	(213)
Proceeds from exercise of common stock warrants	4,918	—	4,918
Proceeds from line of credit	7,163	2,948	10,111
Repayment of line of credit	(3,992)	(3,008)	(7,000)
Repayment of capital lease obligations and long-term debt	(674)	(3,677)	(4,351)
Net cash provided by financing activities	7,202	(3,737)	3,465
Net increase in cash and cash equivalents	7,898	109	8,007
Cash and cash equivalents at beginning of year	11,374	—	11,374
Cash and cash equivalents at end of year	$ 19,272	$ 109	$ 19,381

($ in thousands, except per share data)	As of June 30, 2015		
	As Previously Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 11,374	$ —	$ 11,374
Accounts receivable	5,971	256	6,227
Finance receivables, net	941	—	941
Inventory, net	4,216	349	4,565
Prepaid expenses and other current assets	574	(162)	412
Deferred income taxes	1,258	(1,258)	—
Total current assets	24,334	(815)	23,519
Non-current assets:			
Finance receivables due after one year	3,698	—	3,698
Other assets	350	—	350
Property and equipment, net	12,869	4,158	17,027
Deferred income taxes	25,788	1,833	27,621
Intangibles, net	432	—	432
Goodwill	7,663	—	7,663
Total non-current assets	50,800	5,991	56,791
Total assets	$ 75,134	$ 5,176	$ 80,310
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 10,542	$ (1,292)	$ 9,250
Accrued expenses	2,108	653	2,761
Line of credit, net	4,000	—	4,000
Capital lease obligations and current obligations under long-term debt	478	6,830	7,308
Income taxes payable	54	—	54
Deferred revenue	—	271	271
Deferred gain from sale-leaseback transactions	860	(860)	—
Total current liabilities	18,042	5,602	23,644
Long-term liabilities:			
Capital lease obligations and long-term debt, less current portion	1,854	1,502	3,356
Accrued expenses, less current portion	49	—	49
Warrant liabilities	978	—	978
Deferred gain from sale-leaseback transactions, less current portion	900	(900)	—
Total long-term liabilities	3,781	602	4,383
Total liabilities	$ 21,823	$ 6,204	$ 28,027
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $17,440 at June 30, 2015	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $17,440 at June 30, 2015	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 40,331,645 shares issued and outstanding at June 30, 2017	224,874	—	224,874
Accumulated deficit	(174,701)	(1,028)	(175,729)
Total shareholders' equity	53,311	(4,166)	49,145
Total liabilities, convertible preferred stock and shareholders' equity	$ 75,134	$ 5,176	$ 80,310

($ in thousands, except per share data)	Year ended June 30, 2015		
	As Previously Reported	Adjustments	As Restated
Revenue:			
License and transaction fees	$ 43,633	$ (4)	$ 43,629
Equipment sales	14,444	61	14,505
Total revenue	58,077	57	58,134
Costs of sales:			
Cost of services	29,429	(573)	28,856
Cost of equipment	11,825	274	12,099
Total costs of sales	41,254	(299)	40,955
Gross profit	16,823	356	17,179
Operating expenses:			
Selling, general and administrative	16,451	705	17,156
Depreciation and amortization	612	—	612
Total operating expenses	17,063	705	17,768
Operating loss	(240)	(349)	(589)
Other income (expense):			
Interest income	83	—	83
Other income	52	—	52
Interest expense	(302)	(1,251)	(1,553)
Change in fair value of warrant liabilities	(393)	—	(393)
Total other expense, net	(560)	(1,251)	(1,811)
Loss before income taxes	(800)	(1,600)	(2,400)
(Provision) benefit for income taxes	(289)	575	286
Net loss	(1,089)	(1,025)	(2,114)
Preferred dividends	(668)	—	(668)
Net loss applicable to common shares	$ (1,757)	$ (1,025)	$ (2,782)
Net loss per common share			
Basic	$ (0.05)	$ (0.03)	$ (0.08)
Diluted	$ (0.05)	$ (0.03)	$ (0.08)
Weighted average number of common shares outstanding			
Basic	35,719,211	—	35,719,211
Diluted	35,719,211	—	35,719,211

($ in thousands)	Year ended June 30, 2015		
	As Previously Reported	Adjustments	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (1,089)	$ (1,025)	$ (2,114)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash stock-based compensation	716	—	716
(Gain) loss on disposal of property and equipment	(17)	—	(17)
Bad debt expense	1,098	271	1,369
Provision for inventory reserve	—	356	356
Depreciation and amortization	5,731	1,164	6,895
Change in fair value of warrant liabilities	393	—	393
Deferred income taxes, net	215	(575)	(360)
Gain on sale of finance receivables	(52)	—	(52)
Recognition of deferred gain from sale-leaseback transactions	(834)	834	—
Changes in operating assets and liabilities:			
Accounts receivable	(2,539)	(2,413)	(4,952)
Finance receivables, net	(4,114)	—	(4,114)
Inventory, net	(1,931)	(1,443)	(3,374)
Prepaid expenses and other current assets	(304)	163	(141)
Accounts payable and accrued expenses	996	1,474	2,470
Deferred revenue	—	47	47
Income taxes payable	33	—	33
Net cash used in operating activities	(1,698)	(1,147)	(2,845)
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(1,702)	1,181	(521)
Proceeds from sale of property and equipment	62	—	62
Proceeds from sale of rental equipment under sale-leaseback transactions	4,994	—	4,994
Net cash provided by investing activities	3,354	1,181	4,535
FINANCING ACTIVITIES:			
Cash used in retirement of common stock	(62)	—	(62)
Repayment of line of credit	(1,000)	—	(1,000)
Repayment of capital lease obligations and long-term debt	(359)	(1,706)	(2,065)
Proceeds from transfers of finance receivables	2,057	1,672	3,729
Excess tax benefits from share-based compensation	10	—	10
Net cash provided by financing activities	646	(34)	612
Net increase in cash and cash equivalents	2,302	—	2,302
Cash and cash equivalents at beginning of year	9,072	—	9,072
Cash and cash equivalents at end of year	$ 11,374	$ —	$ 11,374

The following unaudited quarterly financial operations data as of and for the years ended June 30, 2019, 2018 and 2017 was derived from the audited consolidated financial statements of USA Technologies, Inc. and its interim reports for the quarters therein. The data should be read in conjunction with the consolidated financial statements, related notes, and other financial information.

	Three months ended			
($ in thousands, except per share data)	**September 30, 2018**	**December 31, 2018**	**March 31, 2019**	**June 30, 2019**
	(unaudited)	***(unaudited)***	***(unaudited)***	***(unaudited)***
Revenue	$ 33,522	$ 34,406	$ 37,646	$ 38,225
Gross profit	$ 10,110	$ 9,243	$ 9,779	$ 8,987
Operating loss	$ (5,921)	$ (10,200)	$ (3,892)	$ (10,143)
Net loss	$ (6,320)	$ (10,657)	$ (4,510)	$ (10,541)
Cumulative preferred dividends	$ (334)	$ —	$ (334)	$ —
Net loss applicable to common shares	$ (6,654)	$ (10,657)	$ (4,844)	$ (10,541)
Net loss per common share - basic	$ (0.11)	$ (0.18)	$ (0.08)	$ (0.18)
Net loss per common share - diluted	$ (0.11)	$ (0.18)	$ (0.08)	$ (0.18)
Weighted average number of common shares outstanding - basic	60,053,912	60,059,936	60,065,053	60,065,978
Weighted average number of common shares outstanding - diluted	60,053,912	60,059,936	60,065,053	60,065,978

	Three months ended			
($ in thousands, except per share data)	**September 30, 2017 (As Restated)(1)**	**December 31, 2017 (As Restated)(1)**	**March 31, 2018 (As Restated)(1)**	**June 30, 2018**
	(unaudited)	***(unaudited)***	***(unaudited)***	***(unaudited)***
Revenue	$ 25,259	$ 31,532	$ 33,592	$ 42,125
Gross profit	$ 6,181	$ 9,172	$ 9,845	$ 10,478
Operating loss	$ (1,750)	$ (3,905)	$ (2,566)	$ (1,002)
Net loss	$ (2,171)	$ (4,194)	$ (3,223)	$ (1,696)
Cumulative preferred dividends	$ (334)	$ —	$ (334)	$ —
Net loss applicable to common shares	$ (2,505)	$ (4,194)	$ (3,557)	$ (1,696)
Net loss per common share - basic	$ (0.05)	$ (0.08)	$ (0.07)	$ (0.03)
Net loss per common share - diluted	$ (0.05)	$ (0.08)	$ (0.07)	$ (0.03)
Weighted average number of common shares outstanding - basic	47,573,364	52,150,106	53,637,085	54,064,750
Weighted average number of common shares outstanding - diluted	47,573,364	52,150,106	53,637,085	54,064,750

(1) The fiscal quarters ended September 30, 2017, December 31, 2017 and March 31, 2018 reflect adjustments to our previously issued consolidated financial statements as more fully described in Note 2 and Note 20 of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

($ in thousands, except per share data)	Three months ended			
	September 30, 2016 (As Restated)(1)	December 31, 2016 (As Restated)(1)	March 31, 2017 (As Restated)(1)	June 30, 2017 (As Restated)(1)
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	$ 21,569	$ 21,787	$ 26,301	$ 31,779
Gross profit	$ 6,297	$ 6,445	$ 6,342	$ 5,977
Operating (loss) income	$ (1,383)	$ 109	$ (459)	$ (2,401)
Net loss	$ (3,370)	$ (232)	$ (925)	$ (2,938)
Cumulative preferred dividends	$ (334)	$ —	$ (334)	$ —
Net loss applicable to common shares	$ (3,704)	$ (232)	$ (1,259)	$ (2,938)
Net loss per common share - basic	$ (0.10)	$ (0.01)	$ (0.03)	$ (0.07)
Net loss per common share - diluted	$ (0.10)	$ (0.01)	$ (0.03)	$ (0.07)
Weighted average number of common shares outstanding - basic	38,488,005	40,308,934	40,327,697	40,331,993
Weighted average number of common shares outstanding - diluted	38,488,005	40,308,934	40,327,697	40,331,993

(1) The fiscal quarters within the year ended June 30, 2017 reflect adjustments to our previously issued consolidated financial statements as more fully described in Note 2 and Note 20 of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

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

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 the Company. 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;
- the ability of the Company to raise funds in the future through sales of securities or debt financing in order to sustain its operations if an unexpected or unusual event would occur;
- the ability of the Company to compete with its competitors to obtain market share;
- whether the Company's current or future customers purchase, lease, rent or utilize ePort devices or our other products in the future at levels currently anticipated by our Company;
- whether the Company's customers continue to utilize the Company's transaction processing and related services, as our customer agreements are generally cancelable by the customer on thirty to sixty days' notice;
- the ability of the Company to satisfy its trade obligations included in accounts payable and accrued expenses;
- the ability of the Company to sell to third party lenders all or a portion of our finance receivables;
- the ability of a sufficient number of our customers to utilize third party financing companies under our QuickStart program in order to improve our net cash used by operating activities;
- the incurrence by us of any unanticipated or unusual non-operating expenses which would require us to divert our cash resources from achieving our business plan;
- the ability of the Company to predict or estimate its future quarterly or annual revenue and expenses given the developing and unpredictable market for its products;
- the ability of the Company to retain key customers from whom a significant portion of its revenue are derived;
- the ability of a key customer to reduce or delay purchasing products from the Company;
- the ability of the Company to obtain widespread commercial acceptance of its products and service offerings such as ePort QuickConnect, mobile payment and loyalty programs;
- whether any patents issued to the Company will provide the Company with any competitive advantages or adequate protection for its products, or would be challenged, invalidated or circumvented by others;
- the ability of the Company to operate without infringing the intellectual property rights of others;
- the ability of our products and services to avoid unauthorized hacking or credit card fraud;
- whether we continue to 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 risks associated with the currently pending litigation or possible regulatory action arising from the internal investigation and its findings, from the failure to timely file our periodic reports with the SEC, 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 the shareholder demands for derivative action;

- whether our suppliers would increase their prices, reduce their output or change their terms of sale; and
- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired.

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. 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.

OVERVIEW OF THE COMPANY

USA Technologies, Inc. provides wireless networking, cashless transactions, asset monitoring, and other value-added services principally to the small ticket, unattended Point of Sale ("POS") market. Our ePort® technology can be installed and/or embedded into everyday devices such as vending machines, a variety of kiosks, amusement games, and commercial laundry via either our ePort hardware or our Quick Connect solution. Our associated service, ePort Connect®, is a PCI-compliant, comprehensive service that includes simplified credit/debit card processing and support, consumer engagement services as well as telemetry, Internet of Things ("IoT"), and machine-to-machine ("M2M") services, including the ability to remotely monitor, control and report on the results of distributed assets containing our electronic payment solutions.

The Company generates revenue in multiple ways. During fiscal year 2019, we derived approximately 86% of our revenue from recurring license and transaction fees related to our ePort Connect service and approximately 14% of our revenue from equipment sales. Connections to our service stem from the sale or lease of our POS electronic payment devices, certified payment software, or the servicing of similar third-party installed POS terminals. Connections to the ePort Connect service are the most significant driver of the Company's revenue, particularly the recurring revenue from license and transaction fees. 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, through an unrelated equipment financing company, if available, or directly from the Company; and
- Renting devices under the Company's JumpStart Program, which are cancellable month-to-month operating leases.

Highlights of the Company are below:

- Headquarters in Malvern, Pennsylvania;
- Over 125 employees;
- Over 19,300 customers and 1,169,000 connections to our service;
- Three direct sales teams at the national, regional, and local customer-level and a growing number of OEMs and national distribution partners;
- 87 United States and foreign patents are in force; and
- The Company's fiscal year ends June 30th.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared applying certain critical accounting policies. The Securities and Exchange Commission ("SEC") defines "critical accounting policies" as those that require application of management's most difficult, subjective, or complex judgments. 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. Our financial statements are prepared in accordance with U.S. GAAP, and they conform to general practices in our industry. 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 are listed below:

Revenue Recognition. The Company derives revenue primarily from the sale or lease of equipment and services to the small ticket, unattended Point of Sale ("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. Specifically, the determination of whether we are a principal to a transaction (gross revenue) or an agent (net revenue) can require considerable judgment.

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 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.

The Company allocates revenue based on a selling price hierarchy of vendor-specific objective evidence, third-party evidence, and then estimated selling price. Vendor-specific objective evidence is based on the price charged when the deliverable is sold separately. Third-party evidence is based on largely interchangeable competitor products or services in standalone sales to similarly situated customers. As the Company is unable to reliably determine what competitor products' selling prices are on a standalone basis, the Company is not typically able to determine third-party evidence. Estimated selling price is based on the Company's best estimates of what the selling prices of deliverables would be if they were sold regularly on a standalone basis. Estimated selling price is established considering multiple factors including, but not limited to, pricing practices in different geographies, customer classifications, major product and services groups.

The Company has adopted FASB Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," effective July 1, 2018. The standard supersedes most existing revenue recognition guidance and will have an impact on the Company's revenue recognition accounting policies. Management has reassessed the critical accounting policies and determined that there were no significant changes to our critical accounting policies except for recently adopted accounting policy changes as discussed in Note 3, "Recent Accounting Pronouncements," to our Consolidated Financial Statements.

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. The use of different estimates, assumptions and judgments in connection with accounting for income taxes may result in materially different carrying values of income tax assets and liabilities and results of operations.

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. As of June 30, 2019 and June 30, 2018, we had federal and state net operating loss carryforwards of $349 million and $333 million, respectively, to offset future taxable income, the majority of which expire through approximately 2039. Federal and some state net operating loss carryforwards generated in tax years ending after December 31, 2017 can be

carried forward indefinitely. These 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. Federal and state operating loss carryforwards start to expire in 2022 and 2020, respectively.

Goodwill. Pursuant to applicable accounting standards, we test goodwill for impairment at least annually by comparing the fair value of our reporting unit to its carrying value using a market approach. 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 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, 2019, 2018, or 2017. As of June 30, 2019, 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. Long-lived assets are reviewed for impairment at the asset group level whenever events or changes in circumstances indicate that the carrying value 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.

Allowances for Doubtful Accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. Estimating this amount requires us to analyze the financial strengths of our customers. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. By its nature, such an estimate is highly subjective, and it is possible that the amount of accounts receivable that we are unable to collect may be different than the amount initially estimated. Our allowance for doubtful accounts on June 30, 2019 and June 30, 2018, was $4.9 million and $2.8 million, respectively. To the extent the actual collectability of our accounts receivable differs from our estimates by 10%, our June 30, 2019 net income would be higher or lower by approximately $0.5 million, on an after-tax basis, depending on whether the actual collectability was better or worse, respectively, than the estimated allowance.

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 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. Our inventory reserve on June 30, 2019 and June 30, 2018, was $5.9 million and $3.2 million, respectively. To the extent that actual obsolescence of our inventory differs from our estimate by 10%, our June 30, 2019 net income would be higher or lower by approximately $0.6 million, on an after-tax basis.

Cantaloupe Acquisition. We are required to estimate the fair value of the assets acquired and liabilities assumed in business combinations as of the acquisition date, including identified intangible assets. The amount of purchase price paid in excess of the net assets acquired is recorded as goodwill. The fair values are estimated in accordance with accounting standards which define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair values of the net assets acquired are determined primarily using Level 3 inputs (inputs that are unobservable to the marketplace participant).

The most significant of the fair value estimates is related to intangible assets subject to amortization. We recorded $30.8 million of acquired intangible assets in connection with the Cantaloupe acquisition. This amount of intangible assets was determined based primarily on Cantaloupe's projected cash flows. The projected cash flows include various assumptions, including the timing of projects embedded in backlog, success in securing future business, profitability of the business, and the appropriate risk-adjusted discount rate used to discount the projected cash flows. The residual value assigned to goodwill was $52.7 million.

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.

See Note 19 to the consolidated financial statements for further information.

RESULTS OF OPERATIONS

The following tables set forth our results of operations for the periods presented. The period-to-period comparison of our historical results is not necessarily indicative of the results that may be expected in the future.

Revenue and Gross Profit

	Year Ended June 30,			Percent Change	
($ in thousands)	**2019**	**2018**	**2017**	**2019 v. 2018**	**2018 v. 2017**
Revenue:					
License and transaction fees	$ 123,554	$ 96,872	$ 69,134	27.5 %	40.1%
Equipment sales	20,245	35,636	32,302	(43.2)%	10.3%
Total revenue	143,799	132,508	101,436	8.5 %	30.6%
Cost of sales:					
Cost of services	80,485	61,175	46,520	31.6 %	31.5%
Cost of equipment	25,195	35,657	29,855	(29.3)%	19.4%
Total cost of sales	105,680	96,832	76,375	9.1 %	26.8%
Gross profit:					
License and transaction fees	43,069	35,697	22,614	20.7 %	57.9%
Equipment sales	(4,950)	(21)	2,447	*NM*	*NM*
Total gross profit	$ 38,119	$ 35,676	$ 25,061	6.8 %	42.4%

NM — not meaningful

Revenue

Total revenue for the year ended June 30, 2019 was $143.8 million, consisting of $123.6 million of license and transactions fees and $20.2 million of equipment sales, compared to $132.5 million for the year ended June 30, 2018, consisting of $96.9 million of license and transaction fees and $35.6 million of equipment sales. The $11.3 million increase in total revenue from the prior fiscal year was attributable to a $26.7 million increase in license and transaction fees offset by a $15.4 million decrease in equipment sales. The increase in license and transaction fees is driven by approximately 141,000 net new connections in FY2019. The decrease in equipment sales is driven by lower shipments in 2019.

Total revenue for the year ended June 30, 2018 was $132.5 million, consisting of $96.9 million of license and transactions fees and $35.6 million of equipment sales, compared to $101.4 million for the year ended June 30, 2017, consisting of $69.1 million of license and transaction fees and $32.3 million of equipment sales. The $31.1 million increase in total revenue from the prior fiscal year was attributable to a $27.7 million increase in license and transaction fees and a $3.3 million increase in equipment sales, both driven by an increase in connections and the Cantaloupe acquisition.

Cost of sales

Total cost of sales for the year ended June 30, 2019 was $105.7 million, consisting of $80.5 million of cost of services and $25.2 million of equipment costs, compared to $96.8 million for the year ended June 30, 2018, consisting of $61.2 million of cost of services and $35.7 million of equipment costs. The $8.8 million increase in total cost of sales from the prior fiscal year was attributable to a $19.3 million increase in cost of services offset by a $10.5 million decrease in equipment costs, driven by lower shipments in fiscal year 2019.

Total cost of sales for the year ended June 30, 2018 was $96.8 million, consisting of $61.2 million of cost of services and $35.7 million of equipment costs, compared to $76.4 million for the year ended June 30, 2017, consisting of $46.5 million of cost of services and $29.9 million of equipment costs. The $20.5 million increase in total cost of sales from the prior fiscal year was attributable to a $14.7 million increase in cost of services and a $5.8 million increase in equipment costs, both driven by an increase in connections, increased year over year equipment shipments and the Cantaloupe acquisition.

Gross Margin

Overall gross margin decreased from 26.9% for fiscal year 2018 to 26.5% for fiscal year 2019. This decrease is attributable to a decrease in the license fee and transaction margin from 36.8% for fiscal year 2018 to 34.9% for fiscal year 2019, which was driven by an increase in transaction processing revenue as a total percentage of our product mix and a decrease in equipment margin from (0.1)% for fiscal year 2018 to (24.5)% for fiscal year 2019, driven by higher inventory carrying costs related to reduced inventory turnover and increased reserves for obsolete inventory.

Overall gross margin increased from 24.7% for fiscal year 2017 to 26.9% for fiscal year 2018. This increase is attributable to an increase in the license fee and transaction margin from 32.7% for fiscal year 2017 to 36.8% for fiscal year 2018, which was driven by the impact of the Cantaloupe acquisition, partially offset by a decrease in the equipment margin, from 7.6% for fiscal year 2017 to (0.1)% for fiscal year 2018, reflecting our strategy of using equipment sales as an enabler for driving longer-term, higher margin license and transaction fees.

Operating Expenses

	Year ended June 30,			Percent Change	
Category ($ in thousands)	**2019**	**2018**	**2017**	**2019 v. 2018**	**2018 v. 2017**
Selling, general and administrative expenses	$ 47,068	$ 34,647	$ 28,177	35.9%	23.0%
Investigation and restatement expenses	15,439	—	—	*NM*	*NM*
Integration and acquisition costs	1,338	7,048	—	(81.0%)	*NM*
Depreciation and amortization	4,430	3,204	1,018	38.3%	214.7%
Total operating expenses	$ 68,275	$ 44,899	$ 29,195	52.1%	53.8%

NM — not meaningful

Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended June 30, 2019 were $47.1 million, compared to $34.6 million for the year ended June 30, 2018. The $12.4 million increase from the prior fiscal year was attributable to a $5.3 million net increase of employee related costs, $2.2 million of tax expense driven by sales tax exposure, $2.1 million of increased reserve for bad debt expense, $1.3 million of expense related to the acquisition of Cantaloupe, and $0.7 million of increased expenses related to the Company's premises. The Company also experienced increased audit fees related to all of the Company's FY 2019 filings and associated restatements. The cost of the audit is reflected in Item 14 of this document.

Selling, general and administrative expenses for the year ended June 30, 2018 were $34.6 million, compared to $28.2 million for the year ended June 30, 2017. The $6.5 million increase from the prior fiscal year was primarily driven by the Cantaloupe acquisition as well as an increase in sales and marketing as we continue to increase our market share in the cashless-transaction vending industry.

Investigation and restatement expenses

Investigation and restatement expenses were $15.4 million for the year ended June 30, 2019 as a result of expenses incurred by the Company in connection with the Audit Committee's investigation, the review of our accounting, the restatements of previously filed financial statements, bank consents, and the ongoing remediation of deficiencies in our internal control over financial reporting.

Integration and acquisition costs

Integration and acquisition costs for the year ended June 30, 2019 were $1.3 million, compared to $7.0 million for the year ended June 30, 2018. The $5.7 million decrease from the prior fiscal year was attributable to fewer integration activities in our 2019 fiscal year relating to the Cantaloupe acquisition.

Integration and acquisition costs for the year ended June 30, 2018 were $7.0 million, compared to none incurred for the year ended June 30, 2017. The increase was driven by the Cantaloupe acquisition.

Depreciation and amortization

Depreciation and amortization expenses for the year ended June 30, 2019 were $4.4 million, compared to $3.2 million for the year ended June 30, 2018. The $1.2 million increase from the prior fiscal year was attributable to intangible asset amortization resulting from the acquisition of Cantaloupe in fiscal year 2018.

Depreciation and amortization expenses for the year ended June 30, 2018 were $3.2 million, compared to $1.0 million for the year ended June 30, 2017. The $2.2 million increase from the prior fiscal year was attributable to intangible asset amortization resulting from the acquisition of Cantaloupe in fiscal year 2018.

Other Expense, Net

	Year ended June 30,			Percent Change	
Category ($ in thousands)	**2019**	**2018**	**2017**	**2019 v. 2018**	**2018 v. 2017**
Other income (expense):					
Interest income	$ 1,382	$ 943	$ 482	46.6%	95.6%
Interest expense	(2,992)	(3,105)	(2,228)	(3.6%)	39.4%
Change in fair value of warrant liabilities	—	—	(1,490)	*NM*	*NM*
Total other expense, net	$ (1,610)	$ (2,162)	$ (3,236)	(25.5%)	(33.2%)

NM — not meaningful

Total Other Expense, Net

Total other expense, net for the fiscal year ended June 30, 2019 was $1.6 million, compared to $2.2 million for the fiscal year ended June 30, 2018. The $0.6 million decrease in other expense, net is primarily due to an increase in interest income from agreements under the Company's Quick Start Program.

Total other expense, net for the fiscal year ended June 30, 2018 was $2.2 million, compared to $3.2 million for the fiscal year ended June 30, 2017. The $1.1 million increase is primarily due to a $1.5 million non-cash charge for the change in the fair value of the Company’s warrant liability recognized in fiscal year 2017, offset by additional interest expense as a result of borrowings in fiscal year 2018 on its revolving credit facility and term loan.

Income Taxes

	Year ended June 30,			Percent Change	
	2019	**2018**	**2017**	**2019 v. 2018**	**2018 v. 2017**
(Provision) benefit for income taxes	$ (262)	$ 101	$ (95)	*NM*	*NM*

NM — not meaningful

Tax Benefit (Provision)

The tax provision for the fiscal year ended June 30, 2019 decreased $0.4 million as compared to the tax benefit for the fiscal year ended June 30, 2018. The primary drivers of the change are a $0.1 million benefit recorded in fiscal year ended June 30, 2018 for additional deferred tax assets recognized related to the Company's alternative minimum tax credit due to the Act, the reduction in the Company's deferred tax liability related to indefinite lived intangibles of $0.1 million recorded in fiscal year ended June 30, 2018 due to the federal corporate tax rate reduction of the Act, as well as the recording of a $0.2 million reserve for an uncertain tax position related to state income and franchise taxes in fiscal year ended June 30, 2019.

The tax benefit for the fiscal year ended June 30, 2018 increased $0.2 million as compared to the tax provision for the fiscal year ended June 30, 2017. The primary drivers of the change are a $0.1 million benefit recorded in fiscal year ended June 30, 2018 for additional deferred tax assets recognized related to the Company's alternative minimum tax credit due to the Act and the reduction in the Company's deferred tax liability related to indefinite lived intangibles of $0.1 million recorded in fiscal year ended June 30, 2018 due to the federal corporate tax rate reduction of the Act.

Non-GAAP Net Loss

Non-GAAP net loss was $9.7 million for the fiscal year ended June 30, 2019 compared to non-GAAP net loss of $0.5 million for fiscal year ended June 30, 2018 and non-GAAP net loss of $4.5 million for fiscal year ended June 30, 2017.

A reconciliation of net loss to non-GAAP net loss for the fiscal years ended June 30, 2019, 2018, and 2017 is as follows:

	Year ended		
($ in thousands)	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Net loss	$ (32,028)	$ (11,284)	$ (7,465)
Non-GAAP adjustments:			
Non-cash portion of income tax provision	173	(160)	64
Fair value of warrant adjustment	—	—	1,490
Amortization expense	3,154	2,097	175
Stock-based compensation	1,750	1,794	1,214
Litigation related professional fees	500	—	33
Investigation and restatement expenses	15,439	—	—
Integration and acquisition costs	1,338	7,048	—
Non-GAAP net loss	$ (9,674)	$ (505)	$ (4,489)

As used herein, non-GAAP net loss represents GAAP (Generally Accepted Accounting Principles) net loss excluding costs or benefits relating to any adjustment for fair value of warrant liabilities and non-cash portions of the Company's income tax benefit (provision), amortization expense related to our acquisition-related intangibles, non-recurring fees and charges that were incurred in connection with the acquisition and integration of businesses, non-recurring fees and charges that were incurred in connection with the Audit Committee investigation and financial statement restatement activities, and class-action litigation expenses. Management believes that non-GAAP net loss is an important measure of USAT's business. Non-GAAP net loss is a non-GAAP financial measure which is not required by or defined under GAAP. 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 the net income or net loss of the Company 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 the Company's net income or net loss as determined in accordance with GAAP, and are not a substitute for or a measure of the Company's profitability or net earnings. Management believes that non-GAAP net income (loss) is an important measure of the Company's business. Management uses the aforementioned non-GAAP measure to monitor and evaluate ongoing operating results and trends and to gain an understanding of our comparative operating performance. We believe that this non-GAAP financial measure serves as a useful metric for our management and investors because they enable a better understanding of the long-term performance of our core business and facilitate comparisons of our operating results over multiple periods, and when taken together with the corresponding GAAP financial measures and our reconciliations, enhance investors' overall understanding of our current and future financial performance. Additionally, the Company utilizes non-GAAP net loss as a metric in its executive officer and management incentive compensation plans.

Adjusted EBITDA

For the fiscal year ended June 30, 2019, the Company had Adjusted EBITDA of $(3.1) million compared to Adjusted EBITDA of $7.4 million for the fiscal year ended June 30, 2018 and Adjusted EBITDA of $3.1 million for the fiscal year ended June 30, 2017. Reconciliation of net loss to Adjusted EBITDA for the fiscal years ended June 30, 2019, 2018, and 2017 is as follows:

	Year ended June 30,		
($ in thousands)	**2019**	**2018**	**2017**
			(as restated)
Net loss	$ (32,028)	$ (11,284)	$ (7,465)
Less: interest income	(1,382)	(943)	(482)
Plus: interest expense	2,992	3,105	2,228
Plus (less): income tax provision (benefit)	262	(101)	95
Plus: depreciation expense	4,855	5,732	5,781
Plus: amortization expense	3,154	2,097	175
EBITDA	(22,147)	(1,394)	332
Plus: change in fair value of warrant liabilities	—	—	1,490
Plus: stock-based compensation	1,750	1,794	1,214
Plus: litigation related professional fees	500	—	33
Plus: investigation and restatement expenses	15,439	—	—
Plus: integration and acquisition costs	1,338	7,048	—
Adjustments to EBITDA	19,027	8,842	2,737
Adjusted EBITDA	$ (3,120)	$ 7,448	$ 3,069

As used herein, Adjusted EBITDA represents net loss before interest income, interest expense, income taxes, depreciation, amortization, non-recurring fees and charges that were incurred in connection with the acquisition and integration of businesses, non-recurring fees and charges that were incurred in connection with the Audit Committee investigation and financial statement restatement activities, class action litigation expenses, change in fair value of warrant liabilities, and stock-based compensation expense. We have excluded the non-operating item, change in fair value of warrant liabilities, because it represents a non-cash gain or charge that is not related to our operations. We have excluded the non-cash expense, stock-based compensation, as it does not reflect our cash-based operations. We have excluded the non-recurring costs and expenses incurred in connection with business acquisitions in order to allow more accurate comparison of the financial results to historical operations. We have excluded the professional fees incurred in connection with the class action litigation as well as the non-recurring costs and expenses related to the Audit Committee investigation and financial statement restatement activities because we believe that they represent charges that are not related to our operations. Adjusted EBITDA is a non-GAAP financial measure which is not required by or defined under GAAP (Generally Accepted Accounting Principles). We use these non-GAAP financial measures for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects and allow 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.

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Revenue and Gross Profit

($ in thousands)	Three months ended September 30, 2017	2016	Percent Change
Revenues:			
License and transaction fees	$ 19,397	$ 16,363	18.5 %
Equipment sales	5,862	5,206	12.6 %
Total revenues	25,259	21,569	17.1 %
Costs of sales:			
Cost of services	13,247	11,099	19.4 %
Cost of equipment	5,831	4,173	39.7 %
Total costs of sales	19,078	15,272	24.9 %
Gross profit:			
License and transaction fees	6,150	5,264	16.8 %
Equipment sales	31	1,033	(97.0)%
Total gross profit	$ 6,181	$ 6,297	(1.8)%

Revenue

Total revenue increased $3.7 million for the three-month period ended September 30, 2017 compared to the same period in the prior fiscal year. The growth in total revenue resulted from a $3.0 million increase in license and transaction fee revenue, driven by a 146,000 increase in total connections for the quarter ended September 30, 2017 compared to the same period in the prior fiscal year, and a $0.7 million increase in equipment revenue for the three months ended September 30, 2017 compared to the same period in the prior fiscal year, driven by an increased number of units shipped.

Cost of sales

Cost of sales increased by $3.8 million for the three-month period ended September 30, 2017 compared to the same period in in the prior year. The increase was driven by a $2.1 million increase in cost of services and a $1.7 million increase in cost of equipment sales arising from an increased number of units sold during the period.

Gross margin

The overall gross margin decreased 4.7%, from 29.2% for the three months ended September 30, 2016 to 24.5% for the three months ended September 30, 2017. The decrease was primarily driven by the decrease in the equipment margin, from 19.8% for the three months ended September 30, 2016 to 0.5% for the three months ended September 30, 2017, and by reduced fees and/or pricing periodically extended to customers who offer strategic and/or large market opportunities.

Operating Expenses

Category ($ in thousands)	Three months ended September 30, 2017	2016	Percent Change
Selling, general and administrative expenses	$ 6,924	$ 7,472	(7.3)%
Integration and acquisition costs	762	—	*NM*
Depreciation and amortization	245	208	17.8 %
Total operating expenses	$ 7,931	$ 7,680	3.3 %

NM — not meaningful

Selling, general and administrative expenses

Selling, general and administrative expenses decreased approximately $0.5 million for the three months ended September 30, 2017, as compared to the same period in the prior fiscal year. This change was driven by a decrease in costs incurred in connection with SOX 404 compliance expenses which were primarily attributable to our assessment being subject to audit for the first time in 2016, partially offset by an increase in sales and marketing related consulting expenses as we continue to increase our market share in the cashless-transaction vending industry, and an increase in salaries and wages as the company increased employee headcount.

Integration and acquisition costs

Integration and acquisition costs increased $0.8 million for the three months ended September 30, 2017 as compared to the same period in 2016, incurred in connection with the planned acquisition of Cantaloupe.

Depreciation and amortization.

Depreciation and amortization expenses increased approximately $37 thousand for the period ended September 30, 2017 due to additional capitalized development costs.

Other Expense, Net

($ in thousands)	Three months ended September 30, 2017	2016	Percent Change
Other income (expense):			
Interest income	$ 80	$ 73	9.6 %
Interest expense	(473)	(547)	(13.5)%
Change in fair value of warrant liabilities	—	(1,490)	*NM*
Total other expense, net	$ (393)	$ (1,964)	(80.0)%

NM — not meaningful

Other expense, net decreased $1.6 million for the three months ended September 30, 2017 compared to the same period in the prior fiscal year. The decrease was primarily driven by the fair value associated with the exercised warrants recognized during the three months ended September 2016.

Income Taxes

($ in thousands)	Three months ended September 30, 2017	2016	Percent Change
Provision for income taxes	$ (28)	$ (23)	21.7%

For the three months ended September 30, 2017, an income tax provision of $28 thousand was recorded primarily related to state income and franchise taxes. The income tax provision is based upon actual income (loss) before income taxes for the three months ended September 30, 2017, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

For the three months ended September 30, 2016, an income tax provision of $23 thousand was recorded primarily related to state income and franchise taxes. The income tax provision is based upon actual income (loss) before income taxes for the three months ended September 30, 2016, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

Three Months Ended December 31, 2017 Compared to Three Months Ended December 31, 2016

Revenue and Gross Profit

($ in thousands)	Three months ended December 31, 2017	2016	Percent Change
Revenues:			
License and transaction fees	$ 23,514	$ 16,637	41.3 %
Equipment sales	8,018	5,150	55.7 %
Total revenues	31,532	21,787	44.7 %
Costs of sales:			
Cost of services	14,356	11,246	27.7 %
Cost of equipment	8,004	4,096	95.4 %
Total costs of sales	22,360	15,342	45.7 %
Gross profit:			
License and transaction fees	9,158	5,391	69.9 %
Equipment sales	14	1,054	(98.7)%
Total gross profit	$ 9,172	$ 6,445	42.3 %

Revenue

Total revenue increased $9.7 million for the three months ended December 31, 2017 compared to the same period in 2016. The growth in total revenue resulted from a $6.9 million increase in license and transaction fee revenue for the quarter ended December 31, 2017 compared to the same period in 2016, and a $2.9 million increase in equipment revenue for three months ended December 31, 2017 compared to the same period last year, both driven by an increase in connections, including an increase in connections that resulted from the Cantaloupe acquisition.

Cost of sales

Cost of sales increased by $7.0 million for the three months ended December 31, 2017 compared to the same period in 2016. The increase was driven by a $3.1 million increase in cost of services and a $3.9 million increase in cost of equipment sales, both driven by an increase in connections and the Cantaloupe acquisition.

Gross margin

The overall gross margin decreased 0.5% from 29.6% for the three months ended December 31, 2016 to 29.1% for the three months ended December 31, 2017. The decrease in the equipment margin reflected our strategy of using equipment sales as an enabler for driving long-term, higher margin license and transaction fees. This decrease was offset by an increase in the license fee and transaction margin which was driven by the impact of the Cantaloupe acquisition.

Operating Expenses

Category ($ in thousands)	Three months ended December 31, 2017	2016	Percent Change
Selling, general and administrative expenses	$ 9,005	$ 6,029	49.4%
Integration and acquisition costs	3,335	—	*NM*
Depreciation and amortization	737	307	140.1%
Total operating expenses	$ 13,077	$ 6,336	106.4%

NM — not meaningful

Selling, general and administrative expenses

Selling, general and administrative expenses increased approximately $3.0 million for the three months ended December 31, 2017, as compared to the same period in 2016. This change was primarily driven by an increase in selling, general and administrative costs incurred related to Cantaloupe as well as an increase in sales and marketing related consulting expenses as we continue to increase our market share in the cashless-transaction vending industry.

Integration and acquisition costs

Integration and acquisition costs increased $3.3 million for the three months ended December 31, 2017 as compared to the same period in 2016, due to the costs incurred in connection with the acquisition of Cantaloupe.

Depreciation and amortization

Depreciation and amortization expenses increased approximately $0.4 million for the three months ended December 31, 2017 primarily due to the amortization of intangible assets recognized in connection with the Cantaloupe acquisition.

Other Expense, Net

($ in thousands)	Three months ended December 31, 2017	2016	Percent Change
Other income (expense):			
Interest income	$ 324	$ 200	62.0%
Interest expense	(770)	(518)	48.6%
Total other expense, net	$ (446)	$ (318)	40.3%

Other expense, net

Other expense, net increased $0.1 million for the three months ended December 31, 2017 compared to the same period in 2016. The increase was primarily driven by the interest incurred in connection with the Term Loan and Revolving Credit Facility utilized to fund a portion of the acquisition of Cantaloupe.

Income Taxes

($ in thousands)	Three months ended December 31, 2017	2016	Percent Change
Benefit (provision) for income taxes	$ 157	$ (23)	*NM*

NM — not meaningful

Income taxes

For the three months ended December 31, 2017, the Company recorded an income tax benefit of $0.2 million, which included a benefit of $0.1 million due to the ability to recognize additional deferred tax assets related to the Company's alternative minimum tax credit as result of the Act. The benefit is based upon actual income (loss) before income taxes for the three months ended December 31, 2017, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

For the three months ended December 31, 2016, an income tax provision of $23 thousand was recorded primarily related to state income and franchise taxes. The income tax provision is based upon actual income (loss) before benefit income taxes for the three months ended December 31, 2016, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

Six Months Ended December 31, 2017 Compared to Six Months Ended December 31, 2016

Revenue and Gross Profit

($ in thousands)	Six months ended December 31, 2017	2016	Percent Change
Revenues:			
License and transaction fees	$ 42,911	$ 33,000	30.0 %
Equipment sales	13,880	10,356	34.0 %
Total revenues	56,791	43,356	31.0 %
Costs of sales:			
Cost of services	27,603	22,345	23.5 %
Cost of equipment	13,835	8,269	67.3 %
Total costs of sales	41,438	30,614	35.4 %
Gross profit:			
License and transaction fees	15,308	10,655	43.7 %
Equipment sales	45	2,087	(97.8)%
Total gross profit	$ 15,353	$ 12,742	20.5 %

Revenue

Total revenue increased $13.4 million for the six months ended December 31, 2017 compared to the same period in 2016. The growth in total revenue resulted from a $9.9 million increase in license and transaction fee revenue for the six months ended December 31, 2017 compared to the same period in 2016, and a $3.5 million increase in equipment revenue for the six months ended December 31, 2017 compared to the same period in 2016; both driven by an increase in connections and the Cantaloupe acquisition.

Cost of sales

Cost of sales increased $10.8 million for the six months ended December 31, 2017 compared to the same period in 2016. The increase was driven by a $5.3 million increase in cost of services and a $5.6 million increase in cost of equipment sales, both arising from an increase in connections and the Cantaloupe acquisition.

Gross margin

The overall gross margin decreased 2.4% from 29.4% for the six months ended December 31, 2016 to 27.0% for the six months ended December 31, 2017. The decrease in the equipment margin, from 20.2% for the six months ended December 31, 2016 to 0.3% for the six months ended December 31, 2017 reflected our strategy of using equipment sales as an enabler for driving long-term, higher margin license and transaction fees. This decrease was partially offset by an increase in the license fee and transaction margin from 32.3% for the six months ended December 31, 2016 to 35.7% for the six months ended December 31, 2017 which was primarily driven by the impact of the Cantaloupe acquisition.

Operating Expenses

Category ($ in thousands)	Six months ended December 31, 2017	2016	Percent Change
Selling, general and administrative expenses	$ 15,929	$ 13,501	18.0%
Integration and acquisition costs	4,097	—	*NM*
Depreciation and amortization	982	515	90.7%
Total operating expenses	$ 21,008	$ 14,016	49.9%

NM — not meaningful

Selling, general and administrative expenses

Selling, general and administrative expenses increased approximately $2.4 million for the six months ended December 31, 2017, as compared to the same period in 2016. This change was primarily driven by an increase in selling, general and administrative costs related to Cantaloupe as well as an increase in sales and marketing related consulting expenses as we continue to increase our market share in the cashless-transaction vending industry.

Integration and acquisition costs

Integration and acquisition costs increased $4.1 million for the six months ended December 31, 2017 as compared to the same period in 2016, due to the acquisition of Cantaloupe.

Depreciation and amortization

Depreciation and amortization expenses increased approximately $0.5 million for the six months ended December 31, 2017 primarily due to the amortization of intangible assets recognized in connection with the Cantaloupe.

Other Expense, Net

($ in thousands)	Six months ended December 31, 2017	2016	Percent Change
Other income (expense):			
Interest income	$ 404	$ 273	48.0 %
Interest expense	(1,243)	(1,065)	16.7 %
Change in fair value of warrant liabilities	—	(1,490)	*NM*
Total other expense, net	$ (839)	$ (2,282)	(63.2)%

NM — not meaningful

Other expense, net decreased $1.4 million for the six months ended December 31, 2017 compared to the same period in 2016. The decrease was primarily driven by the change in fair value associated with the exercised warrants recognized during September 2016.

Income Taxes

($ in thousands)	Six months ended December 31, 2017	2016	Percent Change
Benefit (provision) for income taxes	$ 129	$ (46)	*NM*

NM — not meaningful

For the six months ended December 31, 2017, an income tax benefit of $0.1 million, which included a benefit of $0.1 million due to the ability to recognize additional deferred tax assets related to the Company's alternative minimum tax credit as result of the

Act. The benefit is based upon actual income (loss) before income taxes for the six months ended December 31, 2017, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

For the six months ended December 31, 2016, an income tax provision of $46 thousand was recorded primarily related to state income and franchise taxes. The income tax provision is based upon actual income (loss) before income taxes for the six months ended December 31, 2016, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

Revenue and Gross Profit

($ in thousands)	Three months ended March 31, 2018	2017	Percent Change
Revenues:			
License and transaction fees	$ 25,381	$ 17,458	45.4 %
Equipment sales	8,211	8,843	(7.1)%
Total revenues	33,592	26,301	27.7 %
Costs of sales:			
Cost of services	16,037	11,733	36.7 %
Cost of equipment	7,710	8,226	(6.3)%
Total costs of sales	23,747	19,959	19.0 %
Gross profit:			
License and transaction fees	9,344	5,725	63.2 %
Equipment sales	501	617	(18.8)%
Total gross profit	$ 9,845	$ 6,342	55.2 %

Revenue

Total revenue increased $7.3 million for the three months ended March 31, 2018 compared to the same period in 2017. The growth in total revenue resulted from a $7.9 million increase in license and transaction fee revenue for the quarter ended March 31, 2018 compared to the same period in 2017, partially offset by a $0.6 million decrease in equipment revenue for the three months ended March 31, 2018 compared to the same period last year. This decrease was driven by a large equipment sale made to a strategic customer during the same quarter in 2017. The overall increase is driven by an increase in connections and the Cantaloupe acquisition.

Cost of sales

Cost of sales increased by $3.8 million for the three months ended March 31, 2018 compared to the same period in 2017. The increase was primarily driven by a $4.3 million increase in license and transaction fee costs due to an increase in connections and the Cantaloupe acquisition.

Gross margin

The total gross margin increased 5.2% from 24.1% for the three months ended March 31, 2017 to 29.3% for the three months ended March 31, 2018. This increase was driven by an increase in the license fee and transaction margin from 32.8% for the three months ended March 31, 2017 to 36.8% for the three months ended March 31, 2018, which was driven by the impact of the Cantaloupe acquisition, partially offset by a decrease in the equipment margin, from 7.0% for the three months ended March 31, 2017 to 6.1% for three months ended March 31, 2018, reflecting our strategy of using equipment sales as an enabler for driving longer-term, higher margin license and transaction fees.

Operating Expenses

Category ($ in thousands)	Three months ended March 31, 2018	2017	Percent Change
Selling, general and administrative expenses	$ 9,629	$ 6,542	47.2%
Integration and acquisition costs	1,677	—	*NM*
Depreciation and amortization	1,105	259	326.6%
Total operating expenses	$ 12,411	$ 6,801	82.5%

NM — not meaningful

Selling, general and administrative expenses

Selling, general and administrative expenses increased approximately $3.1 million for the three months ended March 31, 2018, as compared to the same period in 2017. This change was primarily driven by the Cantaloupe acquisition as well as an increase in sales and marketing as we continue to increase our market share in the cashless-transaction vending industry.

Integration and acquisition costs

Integration and acquisition costs increased $1.7 million for the three months ended March 31, 2018 as compared to the same period in 2017, due to the costs incurred in connection with the acquisition of Cantaloupe.

Depreciation and amortization

Depreciation and amortization expenses increased $0.8 million for the three months ended March 31, 2018 compared to the same period in 2017, due to the amortization of intangible assets recognized in connection with the Cantaloupe acquisition.

Other Expense, Net

($ in thousands)	Three months ended March 31, 2018	2017	Percent Change
Other income (expense):			
Interest income	$ 226	$ 114	98.2%
Interest expense	(863)	(557)	54.9%
Total other expense, net	$ (637)	$ (443)	43.8%

Other expense, net increased $0.2 million for the three months ended March 31, 2018 compared to the same period in 2017. The increase was primarily driven by the interest incurred in connection with the Term Loan and Revolving Credit Facility utilized to fund a portion of the acquisition of Cantaloupe.

Income Taxes

($ in thousands)	Three months ended March 31, 2018	2017	Percent Change
Provision for income taxes	$ (20)	$ (23)	(13.0)%

For the three months ended March 31, 2018, the Company recorded an income tax provision of $20 thousand primarily related to state income and franchise taxes. The income tax provision is based upon actual income (loss) before income taxes for the three months ended March 31, 2018, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

For the three months ended March 31, 2017, the Company recorded an income tax provision of $23 thousand primarily related to state income and franchise taxes. The income tax provision is based upon actual income (loss) before income taxes for the three months ended March 31, 2017, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

Nine Months Ended March 31, 2018 Compared to Nine Months Ended March 31, 2017

Revenue and Gross Profit

($ in thousands)	Nine months ended March 31, 2018	Nine months ended March 31, 2017	Percent Change
Revenues:			
License and transaction fees	$ 68,292	$ 50,458	35.3 %
Equipment sales	22,091	19,199	15.1 %
Total revenues	90,383	69,657	29.8 %
Costs of sales:			
Cost of services	43,640	34,078	28.1 %
Cost of equipment	21,545	16,495	30.6 %
Total costs of sales	65,185	50,573	28.9 %
Gross profit:			
License and transaction fees	24,652	16,380	50.5 %
Equipment sales	546	2,704	(79.8)%
Total gross profit	$ 25,198	$ 19,084	32.0 %

Revenue

Total revenue increased $20.7 million for the nine months ended March 31, 2018 compared to the same period in 2017. The growth in total revenue resulted from a $17.8 million increase in license and transaction fee revenue for the nine months ended March 31, 2018 compared to the same period in 2017, and a $2.9 million increase in equipment revenue for the nine months ended March 31, 2018 compared to the same period last year; both driven by an increase in connections and the Cantaloupe acquisition.

Cost of sales

Cost of sales increased $14.6 million for nine months ended March 31, 2018 compared to the same period in 2017. The increase was driven by a $9.6 million increase in cost of services and a $5.1 million increase in cost of equipment sales, both arising from an increase in connections and the Cantaloupe acquisition.

Gross margin

Total gross margin decreased 0.5%, from 27.4% for the nine months ended March 31, 2017 to 27.9% for the nine months ended March 31, 2018. Though the license fee and transaction margin increased from 32.5% for the nine months ended March 31, 2017 to 36.1% for the nine months ended March 31, 2018 which was primarily driven by the impact of the Cantaloupe acquisition, it was offset by a decrease in the equipment margin, from 14.1% for the nine months ended March 31, 2017 to 2.5% for the nine months ended March 31, 2018 reflecting our strategy of using equipment sales as an enabler for driving longer-term, higher margin license and transaction fees.

Operating Expenses

Category ($ in thousands)	Nine months ended March 31, 2018	Nine months ended March 31, 2017	Percent Change
Selling, general and administrative expenses	$ 25,558	$ 20,043	27.5%
Integration and acquisition costs	5,774	—	*NM*
Depreciation and amortization	2,087	774	169.6%
Total operating expenses	$ 33,419	$ 20,817	60.5%

NM — not meaningful

Selling, general and administrative expenses

Selling, general and administrative expenses increased approximately $5.5 million for the nine months ended March 31, 2018, as compared to the same period in 2017. This change was primarily driven by the Cantaloupe acquisition as well as an increase in sales and marketing as we continue to increase our market share in the cashless-transaction vending industry.

Integration and acquisition costs

Integration and acquisition costs increased $5.8 million for nine months ended March 31, 2018 as compared to the same period in 2017, primarily due to the acquisition of Cantaloupe.

Depreciation and amortization

Depreciation and amortization expenses increased approximately $1.3 million for the nine months ended March 31, 2018 primarily due to the amortization of intangible assets recognized in connection with the Cantaloupe acquisition.

Other Expense, Net

($ in thousands)	Nine months ended March 31, 2018	Nine months ended March 31, 2017	Percent Change
Other income (expense):			
Interest income	$ 630	$ 387	62.8 %
Interest expense	(2,106)	(1,622)	29.8 %
Change in fair value of warrant liabilities	—	(1,490)	*NM*
Total other expense, net	$ (1,476)	$ (2,725)	(45.8)%

NM — not meaningful

Other expense, net decreased $1.2 million for the nine months ended March 31, 2018 compared to the same period in 2017. The decrease was primarily driven by the change in fair value associated with the exercised warrants recognized during September 2016.

Income Taxes

($ in thousands)	Nine months ended March 31, 2018	Nine months ended March 31, 2017	Percent Change
Benefit (provision) for income taxes	$ 109	$ (69)	*NM*

NM — not meaningful

For the nine months ended March 31, 2018, the Company recorded a tax benefit of $0.1 million, which included a benefit of $0.1 million due to the ability to recognize additional deferred tax assets related to the Company's alternative minimum tax credit as result of the Act. The benefit is based upon actual income (loss) before income taxes the year nine months ended March 31, 2018, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

For the nine months ended March 31, 2017, the Company recorded an income tax provision of $69 thousand primarily related to state income and franchise taxes. The income tax provision is based upon actual income (loss) before income taxes for the nine months ended March 31, 2017, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have financed our operations primarily through cash from operating activities, borrowings under our bank line of credit, along with equity issuances. Our principal source of liquidity is cash totaling $27.5 million and $84.0 million as of June 30, 2019 and June 30, 2018, respectively. On July 25, 2017 and May 25, 2018, the Company closed its underwritten public offerings resulting in gross proceeds, before deducting underwriting discounts and commissions and other offering expenses of approximately $43.1 million and $69.6 million, respectively.

Operating Activities

For the year ended June 30, 2019, net cash used in operating activities was $28.7 million. The foregoing reflects a net benefit for non-cash operating activities of $16.4 million, and net cash used by the change in various operating assets and liabilities of $13.1 million. Major non-cash charges included $8.0 million of depreciation and amortization expense and $1.8 million of stock compensation expense.

For the year ended June 30, 2018, net cash provided by operating activities was $12.4 million. The foregoing reflects a net benefit for non-cash operating activities of $11.5 million, and net cash provided by the change in various operating assets and liabilities of $12.3 million, which includes an increase in accounts payable and accrued expenses of $16.9 million. Major non-cash charges included $7.8 million of depreciation and amortization expense, $0.2 million due to deferred income taxes, and $1.8 million of stock compensation expense.

For the year ended June 30, 2017, net cash used in operating activities was $6.1 million. The foregoing reflects a net benefit for non-cash operating activities of $10.1 million, and net cash used by the change in various operating assets and liabilities of $8.7 million, which includes a decrease in finance receivables of $10.8 million. Major non-cash charges included $6.0 million of depreciation and amortization expense, $1.5 million due to the change in the fair value of warrant liabilities, and $1.2 million of stock compensation expense.

Investing Activities

During the fiscal year ended June 30, 2019, $4.2 million of cash was used in investing activities primarily for the purchase of property and equipment.

During the fiscal year ended June 30, 2018, $68.9 million of cash was used in investing activities of which $65.2 million was cash paid for the Cantaloupe acquisition and the remainder was primarily cash used for the purchase of property and equipment.

During the fiscal year ended June 30, 2017, $3.4 million of cash was used in investing activities primarily for the purchase of property and equipment.

Financing Activities

Net cash used in financing activities during the fiscal year ended June 30, 2019 was $23.6 million, generated by the repayments of long-term debt and capital lease obligations.

Net cash provided by financing activities during the fiscal year ended June 30, 2018 was $127.6 million, generated predominantly by proceeds from the issuance of common stock of $104.8 million, $37.6 million from the proceeds of issuance of long-term debt and draws from the revolving credit facility, and $1.1 million from the transfer of finance receivables, partially offset by $15.0 million in repayments of long-term debt and capital lease obligations.

Net cash provided by financing activities during the fiscal year ended June 30, 2017 was $3.0 million, generated predominantly by $6.2 million from the exercise of common stock warrants partially offset by $3.0 million in repayments of long-term debt and capital lease obligations.

Sources and Uses of Cash

Due to the Company's delay in filing its periodic reports, between September 28, 2018, and September 30, 2019, the parties entered into various agreements to provide for the extension of the delivery of the Company’s financial information and related compliance certificates required under the terms of the credit agreement which are required to be delivered to the lender by no later than October 31, 2019. In connection with these agreements, the Company incurred extension fees due to the lender, totaling $0.2 million, between September 28, 2018 and June 30, 2019. Additionally, during the quarter ended March 31, 2019 the Company prepaid $20.0 million of the balance outstanding under the term loan, $0.6 million of which was applied to the installment payment due on March 31, 2019 and the remainder of which was applied to the last repayment installment obligations due under the term loan. On September 30, 2019, the Company prepaid the remaining principal balance of the term loan of $1.5 million and agreed to permanently reduce the amount available under the revolving credit facility to $10 million which represented the outstanding balance on the date thereof. The agreements also provide that the Company cannot incur additional borrowings on the revolving credit facility without the Lender‘s prior consent. Further, the parties agreed that the applicable interest rate on the revolving credit facility will be LIBOR plus 4% until such time as the Company delivers certain financial information required under the credit agreement.

On March 29, 2019 and September 18, 2019, the Company obtained waivers of an event of default under the credit agreement. The event of default is the result of the Company having maintained deposits on account with a financial institution in excess of the amounts permitted by the credit agreement and not having transferred certain deposit accounts to the Lender. The waiver requires the Company to remedy the event of default by March 31, 2020 by which time the Company expects to be in compliance with the underlying covenant. Although as of June 30, 2019 the Company was not in compliance with the fixed charge coverage ratio and the total leverage ratio financial covenants under the credit agreement, pursuant to the September 30, 2019 extension agreement, the lender agreed that any such failure would not constitute an event of default pending the delivery to the lender of our financial statements and related compliance certificates by no later than October 31, 2019. The Company has classified all amounts outstanding under the revolving credit facility and term loan as current liabilities as of June 30, 2019 and 2018.

Pursuant to a Stock Purchase Agreement dated October 9, 2019 between the Company and Antara Capital Master Fund LP ("Antara"), on October 9, 2019, the Company sold to Antara 3,800,000 shares of the Company's common stock at a price of $5.25 per share for gross proceeds of $19,950,000. On October 9, 2019, the Company entered into a commitment letter ("Commitment Letter") with Antara, pursuant to which Antara has committed to extend to the Company a $30 million senior secured term loan facility ("Term Facility"). The Term Facility is subject to various closing conditions, including the execution and delivery of definitive loan documentation on or before October 31, 2019. Pursuant to the Commitment Letter, the Company would draw $15 million of the Term Facility concurrently with the execution of the definitive loan documentation, and subject to the terms of the definitive loan documentation, would draw an additional $15 million during the period commencing on the nine-month anniversary and terminating on the eighteen-month anniversary of the execution of the definitive loan documentation.

The Company has the following primary sources of capital available: (1) cash and cash equivalents on hand of $27.5 million as of June 30, 2019; (2) the cash which may be provided by operating activities during the 2020 fiscal year; (3) potential sales to third party lenders of all or a portion of our finance receivables; (4) gross cash proceeds of $19,950,000 from the issuance of our shares to Antara as referred to above; and (5) an aggregate amount of $30 million under the Term Facility as described above. Management anticipates that, during the next twelve months, the Company would have to satisfy its existing bank debt of $10 million, sales tax liability estimated to be no more than $16 million, and the additional costs of preparing the Form 10-K and related activities to be incurred during the first quarter of fiscal year 2020. In addition, management has recently implemented efficiencies in working capital that are designed to increase our cash balances. Therefore, the Company believes its existing cash and cash equivalents and available cash resources described above would provide sufficient capital resources to operate its anticipated business over the next 12 months.

CONTRACTUAL OBLIGATIONS

As of June 30, 2019, 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				
Contractual Obligations	**Total**	**2020**	**2021-2022**	**2023-2024**	**2025 and Beyond**
Debt Obligations	$ 12,643	$ 12,409	$ 231	$ 3	$ —
Capital Lease Obligations	154	105	47	2	—
Operating Lease Obligations	7,273	1,326	2,331	2,066	1,550
Total Contractual Obligations	$ 20,070	$ 13,840	$ 2,609	$ 2,071	$ 1,550

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

We are exposed to market risk related to changes in interest rates on our term loan and line of credit, and on our cash investments.

As of June 30, 2019, under our credit facility with our lender, the principal amount outstanding was $10,000,000 under the line of credit and approximately $1,500,000 under the term loan. Subsequent to June 30, 2019, and in connection with a consent letter entered into with the lender on September 27, 2019, the Company repaid in full the approximately $1,500,000 principal balance under the term loan, and all accrued and unpaid interest thereon. The applicable interest rate on the loans as of June 30, 2019 was LIBOR plus 4%. An increase of 100 basis points in LIBOR would not have a material impact of on our interest expense or consolidated financial statements. 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 derivative instruments.

Item 8. Financial Statements and Supplementary Data.

USA TECHNOLOGIES, INC.

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
USA Technologies, Inc.
Malvern, Pennsylvania

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of USA Technologies, Inc. (the "Company") and subsidiaries as of June 30, 2019 and 2018, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2019 and the related notes and financial statement schedules listed in Item 15 (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 and subsidiaries at June 30, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2019, 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, 2019, 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 9, 2019 expressed an adverse opinion thereon.

Change in Accounting Principles

As discussed in Notes 3 and 5 to the consolidated financial statements, the Company has changed its accounting method for recognizing revenue from contracts with customers in fiscal year 2019 due to the adoption of Topic 606, Revenue from Contracts with Customers.

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 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.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2019.
Philadelphia, Pennsylvania
October 9, 2019

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
USA Technologies, Inc.
Malvern, Pennsylvania

Opinion on Internal Control over Financial Reporting

We have audited USA Technologies, Inc.'s (the "Company's") internal control over financial reporting as of June 30, 2019, 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, 2019, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any remedial measures 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 and subsidiaries as of June 30, 2019 and 2018, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2019, and the related notes and financial statement schedules listed in Item 15 (collectively referred to as "the financial statements") and our report dated October 9, 2019 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. Several material weaknesses regarding management's failure to design and maintain controls have been identified and described in management's assessment. The material weaknesses related to 1) the control environment, a) not maintaining an appropriate control environment, inclusive of structure and responsibility, and risk assessment and monitoring activities by appropriate qualified resources with the knowledge, experience and training important to the Company's financial reporting to ensure compliance with generally accepted accounting principles requirements, b) inadequate mechanisms and oversight to ensure accountability for the performance of controls, 2) risk assessment, as the Company did not have an adequate assessment of changes in risks that could significantly impact internal control over financial reporting and did not effectively design controls in response to the risks of material misstatement; 3) control activities and information and communication, specifically between the accounting department and other operating departments necessary to support the proper functioning of internal controls; and 4) monitoring controls, as the Company did not effectively evaluate whether the components of internal control were present and functioning. The control environment material weaknesses contributed to additional material weaknesses in the control activities as the Company did not design and maintain effective controls over a) accounting close and financial reporting, including financial reporting controls at the Cantaloupe Systems, Inc. subsidiary; b) accounting for non-routine, unusual or significant transactions, including business combinations; c) accounting for income taxes and sales tax assessments in accordance with generally accepted accounting principles; d) accounting for certain leasing transactions in accordance with generally accepted accounting principles; e) accounting for slow-moving, obsolete or damaged inventory and f) accounting for revenue arrangements. The risk assessment material weakness contributed to an additional material weakness as the Company did not design effective controls over certain business processes, including controls over the preparation, analysis, and review of closing adjustments required to assess the appropriateness of certain account balances at period end. These material weaknesses were considered in

determining the nature, timing, and extent of audit tests applied in our audit of the 2019 consolidated financial statements, and this report does not affect our report dated October 9, 2019 on those consolidated 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 consolidated 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 consolidated 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

Philadelphia, Pennsylvania
October 9, 2019

USA Technologies, Inc.
Consolidated Balance Sheets

($ in thousands, except per share data)	As of June 30, 2019	As of June 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 27,464	$ 83,964
Accounts receivable, less allowance of $4,866 and $2,754, respectively	21,712	15,748
Finance receivables, net	6,260	4,603
Inventory, net	10,908	8,038
Prepaid expenses and other current assets	1,558	929
Total current assets	67,902	113,282
Non-current assets:		
Finance receivables due after one year, net	11,596	13,246
Other assets	2,099	720
Property and equipment, net	9,180	11,273
Intangibles, net	26,171	29,325
Goodwill	64,149	64,149
Total non-current assets	113,195	118,713
Total assets	$ 181,097	$ 231,995
Liabilities, convertible preferred stock and shareholders' equity		
Current liabilities:		
Accounts payable	$ 27,511	$ 30,468
Accrued expenses	23,258	19,291
Capital lease obligations and current obligations under long-term debt	12,497	34,639
Income taxes payable	254	—
Deferred revenue	1,539	511
Total current liabilities	65,059	84,909
Long-term liabilities:		
Deferred income taxes	71	67
Capital lease obligations and long-term debt, less current portion	276	1,127
Accrued expenses, less current portion	100	66
Total long-term liabilities	447	1,260
Total liabilities	$ 65,506	$ 86,169
Commitments and contingencies (Note 19)		
Convertible preferred stock:		
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preferences of $20,111 and $19,443 at June 30, 2019 and 2018, respectively	3,138	3,138
Shareholders' equity:		
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—
Common stock, no par value, 640,000,000 shares authorized, 60,008,481 and 59,998,811 shares issued and outstanding at June 30, 2019 and 2018, respectively	376,853	375,436
Accumulated deficit	(264,400)	(232,748)
Total shareholders' equity	112,453	142,688
Total liabilities, convertible preferred stock and shareholders' equity	$ 181,097	$ 231,995

See accompanying notes.

USA Technologies, Inc.
Consolidated Statements of Operations

($ in thousands, except per share data)	Year ended June 30, 2019	2018	2017 (As Restated)
Revenue:			
License and transaction fees	$ 123,554	$ 96,872	$ 69,134
Equipment sales	20,245	35,636	32,302
Total revenue	143,799	132,508	101,436
Costs of sales:			
Cost of services	80,485	61,175	46,520
Cost of equipment	25,195	35,657	29,855
Total costs of sales	105,680	96,832	76,375
Gross profit	38,119	35,676	25,061
Operating expenses:			
Selling, general and administrative	47,068	34,647	28,177
Investigation and restatement expenses	15,439	—	—
Integration and acquisition costs	1,338	7,048	—
Depreciation and amortization	4,430	3,204	1,018
Total operating expenses	68,275	44,899	29,195
Operating loss	(30,156)	(9,223)	(4,134)
Other income (expense):			
Interest income	1,382	943	482
Interest expense	(2,992)	(3,105)	(2,228)
Change in fair value of warrant liabilities	—	—	(1,490)
Total other expense, net	(1,610)	(2,162)	(3,236)
Loss before income taxes	(31,766)	(11,385)	(7,370)
(Provision) benefit for income taxes	(262)	101	(95)
Net loss	(32,028)	(11,284)	(7,465)
Preferred dividends	(668)	(668)	(668)
Net loss applicable to common shares	$ (32,696)	$ (11,952)	$ (8,133)
Net loss per common share			
Basic	$ (0.54)	$ (0.23)	$ (0.20)
Diluted	$ (0.54)	$ (0.23)	$ (0.20)
Weighted average number of common shares outstanding			
Basic	60,061,243	51,840,518	39,860,335
Diluted	60,061,243	51,840,518	39,860,335

See accompanying notes.

USA Technologies, Inc.
Consolidated Statements of Shareholders' Equity

($ in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Total
Balance, June 30, 2016 (as restated)	37,783,444	$ 233,394	$ (214,066)	$ 19,328
Fair value of exercised warrant liability	—	5,229	—	5,229
Exercise of warrants	2,401,408	6,193	—	6,193
Stock based compensation	153,326	1,214	—	1,214
Retirement of common stock	(6,533)	(31)	—	(31)
Net loss (as restated)	—	—	(7,465)	(7,465)
Balance, June 30, 2017 (as restated)	40,331,645	$ 245,999	$ (221,531)	$ 24,468
Issuance of common stock in relation to public offering, net of offering costs incurred of $7,964 [(a)]	15,913,781	104,796	—	104,796
Issuance of common stock as merger consideration (as restated) [(b)]	3,423,367	23,279	—	23,279
Stock based compensation	374,823	1,935	—	1,935
Excess tax benefit from stock plans [(c)]	—	—	67	67
Retirement of common stock [(d)]	(44,805)	(573)	—	(573)
Net loss	—	—	(11,284)	(11,284)
Balance, June 30, 2018	59,998,811	$ 375,436	$ (232,748)	$ 142,688
Cumulative effect adjustment for ASC 606 adoption	—	—	376	376
Stock based compensation	20,627	1,618	—	1,618
Repurchase of stock option awards	—	(120)	—	(120)
Retirement of common stock	(10,957)	(81)	—	(81)
Net loss	—	—	(32,028)	(32,028)
Balance, June 30, 2019	60,008,481	$ 376,853	$ (264,400)	$ 112,453

(a) Refer to Note 14 regarding the public offering issued during July 2017 and May 2018.
(b) Refer to Note 4 regarding the business acquisition executed during November 2017.
(c) Refer to Note 3 regarding the adoption of ASU 2016-09.
(d) Includes 3,577 shares previously held in escrow in relation to the Cantaloupe acquisition.

See accompanying notes.

USA Technologies, Inc.
Consolidated Statements of Cash Flows

($ in thousands)	Year ended June 30, 2019	2018	2017 (As Restated)
OPERATING ACTIVITIES:			
Net loss	$ (32,028)	$ (11,284)	$ (7,465)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Non-cash stock-based compensation	1,750	1,794	1,214
(Gain) loss on disposal of property and equipment	672	(131)	(177)
Non-cash interest and amortization of debt discount	301	140	113
Bad debt expense	2,534	471	557
Provision for inventory reserve	3,172	1,467	877
Depreciation and amortization	8,009	7,829	5,956
Change in fair value of warrant liabilities	—	—	1,490
Excess tax benefits	—	67	—
Deferred income taxes, net	(7)	(183)	62
Changes in operating assets and liabilities:			
Accounts receivable	(8,488)	(6,234)	(2,538)
Finance receivables, net	(8)	2,228	(10,832)
Sale of finance receivables	—	2,280	—
Inventory, net	(5,242)	(3,661)	(4,463)
Prepaid expenses and other current assets	(395)	377	153
Accounts payable and accrued expenses	873	16,933	8,874
Deferred revenue	(98)	351	115
Income taxes payable	254	(13)	(8)
Net cash (used in) provided by operating activities	(28,701)	12,431	(6,072)
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(4,346)	(3,978)	(3,787)
Proceeds from sale of property and equipment	116	298	348
Cash paid for acquisitions, net of cash acquired	—	(65,181)	—
Net cash used in investing activities	(4,230)	(68,861)	(3,439)
FINANCING ACTIVITIES:			
Proceeds from collateralized borrowing from the transfer of finance receivables	—	1,075	—
Cash used in retirement of common stock	(81)	(552)	(31)
Proceeds from exercise of common stock options	42	141	—
Proceeds from exercise of common stock warrants	—	—	6,193
Cash used for repurchase of common stock awards	(120)	—	—
Payment of debt issuance costs	(156)	(445)	(90)
Proceeds from issuance of long-term debt	—	25,100	—
Proceeds from revolving credit facility	—	12,500	—
Repayment of revolving credit facility	—	(2,500)	—
Issuance of common stock in public offering, net	—	104,796	—
Repayment of line of credit	—	(7,111)	(106)
Repayment of capital lease obligations and long-term debt	(23,254)	(5,355)	(2,982)
Net cash (used in) provided by financing activities	(23,569)	127,649	2,984
Net (decrease) increase in cash and cash equivalents	(56,500)	71,219	(6,527)
Cash and cash equivalents at beginning of year	83,964	12,745	19,272
Cash and cash equivalents at end of year	$ 27,464	$ 83,964	$ 12,745
Supplemental disclosures of cash flow information:			
Interest paid in cash	$ 2,793	$ 2,878	$ 2,050
Income taxes paid in cash	$ 50	$ 17	$ 39
Supplemental disclosures of noncash financing and investing activities:			
Equity issued in connection with Cantaloupe acquisition, net of post-working capital adjustment for retired shares	$ —	$ 23,279	$ —
Settlement of collateralized borrowing from the sale of finance receivables	$ —	$ 987	$ —
Reclass of rental program property to inventory, net	$ 32	$ 54	$ 156

Prepaid items financed with debt	$ —	$ —	$ 54
Equipment and software acquired under capital lease	$ 5	$ 217	$ 332

See accompanying notes.

USA Technologies, Inc.
Notes to Consolidated Financial Statements

1. BUSINESS

Overview

USA Technologies, Inc. (the "Company", "We", "USAT", or "Our") was incorporated in the Commonwealth of Pennsylvania in January 1992. We are a provider of technology-enabled solutions and value-added services that facilitate electronic payment transactions and consumer engagement services primarily within the unattended Point of Sale ("POS") market. We are a leading provider in the small ticket, beverage and food vending industry and are expanding our solutions and services to other unattended market segments, such as amusement, commercial laundry, kiosk and others. Since our founding, we have designed and marketed systems and solutions that facilitate electronic payment options, as well as telemetry and IoT services, which include the ability to remotely monitor, control, and report on the results of distributed assets containing our electronic payment solutions. Historically, these distributed assets have relied on cash for payment in the form of coins or bills, whereas, our systems allow them to accept cashless payments such as through the use of credit or debit cards or other emerging contactless forms, such as mobile payment. The connection to the ePort Connect platform also enables consumer loyalty programs, national rewards programs and digital content, including advertisements and product information to be delivered at the point of sale.

On November 9, 2017, the Company acquired all of the outstanding equity interests of Cantaloupe Systems, Inc. ("Cantaloupe"), pursuant to the Agreement and Plan of Merger ("Merger Agreement"). Cantaloupe is a premier provider of cloud and mobile solutions for vending, micro markets, and office coffee service. The acquisition expanded the Company's existing platform to become an end-to-end enterprise platform integrating Cantaloupe's Seed Cloud which provides cloud and mobile solutions for dynamic route scheduling, automated pre-kitting, responsive merchandising, inventory management, warehouse and accounting management, as well as cashless vending. The combined companies complete the value chain for customers by providing both top-line revenue generating services as well as bottom line business efficiency services to help operators of unattended retail machines run their business better. The combined product offering provides the data-rich Seed system with USAT's consumer benefits, providing operators with valuable consumer data that results in customized experiences. In addition to new technology and services, due to Cantaloupe's existing customer base, the acquisition expands the Company's footprint into new global markets.

Liquidity

The Company has adopted Accounting Standards Codification, ("ASC") 205-40. This guidance amended the existing requirements for disclosing information about an entity's ability to continue as a going concern and explicitly requires management to assess an entity's ability to continue as a going concern and to provide related disclosures in certain circumstances. This guidance was effective for annual reporting periods ending after December 15, 2016, and for annual and interim reporting periods thereafter. The following information reflects the results of management's assessment, plans and conclusion of the Company's ability to continue as a going concern.

At June 30, 2019, the Company had in $27.5 million cash and a working capital surplus of $2.8 million. As noted in Note 12, as of June 30, 2019, the Company was not in compliance with the fixed charge coverage ratio and the total leverage ratio of its Revolving Credit Facility and Term Loan, which represents an event of default under the credit agreement. As a result, the Company has classified all amounts outstanding ($11.5 million) under these credit facilities as current liabilities. Additionally, during the year ended June 30, 2019, the Company identified sales tax liabilities and related interest in the aggregate amount of $16.6 million. Also, the Company has reported aggregate net losses of $50.8 million for the three year period ended June 30, 2019.

In response to its need to develop a cash management strategy, the Company developed a plan that included potentially seeking to extend the credit borrowings to beyond one year, securing a commitment for the sale of its long-term receivables, and obtaining outside financing.

Pursuant to a Stock Purchase Agreement dated October 9, 2019 between the Company and Antara Capital Master Fund LP ("Antara"), the Company sold to Antara 3,800,000 shares of the Company's common stock at a price of $5.25 per share for an aggregate purchase price of $19,950,000. Antara qualifies as an accredited investor under Rule 501 of the Securities Act of 1933, as amended (the "Act"), and the offer and sale of the shares was exempt from registration under Section 4(a)(2) of the Act. Antara agreed not to dispose of the shares for a period of 90 days from the closing date. The Company also entered into a registration rights agreement (the "Registration Rights Agreement") with Antara, pursuant to which the Company has agreed, at its expense, to file a registration statement under the Act with the Securities and Exchange Commission (the "SEC") covering the resale of the shares by Antara (the "Registration Statement"). The Company will be required to pay certain negotiated cash payments to Antara in the event that the Registration Statement is not filed within 30 days of the closing date or if the Registration Statement is not

declared effective within three months of the closing date, subject to the terms of the Registration Rights Agreement. In connection with the private placement, William Blair & Company, L.L.C. ("Blair") acted as exclusive placement agent for the Company and received a cash placement fee of $1.2 million.

On October 9, 2019, the Company also entered into a commitment letter ("Commitment Letter") with Antara, pursuant to which Antara has committed to extend to the Company a $30.0 million senior secured term loan facility ("Term Facility"). The Term Facility is subject to various closing conditions, including the execution and delivery of definitive loan documentation by the Company and Antara on or before October 31, 2019. Pursuant to the Commitment Letter, the Company would draw $15.0 million of the Term Facility concurrently with the execution of the definitive loan documentation, and subject to the terms of the definitive loan documentation, would draw an additional $15.0 million during the period commencing on the nine-month anniversary and terminating on the eighteen-month anniversary of the execution of the definitive loan documentation. The outstanding amount of the draws under the Term Facility would bear interest at 9.75% per annum, payable monthly in arrears. Upon the execution of the Commitment Letter, the Company paid to Antara a non-refundable commitment fee of $1.2 million. In connection with the Commitment Letter, Blair acted as exclusive placement agent for the Company and received a cash placement fee of $750,000.

The Company believes that its current financial resources, as of the date of the issuance of these consolidated financial statements, are sufficient to fund its current twelve month operating budget, alleviating any substantial doubt raised by our historical operating results and satisfying our estimated liquidity needs for twelve months from the issuance of these consolidated financial statements.

2. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

Overview

This Annual Report on Form 10-K for the fiscal year ended June 30, 2019 contains our audited consolidated financial statements for the fiscal years ended June 30, 2019 and 2018, which have not previously been filed, as well as restatements of the following previously filed consolidated financial statements: (i) our audited consolidated financial statements for the fiscal year ended June 30, 2017; (ii) our selected financial data as of and for the fiscal years ended June 30, 2017, 2016 and 2015 contained in Item 6 of this Form 10-K; and (iii) our unaudited consolidated financial statements for the fiscal quarters ended September 30, 2017 and 2016, December 31, 2017 and 2016, March 31, 2018 and 2017, and June 30, 2017 in Note 20, "Unaudited Quarterly Data" of the Notes to Consolidated Financial Statements.

We have not filed and do not intend to file amendments to any of our previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the periods affected by the restatements of our consolidated financial statements. In addition, we have not filed and do not intend to file a separate Annual Report on Form 10-K for the fiscal year ended June 30, 2018. Concurrent with this filing, we are filing our Quarterly Reports on Form 10-Q for each of the fiscal quarters ended September 30, 2018, December 31, 2018, and March 31, 2019 (the "Fiscal Year 2019 Form 10-Qs"). We have not timely filed our Annual Report on Form 10-K for the fiscal year ended June 30, 2018 and the Fiscal Year 2019 Form 10-Qs as a result of the internal investigation of the Audit Committee of the Company's Board of Directors (the "Audit Committee") and the subsequent restatement of certain of our prior period financial statements as more fully described below.

Background

On September 11, 2018, the Company announced that the Audit Committee with the assistance of independent legal and forensic accounting advisors, was in the process of conducting an internal investigation of 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 Audit Committee's investigation focused principally on certain customer transactions entered into by the Company during fiscal years 2017 and 2018.

On January 14, 2019, the Company reported that the Audit Committee's internal investigation relating to accounting and reporting matters was substantially completed, the principal findings of the internal investigation, and the remedial actions to be implemented by the Company as a result of the internal investigation. The Audit Committee found that, for certain of the customer transactions under review, the Company had prematurely recognized revenue. The Audit Committee proposed certain adjustments to previously reported revenues related to fiscal quarters occurring during the 2017 and 2018 fiscal years of the Company. In most cases, revenues that had been recognized prematurely were, or were expected to be, recognized in subsequent quarters, including quarters subsequent to the quarters impacted by the investigative findings. The investigation further found that certain items that had been recorded as expenses, such as the payment of marketing or servicing fees, were more appropriately treated as contra-revenue items in earlier fiscal quarters.

On February 4, 2019, the Board of Directors of the Company, upon the recommendation of the Audit Committee, and based upon the adjustments to previously reported revenues proposed by the Audit Committee, determined that the following financial statements previously issued by the Company should no longer be relied upon: (1) the audited consolidated financial statements for the fiscal year ended June 30, 2017; and (2) the quarterly and year-to-date unaudited consolidated financial statements for September 30, 2017, December 31, 2017, and March 31, 2018.

In addition to the Audit Committee investigation matter described above, the Company also corrected for (i) out of period adjustments and errors related to the Company's acquisition and financial integration of Cantaloupe and (ii) out of period adjustments and errors identified during management's review of significant accounts and transactions.

The acquisition and financial integration-related adjustments referred to in (i) above were made in the restatement and relate to errors in the purchase accounting for our acquisition of Cantaloupe and errors in periods subsequent to the acquisition resulting from an ineffective integration of the financial systems and processes of the acquired entity with those of the Company.

The significant account and transaction review adjustments referred to in (ii) above were made in the restatement and relate to revenue recognition, deferred income tax accounting, sales-tax reserves, reserves for bad debts, inventory reserves, sale-leaseback accounting, balance sheet classification of preferred stock, and various other matters.

On October 7, 2019, the Board of Directors of the Company, upon the recommendation of the Audit Committee, determined that the following financial statements previously issued by the Company should no longer be relied upon: (1) the audited consolidated financial statements for the fiscal year ended June 30, 2015; (2) the audited consolidated financial statements for the fiscal year ended June 30, 2016; and (3) the quarterly and year-to-date unaudited consolidated financial statements for September 30, 2016, December 31, 2016, and March 31, 2017.

Effect of Restatement on Previously Filed June 30, 2017 Form 10-K

A summary of the impact of these matters on income (loss) before taxes is presented below:

($ in thousands)	**Increase / (Decrease) Restatement Impact**
	Year ended June 30, 2017
Audit Committee Investigation-related Adjustments:	
Revenue	$ (2,568)
Costs of sales	$ (1,163)
Gross profit	$ (1,405)
Operating income (loss)	$ (1,405)
Loss before income taxes	$ (1,405)
Significant Account and Transaction Review and Other:	
Revenue	$ (89)
Costs of sales	$ 91
Gross profit	$ (180)
Operating income (loss)	$ (2,864)
Loss before income taxes	$ (4,200)

A summary of the impact of these matters on the consolidated balance sheet is presented below, excluding any tax effect from the restatement adjustments in the aggregate:

($ in thousands)	Increase / (Decrease) Restatement Impact
	As of June 30, 2017
Audit Committee Investigation-related Adjustments:	
Accounts receivable	$ (284)
Finance receivables, net	$ (1,267)
Inventory, net	$ 1,106
Prepaid expenses and other current assets	$ 25
Other assets	$ 88
Accounts payable	$ 270
Accrued expenses	$ 803
Significant Account and Transaction Review and Other:	
Accounts receivable	$ (75)
Inventory, net	$ (500)
Prepaid expenses and other current assets	$ (114)
Other assets	$ (456)
Property and equipment, net	$ (1,000)
Accounts payable	$ 21
Accrued expenses	$ 7,235
Capital lease obligation and current obligations under long-term debt	$ (32)
Deferred revenue	$ (27)
Deferred gain from sale-leaseback transactions	$ (239)
Deferred gain from sale-leaseback transactions, less current portion	$ (100)

The restatement adjustments related to fiscal years 2016 and 2015 are reflected in the beginning accumulated deficit and deferred income taxes balances in the consolidated financial statements for fiscal year 2017. The cumulative impact of these adjustments increased accumulated deficit and decreased deferred income taxes by approximately $32.6 million and $27.8 million, respectively, at the beginning of fiscal year 2017. The restatement adjustments were tax effected and any tax adjustments reflected in the consolidated financial statements for fiscal year 2017 relate entirely to the tax effect on the restatement adjustments.

The tables below present the effect of the financial statement adjustments related to the restatement discussed above of the Company's previously reported financial statements as of and for the year ended June 30, 2017.

The effect of the restatement on the previously filed consolidated balance sheet as of June 30, 2017 is as follows:

($ in thousands, except per share data)	As of June 30, 2017		
	As Previously Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 12,745	$ —	$ 12,745
Accounts receivable	7,193	(359)	6,834
Finance receivables, net	11,010	(1,267)	9,743
Inventory, net	4,586	606	5,192
Prepaid expenses and other current assets	968	(89)	879
Total current assets	36,502	(1,109)	35,393
Non-current assets:			
Finance receivables due after one year	8,607	—	8,607
Other assets	687	(368)	319
Property and equipment, net	12,111	(1,000)	11,111
Deferred income taxes	27,670	(27,670)	—
Intangibles, net	622	—	622
Goodwill	11,492	—	11,492
Total non-current assets	61,189	(29,038)	32,151
Total assets	$ 97,691	$ (30,147)	$ 67,544
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 16,054	$ 291	$ 16,345
Accrued expenses	4,130	7,743	11,873
Line of credit, net	7,036	—	7,036
Capital lease obligations and current obligations under long-term debt	3,230	(32)	3,198
Income taxes payable	10	—	10
Deferred revenue	—	268	268
Deferred gain from sale-leaseback transactions	239	(239)	—
Total current liabilities	30,699	8,031	38,730
Long-term liabilities:			
Deferred income taxes	—	94	94
Capital lease obligations and long-term debt, less current portion	1,061	—	1,061
Accrued expenses, less current portion	53	—	53
Deferred gain from sale-leaseback transactions, less current portion	100	(100)	—
Total long-term liabilities	1,214	(6)	1,208
Total liabilities	$ 31,913	$ 8,025	$ 39,938
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,775 at June 30, 2017	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,775 at June 30, 2017	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 40,331,645 shares issued and outstanding at June 30, 2017	245,999	—	245,999
Accumulated deficit	(183,359)	(38,172)	(221,531)
Total shareholders' equity	65,778	(41,310)	24,468
Total liabilities, convertible preferred stock and shareholders' equity	$ 97,691	$ (30,147)	$ 67,544

The effect of the restatement on the previously filed consolidated statement of operations for the year ended June 30, 2017 is as follows:

($ in thousands, except per share data)	Year ended June 30, 2017		
	As Previously Reported	Adjustments	As Restated
Revenue:			
License and transaction fees	$ 69,142	$ (8)	$ 69,134
Equipment sales	34,951	(2,649)	32,302
Total revenue	104,093	(2,657)	101,436
Costs of sales:			
Cost of services	47,053	(533)	46,520
Cost of equipment	30,394	(539)	29,855
Total costs of sales	77,447	(1,072)	76,375
Gross profit	26,646	(1,585)	25,061
Operating expenses:			
Selling, general and administrative	25,493	2,684	28,177
Depreciation and amortization	1,018	—	1,018
Total operating expenses	26,511	2,684	29,195
Operating income (loss)	135	(4,269)	(4,134)
Other income (expense):			
Interest income	482	—	482
Interest expense	(892)	(1,336)	(2,228)
Change in fair value of warrant liabilities	(1,490)	—	(1,490)
Total other expense, net	(1,900)	(1,336)	(3,236)
Loss before income taxes	(1,765)	(5,605)	(7,370)
Provision for income taxes	(87)	(8)	(95)
Net loss	(1,852)	(5,613)	(7,465)
Preferred dividends	(668)	—	(668)
Net loss applicable to common shares	$ (2,520)	$ (5,613)	$ (8,133)
Net loss per common share			
Basic	$ (0.06)	$ (0.14)	$ (0.20)
Diluted	$ (0.06)	$ (0.14)	$ (0.20)
Weighted average number of common shares outstanding			
Basic	39,860,335	—	39,860,335
Diluted	39,860,335	—	39,860,335

The effect of the restatement on the previously filed consolidated statement of cash flows for the year ended June 30, 2017 is as follows:

($ in thousands)	Year ended June 30, 2017		
	As Previously Reported	Adjustments	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (1,852)	$ (5,613)	$ (7,465)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash stock-based compensation	1,214	—	1,214
(Gain) loss on disposal of property and equipment	(177)	—	(177)
Non-cash interest and amortization of debt discount	113	—	113
Bad debt expense	764	(207)	557
Provision for inventory reserve	—	877	877
Depreciation and amortization	5,591	365	5,956
Change in fair value of warrant liabilities	1,490	—	1,490
Deferred income taxes, net	54	8	62
Recognition of deferred gain from sale-leaseback transactions	(560)	560	—
Changes in operating assets and liabilities:			
Accounts receivable	(2,988)	450	(2,538)
Finance receivables, net	(12,119)	1,287	(10,832)
Inventory, net	(2,399)	(2,064)	(4,463)
Prepaid expenses and other current assets	(304)	457	153
Accounts payable and accrued expenses	4,410	4,464	8,874
Deferred revenue	—	115	115
Income taxes payable	(8)	—	(8)
Net cash used in operating activities	(6,771)	699	(6,072)
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(4,041)	254	(3,787)
Proceeds from sale of property and equipment	348	—	348
Net cash used in investing activities	(3,693)	254	(3,439)
FINANCING ACTIVITIES:			
Cash used in retirement of common stock	(31)	—	(31)
Proceeds from exercise of common stock warrants	6,193	—	6,193
Payment of debt issuance costs	(90)	—	(90)
Repayment of line of credit	(106)	—	(106)
Repayment of capital lease obligations and long-term debt	(2,029)	(953)	(2,982)
Net cash provided by financing activities	3,937	(953)	2,984
Net decrease in cash and cash equivalents	(6,527)	—	(6,527)
Cash and cash equivalents at beginning of year	19,272	—	19,272
Cash and cash equivalents at end of year	$ 12,745	$ —	$ 12,745

3. 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. Certain prior period amounts have been reclassified to conform with current year presentation.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

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. It deems this credit risk not to be significant as cash is held at prominent financial institutions in the US.

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, and unbilled amounts due from customers, net of the allowance for uncollectible accounts.

The Company maintains an allowance for doubtful accounts for probable incurred 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 allowance is determined through an analysis of various factors including the aging of the accounts receivable, the strength of the relationship with the customer, the capacity of the customer transaction fund flow to satisfy the amount due from the customer, and an assessment of collection costs and other factors. The allowance for doubtful accounts receivable is management's best estimate as of the respective reporting date. The Company writes off accounts receivable against the allowance when management determines the balance is uncollectible and the Company ceases collection efforts. Management believes that the allowance recorded is adequate to provide for its estimated credit losses.

FINANCE RECEIVABLES

The Company offers extended payment terms to certain customers for equipment sales under its Quick Start Program. In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification® ("ASC") Topic 840, "Leases", agreements under the Quick Start Program qualify for sales-type lease accounting. Accordingly, the 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. Finance receivables are carried at their contractual amount net of allowance of credit losses when management determines that it is probable a loss has been incurred. 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. 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.

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 obsolescence of inventory based upon quality considerations and assumptions about future demand and market conditions.

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 and are included in "Depreciation and amortization" 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 AND INTANGIBLE ASSETS

The Company's goodwill represents the excess of cost over fair value of the net assets purchased in acquisitions. The Company accounts for goodwill in accordance with ASC 350, "Intangibles – Goodwill and Other". Under ASC 350, goodwill is not amortized to earnings, but instead is subject to periodic testing for impairment. Testing for impairment is to be done at least annually and at other times if events or circumstances arise that indicate that impairment may have occurred. We test goodwill for impairment by comparing the fair value of our reporting unit to its carrying value using a market approach. 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 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, 2019, 2018, or 2017.

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, 2019 or 2018.

LONG-LIVED ASSETS

In accordance with ASC 360, "Impairment or Disposal of Long-Lived Assets", the Company reviews its definite lived long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. 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. In the period when the plan of sale criteria of ASC 360 are met, definite lived long-lived assets are reported as held for sale, depreciation and amortization cease, and the assets are reported at the lower of carrying value or fair value less costs to sell. The Company has concluded that the carrying amount of definite lived long-lived assets is recoverable as of June 30, 2019 and 2018.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Under ASC 820 the Company uses inputs from the three levels of the fair value hierarchy to measure its financial assets and liabilities. The three levels are 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 17%, 16% and 25% of the Company's revenue for the years ended June 30, 2019, 2018 and 2017, respectively, were concentrated with one customer. The Company's customers are principally located in the United States.

REVENUE RECOGNITION

On July 1, 2018, the Company adopted Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* using the modified retrospective transition method to all open contracts with customers that were not completed as of June 30, 2018. Results for reporting periods beginning after July 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic revenue recognition methodology under ASC 605.

Revenue Recognition Under ASC 605 (Periods Prior to July 1, 2018)

Revenue from the sale of QuickStart lease of equipment is recognized on the terms of free-on-board shipping point. Transaction processing revenue is recognized upon the usage of the Company's cashless payment and control network. License 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 product returns at the date of sale and license 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 utilizes its best estimate of selling price when calculating the revenue to be recorded under these leases. 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, the JumpStart program ("JumpStart"). JumpStart terms are typically 36 months and are cancellable with 30 to 60 days' written notice. In accordance with ASC 840, "Leases", the Company classifies the rental agreements as operating leases, with service fee revenue related to the leases included in license and transaction fees in the Consolidated Statements of Operations. Costs for the JumpStart revenue, which consist of depreciation expense on the JumpStart equipment, are included in cost of services in the Consolidated Statements of Operations. Equipment utilized by the JumpStart program is included in property and equipment, net on the Consolidated Balance Sheets.

Revenue Recognition Under ASC 606 (Periods Subsequent to July 1, 2018)

The new revenue recognition guidance provides a single model to determine when and how revenue is recognized. The core principle of the new 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 new 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 self-service 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 foundation of 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, USAT sells cashless payment devices (e.g., e-Ports, Seed), which are either directly sold or leased through the Company's QuickStart or JumpStart programs.

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 (ASC 840) when the equipment is delivered to the customer. Revenues related to JumpStart equipment are recognized over time as the customer obtains the right to use the equipment through an operating leases. 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.

USAT will occasionally offer volume discounts, rebates or credits on certain contracts, which is considered variable consideration. USAT 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 constrained to prevent possible significant reversal of revenue, as applicable.

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 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.

Warranties and Returns

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. The Company estimates an allowance for equipment returns at the date of sale on a monthly basis. The estimate of expected returns is calculated in the same way as other variable consideration. The expected value method is generally used to predict the amount of consideration to which the Company will be entitled.

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 classified as selling, general and administrative expense. 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 USAT 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.

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.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was $0.7 million, $0.7 million, and $0.4 million in the fiscal years ended June 30, 2019, 2018, and 2017, respectively.

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 in selling, general and administrative expenses in the Consolidated Statements of Operations, were approximately $4.6 million, $1.3 million and $1.4 million, for the fiscal years ended June 30, 2019, 2018, and 2017, 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.

SOFTWARE DEVELOPMENT COSTS

We capitalize qualifying internally-developed software development costs incurred during the application development stage, as long as it is probable the project will be completed, and the software will be used to perform the function intended. Capitalization of such costs ceases once the project is substantially complete and ready for its intended use. Capitalized software development costs are included in "Property and equipment, net" on our consolidated balance sheets and are amortized on a straight-line basis over their expected useful lives

ACCOUNTING FOR EQUITY AWARDS

In accordance with ASC 718, the cost of employee services received in exchange for an award of equity instruments is based on the grant-date fair value of the award and allocated over the requisite service period of the award. These costs are recorded in selling, general and administrative expenses.

LOSS CONTINGENCIES

From time to time, we are involved in litigation, claims, contingencies and other legal matters. We record a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and (ii) the range of the loss can be reasonably estimated. We expense legal costs, including those legal costs expected to be incurred in connection with a loss contingency, as incurred.

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.

The Company follows the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes, which provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. 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 in selling, general and administrative expenses. Interest and penalties related to uncertain tax positions incurred during the fiscal years ended June 30, 2019, 2018 and 2017 were immaterial.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions. The tax years ended June 30, 2016 through June 30, 2019 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, 2016, changes in reported losses for those years could be made examination 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, 2019, 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, 2019, 2018 and 2017 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

In January 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update No. 2017-04, Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment ("ASU 2017-04"), which eliminates Step 2 from the goodwill impairment test. Under ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. We early adopted ASU 2017-04 for impairment tests to be performed on testing dates after July 1, 2017, which did not impact our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting, which modifies the accounting for certain aspects of share-based payments to employees. The new guidance requires excess tax benefits and tax deficiencies to be recorded in the income statement when stock awards vest or are settled. In addition, cash flows related to excess tax benefits are to be separately classified as an operating activity apart from other income tax cash flows. The standard also allows the Company to repurchase more of an employee’s vested shares for tax withholding purposes without triggering liability accounting, and clarifies that all cash payments made to tax authorities on an employee’s behalf for withheld shares should be presented as a financing activity on the statement of cash flows. The Company adopted this standard as of July 1, 2017.

The primary impact of adoption was the recognition of excess tax benefits in the Company's provision for income taxes which is applied prospectively starting July 1, 2017 in accordance with the guidance. Adoption of the new standard resulted in the recognition of $31 thousand of excess tax benefits in the Company's provision for income taxes for the year ended June 30, 2018. Through June 30, 2017 excess tax benefits were reflected as a reduction of deferred tax assets via reducing actual operating loss carryforwards because such benefits had not reduced income taxes payable. Under the new standard the treatment of excess tax benefits changed and the cumulative excess tax benefits as of June 30, 2017 amounting to $67 thousand were credited to accumulated deficit.

The adoption of ASU No. 2016-09 did not impact our statement of cash flows for the fiscal year ended June 30, 2018.

In March 2018, the FASB issued ASU No. 2018-05, "Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118." The standard adds guidance to ASC 740, Income Taxes, that contain SEC guidance

related to SAB 118. The standard is effective upon issuance. Refer to Note 15 for further information regarding the impact of the standard.

In January 2017, the FASB issued ASU No. 2017-01, “Business Combinations (Topic 805), Clarifying the Definition of a Business.” ASU 2017-01 provides guidance in ascertaining whether a collection of assets and activities is considered a business. The Company adopted this standard as of July 1, 2018, and its adoption did not have a material effect on the Company’s consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, “Compensation - Stock Compensation (Topic 718), Scope of Modification Accounting.” The standard provides guidance about which changes to the terms or conditions of a share-based payment award require modification accounting, which may result in a different fair value for the award. The Company adopted this standard as of July 1, 2018, and it will be applied prospectively to awards modified on or after the adoption date. Its adoption did not have a material effect on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments.” The new guidance makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The Company adopted this standard as of July 1, 2018 on a retrospective basis, and its adoption did not have a material effect on the Company’s consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606) (“the New Standard”). The New Standard provides a single model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. The New Standard also requires expanded qualitative and quantitative disclosures about the nature, timing and uncertainty of revenue and cash flows rising from contracts with customers. The Company adopted the New Standard on July 1, 2018, using the modified retrospective method applied to those contracts which were not completed as of July 1, 2018. Results for reporting periods beginning after July 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historic revenue recognition methodology under ASC 605. Refer to Note 5 for further discussion.

In July 2015, the FASB issued ASU 2015-11, “Inventory,” which simplifies the measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. The Company early adopted this guidance during fiscal year 2017, and its adoption did not have a material effect on the Company's consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, “Simplifying the Accounting for Measurement Period Adjustments”, which requires that the acquirer in a business combination recognize adjustments to provisional purchase accounting amounts that are identified during the measurement period in the reporting period in which the purchase accounting adjustment is determined. The Company adopted this standard during the first quarter of fiscal 2017, and its adoption did not have a material effect on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes", which will require entities to present all deferred tax liabilities and assets as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. The Company early adopted this guidance for fiscal year 2017 on a prospective basis. As a result of the adoption, $2.3 million of deferred tax assets were reclassified from current to noncurrent assets as of June 30, 2016.

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.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which will require, among other items, lessees to recognize a right of use asset and a related lease liability for most leases on the balance sheet. Qualitative and quantitative disclosures will be enhanced to better understand the amount, timing and uncertainty of cash flows arising from leases. The Company adopted this new guidance on July 1, 2019, using the optional modified retrospective transition method. The Company expects the adoption to result in gross up on its consolidated balance sheets from the recognition of assets and liabilities arising out of operating leases. The Company will recognize assets for the right to use the underlying leased property during the lease term and will recognize liabilities for the corresponding financial obligation to make lease payments to the lessor.

The Company plans to elect the transition package of practical expedients permitted within the standard, which eliminates the requirements to reassess prior conclusions about lease identification, lease classification, and initial direct costs. The Company is

substantially complete with the evaluation of the impact on the consolidated financial statements of adopting the new lease standard and does not anticipate a material impact on the consolidated statements of operations, shareholders' equity, and cash flows or to retained earnings. Additionally, the Company does not anticipate the adoption of the standard will impact any debt covenants or result in significant changes to the internal processes, including the internal control over financial reporting. The Company's operating leases primarily comprise of office facilities, with the most significant leases relating to corporate headquarters in Malvern, Pennsylvania and an office in San Francisco, California. The Company is in the process of finalizing changes to its systems and processes in conjunction with its review of lease agreements and will disclose the actual impact of adopting ASU 2016-02 in its interim report on Form 10-Q for the quarter ended September 30, 2019.

In July 2018, the FASB issued ASU No. 2018-09, "Codification Improvements". These amendments provide clarifications and corrections to certain ASC subtopics including "Compensation - Stock Compensation - Income Taxes" (Topic 718-740), "Business Combinations - Income Taxes" (Topic 805-740) and "Fair Value Measurement - Overall" (Topic 820-10). The majority of the amendments in ASU 2018-09 will be effective in annual periods beginning after December 15, 2018. The Company is currently evaluating and assessing the impact this guidance will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)." The new guidance requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This pronouncement will be effective for fiscal years beginning after December 15, 2019. Early adoption of the guidance is permitted for fiscal years beginning after December 15, 2018.The Company is currently evaluating and assessing the impact this guidance will have on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, "Compensation - Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting." The standard simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The changes take effect for public companies for fiscal years starting after December 15, 2018, including interim periods within that fiscal year. The Company expects that the adoption of this ASU would not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, "Intangibles—Goodwill and Other (Topic 350): Internal-Use Software." This standard aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which means that it will be effective for us in the first quarter of our fiscal year beginning July 1, 2020. The Company is currently evaluating and assessing the impact this guidance will have on its consolidated financial statements.

4. ACQUISITION

CANTALOUPE SYSTEMS, INC.

On November 9, 2017, the Company acquired all of the outstanding equity interests of Cantaloupe Systems, Inc. ("Cantaloupe") pursuant to the Merger Agreement, for $88.2 million in aggregate consideration. Cantaloupe is a premier provider of cloud and mobile solutions for vending, micro markets, and office coffee services.

The acquisition expanded the Company's existing platform to become an end-to-end enterprise platform integrating Cantaloupe's Seed Cloud which provides cloud and mobile solutions for dynamic route scheduling, automated pre-kitting, responsive merchandising, inventory management, warehouse and accounting management, as well as cashless vending. In addition to new technology and services, due to Cantaloupe's existing customer base, the acquisition expands the Company's footprint into new global markets.

The fair value of the purchase price consideration consisted of the following:

($ in thousands)		
Cash consideration, net of cash acquired	$	65,181
USAT shares issued as stock consideration (As Restated)		23,279
Post-closing adjustment for working capital		(253)
Total consideration (As Restated)	$	88,207

The Company financed a portion of the purchase price with proceeds from a $25.0 million term loan ("Term Loan") and $10.0 million of borrowings under a line of credit ("Revolving Credit Facility"), provided by JPMorgan Chase Bank, N.A., for an aggregate principal amount of $35.0 million. Refer to Note 12 for additional details.

The acquisition of Cantaloupe was accounted for as a business combination using the acquisition method. Under the acquisition method of accounting, the assets acquired and liabilities assumed in the transaction were recorded at the date of acquisition at their respective fair values using assumptions that are subject to change. The Company has finalized its valuation of certain assets and liabilities recorded in connection with this transaction as of June 30, 2018.

The following table summarizes the fair value of total consideration transferred to the holders of all the outstanding equity interests of Cantaloupe at the acquisition date of November 9, 2017:

($ in thousands)	November 9, 2017 (As Restated)
Accounts receivable	$ 2,921
Finance receivables	1,480
Inventory	282
Prepaid expense and other current assets	646
Finance receivables due after one year	3,603
Other assets	50
Property and equipment	2,234
Intangible assets	30,800
Total assets acquired	42,016
Accounts payable	(1,591)
Accrued expenses	(2,401)
Deferred revenue	(518)
Capital lease obligations and current obligations under long-term debt	(666)
Capital lease obligations and long-term debt, less current portion	(1,134)
Deferred income tax liabilities	(157)
Total identifiable net assets	35,549
Goodwill	52,658
Total fair value	$ 88,207

Amounts allocated to intangible assets included $18.9 million related to customer relationships, $10.3 million related to developed technology, and $1.6 million related to trade names. The fair value of the acquired customer relationships was determined using the excess earnings method. The fair value of both the acquired developed technology and the acquired trade names was determined using the relief from royalty method. The estimated useful life of the acquired intangible assets ranged from 6 to 18 years, with a weighted average estimated useful life of 13 years. The related amortization will be recorded on a straight-line basis.

Goodwill of $52.7 million arising from the acquisition includes the expected synergies between Cantaloupe and the Company, the value of the employee workforce, and intangible assets that do not qualify for separate recognition at the time of acquisition. The goodwill, which is not deductible for income tax purposes, was assigned to the Company's only reporting unit.

The amount of Cantaloupe revenue included in the Company's Consolidated Statement of Operations for the year ended June 30, 2018 was $19.2 million. The amount of Cantaloupe earnings included in the Company's Consolidated Statement of Operations for the year ended June 30, 2018 was $0.2 million.

Supplemental disclosure of pro forma information

The following supplemental unaudited pro forma information presents the combined results of USAT and Cantaloupe as if the acquisition of Cantaloupe occurred on July 1, 2016. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been made on July 1, 2016, nor are they indicative of any future results.

The pro forma results include adjustments for the purchase accounting impact of the Cantaloupe acquisition (including, but not limited to, amortization associated with the acquired intangible assets, and the interest expense and amortization of debt issuance costs associated with the Term Loan and Revolving Credit Facility that were used to finance a portion of the purchase price, along with the related tax impacts) and the alignment of accounting policies. Other material non-recurring adjustments are reflected in the pro forma and described below:

($ in thousands, except per share data)	Year ended June 30, 2018	Year ended June 30, 2017 (As Restated)
Revenue	$ 140,575	$ 121,373
Net loss attributable to USAT	(7,256)	(13,828)
Net loss attributable to USAT common shares	$ (7,924)	$ (14,496)
Net loss per share:		
Basic	$ (0.15)	$ (0.27)
Diluted	$ (0.15)	$ (0.27)
Weighted average number of common shares outstanding:		
Basic	53,717,133	52,849,217
Diluted	53,717,133	52,849,217

The supplemental unaudited pro forma earnings for the year ended June 30, 2018 were adjusted to exclude $7.1 million of integration and acquisition costs. Conversely, the supplemental unaudited pro forma earnings for the year ended June 30, 2017 were adjusted to include $7.1 million of integration and acquisition costs.

5. REVENUE

Adoption of ASC 606, Revenue from Contracts with Customers

In applying the new revenue guidance, the Company evaluated its population of open contracts with customers on July 1, 2018. The effect of adoption of this new guidance on the Consolidated Balance Sheet as of July 1, 2018 was to increase prepaid expenses and other current assets, other assets, and deferred revenue, with an offsetting decrease in the opening accumulated deficit, as follows:

($ in thousands)	June 30, 2018 As Reported	Adjustment	July 1, 2018 Revised
ASSETS			
Prepaid expenses and other current assets	$ 929	$ 251	$ 1,180
Other assets	720	1,254	1,974
LIABILITIES			
Deferred revenue	511	1,127	1,638
SHAREHOLDERS' EQUITY			
Accumulated deficit	(232,748)	376	(232,372)

The impact of the adoption of ASC 606 by financial statement line item with in the Consolidated Balance Sheet as of June 30, 2019 and Consolidated Statement of Operations for the year ended June 30, 2019 is as follows:

($ in thousands)	June 30, 2019 As Reported	Adjustment	June 30, 2019 Under Legacy Guidance
BALANCE SHEET			
Prepaid expenses and other current assets	$ 1,558	$ (301)	$ 1,257
Other assets	2,099	(1,506)	593
Deferred revenue	1,539	(929)	610
Accumulated deficit	(264,400)	(878)	(265,278)
STATEMENT OF OPERATIONS			
License and transaction fees	123,554	(198)	123,356
Selling, general and administrative	47,068	303	47,371
Net loss	(32,028)	(500)	(32,528)

The adoption of ASC 606 had no effect on the cash flows from operating activities, investing activities or financing activities included in the Consolidated Statement of Cash Flows for the year ended June 30, 2019.

Disaggregated Revenue

Based on similar operational and economic characteristics, the Company's revenue from contracts with customers is disaggregated by License and Transaction Fees and Equipment Sales, as reported in the Company's Consolidated Statements of Operations. The Company believes these revenue categories depict how the nature, amount, timing, and uncertainty of its revenue and cash flows are influenced by economic factors, and also represents the level at which management makes operating decisions and assesses financial performance.

Transaction Price Allocated to Future Performance Obligations

In determining the transaction price allocated to unsatisfied performance obligations, we did not include non-recurring charges. Further, we applied the practical expedient to not consider arrangements with an original expected duration of one year or less, which are primarily month to month rental agreements. The majority of contracts are considered to have a contractual term of between 36 and 60 months based on implied and explicit termination penalties. These amounts will be converted into revenue in future periods as work is performed, primarily based on the services provided or at delivery and acceptance of products, depending on the applicable accounting method.

The following table reflects the estimated fees to be recognized in the future related to performance obligations that are unsatisfied at the end of the period:

($ in thousands)	As of June 30, 2019
2020	$ 12,093
2021	10,271
2022	8,643
2023	5,990
2024 and thereafter	1,942
Total	$ 38,939

Contract Liabilities

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

($ in thousands)	Year ended June 30, 2019
Deferred revenue, beginning of the period	$ 511
Plus: adjustment for adoption of ASC 606	1,127
Deferred revenue, beginning of the period, as adjusted	1,638
Deferred revenue, end of the period	1,539
Revenue recognized in the period from amounts included in deferred revenue at the beginning of the period	320

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, 2019, the Company had net capitalized costs to obtain contracts of $0.3 million included in prepaid expenses and other current assets and $1.5 million included in other noncurrent assets on the Consolidated Balance Sheet. None of these capitalized contract costs were impaired. During the year ended June 30, 2019, amortization of capitalized contract costs was $0.3 million.

6. RESTRUCTURING/INTEGRATION COSTS

Subsequent to the Cantaloupe acquisition, the Company initiated workforce reductions to integrate the Cantaloupe business. For the year ended June 30, 2018, workforce reduction costs totaled $2.1 million. The Company has included these charges under “Integration and acquisition costs” within the Consolidated Statements of Operations, with the remaining outstanding balance included within “Accrued expenses” on the Consolidated Balance Sheet. Liabilities for workforce reduction costs will generally be paid during the next twelve months.

The following table summarizes the Company's workforce reduction activity for the years ended June 30, 2019 and June 30, 2018:

($ in thousands)	Workforce reduction
Balance at July 1, 2017	$ —
Plus: additions	2,122
Less: cash payments	(1,102)
Balance at June 30, 2018	1,020
Plus: additions	266
Less: cash payments	(1,111)
Balance at June 30, 2019	$ 175

7. LOSS PER SHARE CALCULATION

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share, applicable only to years ended with reported income, is computed by dividing net income by the weighted average number of common shares outstanding during the period plus the dilutive effect of outstanding stock options and restricted stock-based awards using the treasury stock method. The calculation of basic and diluted loss per share is presented below:

($ in thousands, except per share data)	Year ended June 30, 2019	2018	2017 (As Restated)
Numerator for basic and diluted loss per share			
Net loss	$ (32,028)	$ (11,284)	$ (7,465)
Preferred dividends	(668)	(668)	(668)
Net loss available to common shareholders	$ (32,696)	$ (11,952)	$ (8,133)
Denominator for basic loss per share - Weighted average shares outstanding	60,061,243	51,840,518	39,860,335
Effect of dilutive potential common shares	—	—	—
Denominator for diluted loss per share - Adjusted weighted average shares outstanding	60,061,243	51,840,518	39,860,335
Basic loss per share	$ (0.54)	$ (0.23)	$ (0.20)
Diluted loss per share	$ (0.54)	$ (0.23)	$ (0.20)

Antidilutive shares excluded from the calculation of diluted loss per share were 1,297,073, 1,134,845, and 1,138,108 for the years ended June 30, 2019, 2018 and 2017, respectively.

8. FINANCE RECEIVABLES

The Company's finance receivables consist of financed devices under the QuickStart program and Cantaloupe 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, 2019 and 2018, finance receivables consist of the following:

($ in thousands)	As of June 30, 2019	2018
Finance receivables, net	$ 6,260	$ 4,603
Finance receivables due after one year, net	11,596	13,246
Total finance receivables, net of allowance of $606 and $12, respectively	$ 17,856	$ 17,849

The Company routinely evaluates outstanding finance receivables for impairment based on past due balances or accounts otherwise determined to be at a higher risk of loss. The Company reserves for its nonperforming finance receivables. A finance receivable is classified as nonperforming if it is considered probable the Company will be unable to collect all contractual interest and principal payments as scheduled.

At June 30, 2019 and 2018, credit quality indicators consisted of the following:

($ in thousands)	As of June 30, 2019	2018
Performing	$ 17,856	$ 17,849
Nonperforming	606	12
Gross finance receivables	$ 18,462	$ 17,861

An aged analysis of the Company's finance receivables as of June 30, 2019 and 2018 is as follows:

($ in thousands)	As of June 30, 2019	2018
Current	$ 17,506	$ 17,609
30 days and under past due	200	56
31 - 60 days past due	43	7
61 - 90 days past due	145	56
Greater than 90 days past due	568	133
Total finance receivables	$ 18,462	$ 17,861

Finance receivables due for each of the fiscal years following June 30, 2019 are as follows:

($ in thousands)	
2020	$ 6,584
2021	4,041
2022	3,833
2023	2,635
2024	1,133
Thereafter	236
Total	$ 18,462

Sale of Finance Receivables

The Company accounts for transfers of finance receivables as sales when it has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Company's continuing involvement with the assets transferred. During fiscal year 2018, the Company transferred certain groups of finance receivables with no recourse to third-party financing entities for approximately $2.3 million. The transfers were accounted for as sales with derecognition of the associated finance receivables. Gains and losses stemming from such transfers are immaterial.

Transfers of finance receivables that do not qualify for sale accounting are reported as collateralized borrowings. Accordingly, the related assets remain on the Company's balance sheet and continue to be reported and accounted for as if the transfer had not occurred. Cash proceeds from these transfers are reported as financing obligations (debt), with attributable interest expense recognized over the life of the related transactions. During December 2017, the Company transferred certain groups of finance receivables to third-party financing entities for approximately $1.1 million. Such transfers are subject to recourse provisions for the first 3 months after the date of transfer, after which the recourse provisions expire. Accordingly, the related finance receivables remained on the balance sheet at December 31, 2017 and the cash proceeds of approximately $1.1 million were reported as financing obligations at December 31, 2017. During March 2018, the recourse provisions expired resulting in the finance receivables and financing obligations being derecognized.

9. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

($ in thousands)	Useful Lives	As of June 30, 2019 Cost	Accumulated Depreciation	Net
Computer equipment and software	3-7 years	$ 6,745	$ (5,840)	$ 905
Internal-use software	3-5 years	3,126	(716)	2,410
Property and equipment used for rental program	5 years	36,285	(30,978)	5,307
Furniture and equipment	3-7 years	1,543	(1,116)	427
Leasehold improvements	(1)	286	(155)	131
		$ 47,985	$ (38,805)	$ 9,180

($ in thousands)	Useful Lives	As of June 30, 2018 Cost	Accumulated Depreciation	Net
Computer equipment and software	3-7 years	$ 7,367	$ (5,353)	$ 2,014
Internal-use software	3-5 years	2,657	(492)	2,165
Property and equipment used for rental program	5 years	33,941	(27,420)	6,521
Furniture and equipment	3-7 years	1,327	(899)	428
Leasehold improvements	(1)	269	(124)	145
		$ 45,561	$ (34,288)	$ 11,273

(1) Lesser of lease term or estimated useful life

Total depreciation expense for the years ended June 30, 2019, 2018, and 2017 was $4.9 million, $5.7 million and $5.7 million, respectively. Depreciation expense allocated within our cost of sales for rental equipment was $3.6 million, $4.6 million, and $4.9 million for the years ended June 30, 2019, 2018, and 2017, respectively.

The total for gross assets under capital leases was approximately $2.4 million and $3.1 million and accumulated amortization totaled $2.4 million and $2.7 million as of June 30, 2019 and 2018, respectively. Capital lease amortization of $0.1 million, $0.4 million and $0.4 million is included in depreciation expense for the years ended June 30, 2019, 2018, and 2017, respectively.

10. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible asset balances consisted of the following:

($ in thousands)	As of June 30, 2019 Gross	Accumulated Amortization	Net	Amortization Period
Intangible assets:				
Non-compete agreements	$ 2	$ (2)	$ —	2 years
Brand and tradenames	1,695	(470)	1,225	3 - 7 years
Developed technology	10,939	(3,266)	7,673	5 - 6 years
Customer relationships	19,049	(1,776)	17,273	10 - 18 years
Total intangible assets	$ 31,685	$ (5,514)	$ 26,171	
Goodwill	64,149	—	64,149	Indefinite
Total intangible assets and goodwill	$ 95,834	$ (5,514)	$ 90,320	

($ in thousands)	As of June 30, 2018 Gross	Accumulated Amortization	Net	Amortization Period
Intangible assets:				
Non-compete agreements	$ 2	$ (2)	$ —	2 years
Brand and tradenames	1,695	(226)	1,469	3 - 7 years
Developed technology	10,939	(1,421)	9,518	5 - 6 years
Customer relationships	19,049	(711)	18,338	10 - 18 years
Total intangible assets	$ 31,685	$ (2,360)	$ 29,325	
Goodwill	64,149	—	64,149	Indefinite
Total intangible assets and goodwill	$ 95,834	$ (2,360)	$ 93,474	

During the year ended June 30, 2018, the Company recognized $52.7 million in goodwill, net of a $0.3 million post-closing working capital adjustment, and $30.8 million in newly acquired intangibles in association with the Cantaloupe acquisition as referenced in Note 4. There were no impairments of goodwill during the years ended June 30, 2018 and 2019.

For the years ended June 30, 2019, 2018 and 2017, amortization expense related to intangible assets was $3.2 million, $2.1 million and $0.2 million, respectively. The weighted-average remaining useful life of the finite-lived intangible assets was 12.3 years as of June 30, 2019, of which the weighted-average remaining useful life for the brand and tradenames was 5.3 years, for the developed technology was 4.3 years, and for the customer relationships was 16.3 years.

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

2020	$ 3,138
2021	3,074
2022	3,010
2023	3,010
2024	1,909
Thereafter	12,030
	$ 26,171

11. ACCRUED EXPENSES

Accrued expenses consisted of the following as of June 30, 2019 and 2018:

	As of June 30,	
($ in thousands)	**2019**	**2018**
Accrued sales tax	$ 16,559	$ 12,686
Accrued compensation and related sales commissions	2,071	3,100
Accrued professional fees	2,847	936
Accrued taxes and filing fees	209	160
Accrued other	1,672	2,475
Total accrued expenses	23,358	19,357
Less: accrued expenses, current	(23,258)	(19,291)
Accrued expenses, noncurrent	$ 100	$ 66

12. DEBT AND OTHER FINANCING ARRANGEMENTS

The Company's debt and other financing arrangements as of June 30, 2019 and 2018 consisted of the following:

	As of June 30,	
($ in thousands)	**2019**	**2018**
Revolving Credit Facility	$ 10,000	$ 10,000
Term Loan	1,458	23,333
Other, including capital lease obligations	1,323	2,689
Less: unamortized issuance costs	(8)	(256)
Total	12,773	35,766
Less: debt and other financing arrangements, current	(12,497)	(34,639)
Debt and other financing arrangements, noncurrent	$ 276	$ 1,127

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

($ in thousands)	Year ended June 30, 2019	2018	2017 (As Restated)
Heritage Line of Credit	$ —	$ 203	$ 547
Revolving Credit Facility	658	449	—
Term Loan	1,232	892	—
Other interest expense	1,102	1,561	1,681
Total interest expense	$ 2,992	$ 3,105	$ 2,228

Avidbank Line of Credit

On January 15, 2016, the Company and Avidbank Corporate Finance, a division of Avidbank ("Avidbank") entered into a Fifteenth Amendment (the "Amendment") to the Loan and Security Agreement (as amended, the "Avidbank Loan Agreement") previously entered into between them. The Avidbank Loan Agreement provided for a secured revolving line of credit facility (the "Avidbank Line of Credit") of up to $7.0 million and a three-year term loan to the Company in the principal amount of $3.0 million (the "Avidbank Term Loan"). The Amendment increased the amount available under the Avidbank Line of Credit to $7.5 million less the amount then outstanding under the Avidbank Term Loan. The outstanding balance of the amounts advanced under the Avidbank Line of Credit bear interest at 2% above the prime rate as published in The Wall Street Journal or five percent (5%), whichever is higher. The Avidbank Term Loan was used by the Company to repay to Avidbank an advance that had been made to the Company under the Avidbank Line of Credit in December 2015, and which had been used by the Company to pay for the VendScreen business in 2015. The Avidbank Term Loan provides that interest only is payable monthly during year one, interest and principal is payable monthly during years two and three, and all outstanding principal and accrued interest is due and payable on the third anniversary of the Avidbank Term Loan. The Avidbank Term Loan bears interest at an annual rate equal to 1.75% above the prime rate as published from time to time by The Wall Street Journal, or five percent (5%), whichever is higher.

Heritage Line of Credit

In March 2016, the Company entered into a Loan and Security Agreement with Heritage Bank of Commerce ("Heritage Bank"), providing for a secured revolving line of credit in an amount of up to $12.0 million (the "Heritage Line of Credit") at an interest rate calculated based on the Federal Reserve's Prime plus 2.25%. The Heritage Line of Credit and the Company's obligations under the Heritage Loan Documents were secured by substantially all of the Company's assets, including its intellectual property. The Company utilized approximately $7.1 million under the Heritage Line of Credit to satisfy the existing Avidbank Line of Credit and related Avidbank Term Loan.

During March 2017, the Company entered into the third amendment with Heritage Bank that extended the maturity date of the Line of Credit from March 29, 2017 to September 30, 2018.

On November 9, 2017, the Company paid all amounts due on the Loan and Security Agreement with Heritage Bank of Commerce. The Company recorded a charge of $0.1 million to write-off any remaining debt issuance costs related to the Line of Credit to interest expense in the quarter ending December 31, 2017. Pursuant to such payment, all commitments of Heritage Bank of Commerce were terminated, and the Heritage Loan and Security Agreement was terminated.

Revolving Credit Facility and Term Loan

On November 9, 2017, in connection with the acquisition of Cantaloupe, the Company entered into a five year credit agreement among the Company, as the borrower, its subsidiaries, as guarantors, and JPMorgan Chase Bank, N.A., as the lender and administrative agent for the lender (the "Lender"), pursuant to which the Lender (i) made a $25 million Term Loan to the Company and (ii) provided the Company with the Revolving Credit Facility under which the Company may borrow revolving credit loans in an aggregate principal amount not to exceed $12.5 million at any time.

The proceeds of the Term Loan and borrowings under the Revolving Credit Facility, in an aggregate principal amount equal to $35.0 million, were used by the Company to finance a portion of the purchase price for the acquisition of Cantaloupe ($27.8 million) and repay existing indebtedness to Heritage Bank of Commerce ($7.2 million). Future borrowings under the Revolving Credit Facility may be used by the Company for working capital and general corporate purposes of the Company and its subsidiaries.

The principal amount of the Term Loan is payable quarterly beginning on December 31, 2017, and the Term Loan, all advances under the Revolving Credit Facility, and all other obligations must be paid in full at maturity, on November 9, 2022.

Loans under the five year credit agreement bear interest, at the Company's option, by reference to a base rate or a rate based on LIBOR, in either case, plus an applicable margin determined quarterly based on the Company's Total Leverage Ratio as of the last day of each fiscal quarter. The applicable interest rate on the loans for the year ended June 30, 2019 is LIBOR plus 4%. The Term Loan and Revolving Credit Facility contain customary representations and warranties and affirmative and negative covenants and require the Company to maintain a minimum quarterly Total Leverage Ratio and Fixed Charge Coverage Ratio. The Revolving Credit Facility and Term Loan also require the Company to furnish various financial information on a quarterly and annual basis.

Due to the Company's delay in filing its periodic reports, between September 28, 2018, and September 30, 2019, the parties entered into various agreements to provide for the extension of the delivery of the Company’s financial information required under the terms of the credit agreement. In connection with these agreements, the Company incurred extension fees due to the lender, totaling $0.2 million, between September 28, 2018 and June 30, 2019. Additionally, during the quarter ended March 31, 2019 the Company prepaid $20.0 million of the balance outstanding under the Term Loan, $0.6 million of which was applied to the installment payment due on March 31, 2019 and the remainder of which was applied to the last repayment installment obligations due under the Term Loan. On September 30, 2019, the Company prepaid the remaining principal balance of the term loan of $1.5 million and agreed to permanently reduce the amount available under the revolving credit facility to $10 million which represented the outstanding balance on the date thereof. The agreements also provide that the Company cannot incur additional borrowings on the Revolving Credit Facility without the Lender‘s prior consent. Further, the parties agreed that the applicable interest rate on the Revolving Credit Facility and Term Loan will be LIBOR plus 4% until such time as the Company delivers certain financial information required under the credit agreement.

On March 29, 2019 and September 18, 2019 the Company obtained waivers of an event of default under the credit agreement. The event of default is the result of the Company having maintained deposits on account with a financial institution in excess of the amounts permitted by the credit agreement and not having transferred certain deposit accounts to the Lender. The waiver requires the Company to remedy the event of default by March 31, 2020 by which time the Company expects to be in compliance with the underlying covenant. As of June 30, 2019 the Company was not in compliance with the fixed charge coverage ratio and the total leverage ratio, which represents an event of default under the credit agreement. The Company has classified all amounts outstanding under the Revolving Credit Facility and Term Loan as current liabilities as of June 30, 2019 and 2018.

Other Long-Term Borrowings

In connection with the acquisition of Cantaloupe, the Company assumed debt of $1.8 million with an outstanding balance of $0.8 million and $1.4 million as of June 30, 2019 and June 30, 2018 respectively. The balance for the period ended June 30, 2019 and 2018 is comprised of; (1) $0.2 million and $0.4 million of promissory notes bearing an interest rate of a 5% and maturing on April 5, 2020 with principal and interest payments due monthly, (2) $0.4 million and $0.7 million of promissory notes bearing an interest rate of 10% and maturing on April 1, 2021 with principal and interest payments due quarterly and (3) $0.1 million and $0.3 million of promissory notes bearing an interest rate of 12% and maturing on December 15, 2019 with principal and interest payments due quarterly.

The Company periodically enters into capital lease obligations to finance certain office and network equipment for use in its daily operations. At June 30, 2019 and 2018, such capital lease obligations were $0.1 million and $0.4 million, respectively. The interest rates on these obligations range from approximately 5.6% to 9.0% and the lease terms range from 2 to 5 years.

The expected maturities associated with the Company’s outstanding debt and other financing arrangements (excluding interest on capital lease obligations) as of June 30, 2019, were as follows:

2020	$	12,515
2021		255
2022		22
2023		4
2024		1
Thereafter		—
	$	12,797

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments are carried at cost which approximates fair value. The Company classifies its financial instruments, which are primarily cash equivalents, accounts receivable, accounts payable and accrued expenses as Level 1 investments of the fair value hierarchy because these instruments are carried at cost which approximates fair value due to the short-term maturity of these instruments.

The Company's obligations under its long-term debt agreements are carried at amortized cost, which approximates their fair value. The fair value of the Company's obligations under its long-term debt agreements are considered Level 2 investments of the fair value hierarchy because these instruments have interest rates that reset frequently.

The Company previously held Level 3 financial instruments consisting of common stock warrants issued by the Company during March 2011, which included features requiring liability treatment of the warrants. The fair value of warrants issued in March 2011 to purchase shares of the Company's common stock was based on valuations performed by an independent third party valuation firm. The fair value was determined using proprietary valuation models considering the quality of the underlying securities of the warrants, restrictions on the warrants and security underlying the warrants, time restrictions, and precedent sale transactions completed on the secondary market or in other private transactions. During the year ended June 30, 2017, all of the aforementioned warrants were exercised, resulting in a $5.2 million reclassification to common stock. During the year ended June 30, 2017, the Company recognized a $1.5 million loss resulting from a change in fair value of the warrant liabilities.

If applicable, the Company will recognize transfers into and out of levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstances occurs. During the years ended June 30, 2019, 2018 and 2017, the Company did not have any transfers in or out of Level 1, Level 2, or Level 3 assets or liabilities.

14. EQUITY

Stock Offerings

On July 25, 2017, the Company closed its underwritten public offering of 9,583,332 shares of its common stock at a public offering price of $4.50 per share. The foregoing included the full exercise of the underwriters' option to purchase 1,249,999 additional shares from the Company. The gross proceeds to the Company from the offering, before deducting underwriting discounts and commissions and other offering expenses, was approximately $43.1 million.

On November 6, 2017, the Company entered into a Merger Agreement with Cantaloupe for cash and 3,423,367 shares of the Company's stock valued at $23.3 million. Refer to Note 4 for details on the Merger Agreement.

On May 25, 2018, the Company and the selling shareholders closed an underwritten public offering of 6,330,449 shares and 553,187 shares, respectively, of the Company's common stock at a public offering price of $11.00 per share. The foregoing included the full exercise of the underwriters' option to purchase 897,866 additional shares from the Company. The gross proceeds to the Company from the offering, before deducting underwriting discounts and commissions and other offering expenses, was approximately $69.6 million.

Warrants

The Company had 23,978 warrants outstanding as of June 30, 2019 and 2018, all of which were exercisable at $5.00 per share. The warrants have an expiration date of March 29, 2021.

15. INCOME TAXES

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 periods prior to the year ended June 30, 2014, the Company's evaluation of its ability to realize the benefit from its deferred tax assets resulted in a full valuation allowance against such assets. Based upon earnings performance that the Company had achieved along with the belief that such performance would continue into future years, the Company determined during the year ended June 30, 2014 that it was more likely than not that a substantial portion of its deferred tax assets would be realized with approximately $64 million of its operating loss carryforwards being utilized to offset corresponding future years' taxable income resulting in a reduction in its valuation allowances recorded in prior years. However, due to the adjustments to earnings and management's reassessment of the underlying factors it uses in estimating future taxable income, and in accordance with the history of losses generated, the Company believes that for the year ended June 30, 2016 and onward, 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) benefit for income taxes for the years ended June 30, 2019, 2018 and 2017 is comprised of the following:

	Year ended June 30,		
($ in thousands)	**2019**	**2018**	**2017 (As Restated)**
Current:			
Federal	$ —	$ (22)	$ (2)
State	(269)	(60)	(31)
Total current	(269)	(82)	(33)
Deferred:			
Federal	(11)	183	(58)
State	18	—	(4)
Total deferred	7	183	(62)
Total income tax (provision) benefit	$ (262)	$ 101	$ (95)

On December 22, 2017, the "Tax Cuts and Jobs Act" (the "Act") was signed into law. Substantially all of the provisions of the Act are effective for taxable years beginning after December 31, 2017. The Act includes significant changes to the Internal Revenue Code of 1986 (as amended, the "Code"), including amendments which significantly change the taxation of individuals and business entities. The Act contains numerous provisions impacting the Company, the most significant of which reduces the Federal corporate statutory tax rate from 34% to 21%, as well as the elimination of the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized, the creation of a new limitation on deductible interest expense, and the change in rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

The various provisions under the Act deemed most relevant to the Company have been considered in preparation of its financial statements as of June 30, 2019 and 2018. To the extent that clarifications or interpretations materialize in the future that would impact upon the effects of the Act incorporated into the June 30, 2019 and 2018 financial statements, those effects will be reflected in the future as or if they materialize.

The benefit for income taxes for the year ended June 30, 2018 was $0.1 million, which included a benefit of $0.1 million due to the ability to recognize additional deferred tax assets related to the Company's alternative minimum tax credit as a result of the Act.

A reconciliation of the (provision) benefit for income taxes for the years ended June 30, 2019, 2018 and 2017 to the indicated (provision) benefit based on income (loss) before (provision) benefit for income taxes at the federal statutory rate of 21.0% for the fiscal year ended June 30, 2019, 27.5% for the fiscal year ended June 30, 2018 and 34% for the fiscal year ended June 30, 2017 is as follows:

($ in thousands)	Year ended June 30, 2019	2018	2017 (As Restated)
Indicated (provision) benefit at federal statutory rate	$ 6,671	$ 3,131	$ 2,506
Effects of permanent differences			
Stock compensation	(140)	(46)	—
Warrants	—	—	(507)
Acquisition related costs	—	(759)	—
Other permanent differences	(76)	(157)	(137)
State income taxes, net of federal benefit	663	448	174
Income tax credits	—	—	60
Changes related to prior years	—	(7)	8
Changes in valuation allowances	(7,319)	(2,544)	(2,199)
Other	(61)	35	—
	$ (262)	$ 101	$ (95)

At June 30, 2019, the Company had federal and state operating loss carryforwards of approximately $155 million and $194 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 2020, respectively.

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, 2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 38,486	$ 35,562
Asset reserves	7,211	4,906
Deferred research and development	1,448	1,084
Stock-based compensation	418	661
Other	983	778
	48,546	42,991
Deferred tax liabilities:		
Intangibles	(6,203)	(6,864)
Deferred tax assets, net	42,343	36,127
Valuation allowance	(42,414)	(36,194)
Deferred tax liabilities, net of allowance	$ (71)	$ (67)

As of June 30, 2019, the Company had total unrecognized income tax benefits of $0.2 million related to its nexus in certain state tax jurisdictions. If recognized in future years, $0.2 million of these currently unrecognized income tax benefits would impact the income tax provision and effective tax rate. The Company is actively working with the taxing authorities related to the majority of this uncertain tax position and it is reasonably possible that a majority of the uncertain tax position will be settled within the next 12 months. The following table summarizes the activity related to unrecognized income tax benefits:

($ in thousands)	Year ended June 30, 2019	2018	2017
Balance at the beginning of the year	$ —	$ —	$ —
Gross increases and decreases related to current period tax positions	180	—	—
Accrued interest and penalties	30	—	—
Balance at the end of the year	$ 210	$ —	$ —

The Company records accrued interest as well as penalties related to uncertain tax positions in selling, general and administrative expenses. As of June 30, 2019 the Company had recorded $30 thousand of accrued interest and penalties related to uncertain tax positions on the Consolidated Balance Sheet.

16. STOCK BASED COMPENSATION PLANS

The Company has four active stock based compensation plans at June 30, 2019 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	1,500,000
			4,000,000

As of June 30, 2019, the Company had reserved shares of Common Stock for future issuance for the following:

Common Stock	Reserved Shares
Exercise of Common Stock Warrants	23,978
Conversions of Preferred Stock and cumulative Preferred Stock dividends	104,139
Issuance under 2013 Stock Incentive Plan	—
Issuance under 2014 Stock Option Incentive Plan	101,447
Issuance under 2015 Equity Incentive Plan	342,806
Issuance under 2018 Equity Incentive Plan	1,500,000
Total shares reserved for future issuance	2,072,370

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 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 bases its assumptions for expected life of the new stock option grants on the life of the option granted, and if relevant, its analysis of the historical exercise patterns of its stock options. 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, 2019, 2018, and 2017 was determined using the following assumptions:

	For the year ended June 30,		
	2019	2018	2017
Expected volatility	58.4 - 70.9%	50.2 - 50.9%	49.0 - 50.2%
Expected life (years)	4.2 - 4.5	4.0 - 4.5	3.6 - 4.5
Expected dividends	0.0%	0.0%	0.0%
Risk-free interest rate	2.23-2.91%	1.64 - 1.75%	1.06 - 1.72%

The following tables provide information about outstanding options for the years ended June 30, 2019, 2018, and 2017:

	For the year ended June 30, 2019			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding options, beginning of period	904,766	$ 3.31	4.3	$ 9,664
Granted	470,000	$ 8.22		
Exercised	(11,669)	$ 5.40		$ —
Forfeited	(235,999)	$ 5.70		
Expired	—	$ —		
Outstanding options, end of period	1,127,098	$ 4.84	4.3	$ 2,917
Exercisable options, end of period	638,988	$ 2.86	3.4	$ 2,923

	For the year ended June 30, 2018			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding options, beginning of period	895,221	$ 2.79	5.2	$ 2,160
Granted	179,047	$ 5.66		
Exercised	(93,169)	$ 1.92		$ —
Forfeited	(76,333)	$ 4.30		
Expired	—	$ —		
Outstanding options, end of period	904,766	$ 3.31	4.3	$ 9,664
Exercisable options, end of period	632,737	$ 2.55	3.9	$ 7,242

	For the year ended June 30, 2017			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding options, beginning of period	610,141	$ 2.07	5.4	$ 1,342
Granted	285,080	$ 4.30		
Exercised	—	$ —		$ —
Forfeited	—	$ —		
Expired	—	$ —		
Outstanding options, end of period	895,221	$ 2.79	5.2	$ 2,160
Exercisable options, end of period	483,474	$ 2.08	4.5	$ 1,511

The weighted average grant date fair value per share for the Company's stock options granted during the years ended June 30, 2019, 2018, and 2017 was $4.15, $2.42, and $1.80, respectively. The total fair value of stock options vested during the years ended June 30, 2019, 2018, and 2017 was $0.2 million, $0.4 million, and $0.3 million, respectively.

STOCK GRANTS

The Company grants shares of common stock to executive officers pursuant to long-term stock incentive plans ("LTIPs") under which executive officers are awarded shares of common stock of the Company in the event that certain targets are achieved. These achievement targets are typically aligned with specified ranges of year-over-year percentage growth in metrics such as total number of connections and adjusted EBITDA. If none of the minimum threshold year-over-year percentage target goals are achieved, the executive officers would not be awarded any shares. Assuming the minimum threshold year-over-year percentage target goal would be achieved for a particular metric, the number of shares to be awarded for that metric would be determined on a pro rata basis, provided that the award would not exceed the maximum distinguished award for that metric. The shares awarded under the LTIPs typically vest as follows: one-third at the time of issuance; one-third on the one-year anniversary of the fiscal year end for which the shares were awarded; and one-third on the two-year anniversary of the fiscal year end for which the shares were awarded.

The Company also grants shares of common stock to members of the board of directors as compensation for their service on the board. These stock awards to directors typically vest over a two to three year period.

A summary of the status of the Company's nonvested common shares as of June 30, 2019, 2018, and 2017, and changes during the years then ended is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at June 30, 2016	128,498	$ 2.97
Granted	135,585	4.25
Vested	(141,527)	3.33
Nonvested at June 30, 2017	122,556	$ 3.96
Granted	275,547	5.31
Vested	(232,267)	4.92
Nonvested at June 30, 2018	165,836	$ 4.85
Granted	40,062	13.90
Vested	(166,927)	6.01
Nonvested at June 30, 2019	38,971	$ 9.19

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, 2019, 2018, and 2017 is as follows (in thousands):

	For the year ended June 30,		
Award type	2019	2018	2017
Stock options	$ 822	$ 485	$ 264
Stock grants	928	1,309	950
Total stock-based compensation expense	$ 1,750	$ 1,794	$ 1,214

A summary of the Company's unrecognized stock-based compensation expense as of June 30, 2019 is as follows:

	As of June 30, 2019	
Award type	Unrecognized Expense (in thousands)	Weighted Average Recognition Period (in years)
Stock options	$ 895	2.2
Stock grants	$ 217	1.0

17. 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, 2019 each share of Series A Preferred Stock is convertible into 0.1988 of a share of Common Stock and each share of Series A 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 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 Preferred Stock must be declared and paid prior to the declaration and payment of any dividends on the Common Stock.

The Series A 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, 2019. In the event of any liquidation as defined in the Company's Articles of Incorporation, the holders of shares of Series A 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 Preferred Stock liquidation preference as of June 30, 2019 and 2018 is as follows:

($ in thousands)	June 30, 2019	June 30, 2018
For shares outstanding at $10.00 per share	$ 4,451	$ 4,451
Cumulative unpaid dividends	15,660	14,992
	$ 20,111	$ 19,443

The Company has determined that its 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.

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, 2019, 2018 and 2017, no shares of Preferred Stock nor cumulative preferred dividends were converted into shares of common stock.

18. RETIREMENT PLAN

The Company's 401(k) Plan (the "Retirement Plan") allows employees who have completed six months of service to make voluntary contributions 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 2019, 2018 and 2017, 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, 2019, 2018 and 2017 approximated $0.4 million, $0.3 million and $0.2 million, respectively.

19. COMMITMENTS AND CONTINGENCIES

SALE AND LEASEBACK TRANSACTIONS

The Company has entered into sale leaseback transactions with a third-party finance company, pursuant to which the third-party financing company purchased ePort equipment owned by the Company and used by the Company in its JumpStart Program. These transactions were classified as capital leases.

Upon the completion of the sales, the Company computed a total gain on the sale of its ePort equipment of $2.6 million. In accordance with ASC 840-40, "Sale Leaseback Transactions", the Company deferred this gain and amortized it on a straight-line basis over the five-year estimated useful life of the underlying equipment assets.

OTHER LEASES

Other lease commitments, in relation to operational facilities, include:

- The Company leases approximately 23,138 square feet of space located in Malvern, Pennsylvania for its principal executive office and for general administrative functions, sales activities, product development, and customer support. The Company's monthly base rent for the premises is approximately $48 thousand, and will increase each year up to a maximum monthly base rent of approximately $53 thousand. The lease expires on November 30, 2023.

- The Company also leases 11,250 square feet of space in Malvern, Pennsylvania for its product warehousing and shipping under a lease agreement which expires on December 31, 2019. As of June 30, 2019, the Company's rent payment is approximately $6 thousand per month.

- The Company leases space in Portland, Oregon. The current lease commenced on October 17, 2016, and will terminate on December 31, 2019. The leased premises consist of approximately 5,362 square feet of rentable space. The lease includes monthly rental payments of approximately $11 thousand per month through December 31, 2019.

- The Company leases approximately 8,400 square feet of space in San Francisco, California, for general office purposes, including technical testing and software development. The current lease commenced on February 1, 2010 and will terminate on January 31, 2020. The Company's monthly base rent for the premises is approximately $45 thousand, and will increase each year up to a maximum monthly base rent of approximately $47 thousand.

- The Company also leases approximately 7,745 square feet of office space in Matairie, Louisiana. The lease is for a period of 74 months, and commenced on November 12, 2018. The Company's monthly base rent for the premises will initially be approximately $15 thousand, and will increase each year up to a maximum monthly base rent of approximately $16 thousand.

- The Company leases approximately 16,713 square feet of office space in Denver, Colorado. The lease is for a period of 89 months, and commenced on August 1, 2019. The Company's monthly base rent for the premises, which is payable from January 1, 2020, will initially be approximately $45 thousand, and will increase each year up to a maximum monthly base rent of approximately $53 thousand. The Company intends to consolidate its Portland and San Francisco offices into this new office location.

Rent expense for the aforementioned operating leases was approximately $1.6 million, $1.2 million and $0.7 million for the years ended June 30, 2019, 2018, and 2017, respectively.

SUMMARY OF LEASE OBLIGATIONS

Future minimum lease payments for fiscal years subsequent to June 30, 2019 under non-cancellable operating leases and capital leases are as follows:

($ in thousands)	**Operating Leases**	**Capital Leases**
2020	$ 1,326	$ 106
2021	1,151	34
2022	1,180	12
2023	1,208	1
2024	859	1
Thereafter	1,550	—
Total minimum lease payments	$ 7,274	$ 154
Less: interest		(14)
Present value of minimum lease payments, net		140
Less: current obligations under capital leases		(106)
Obligations under capital leases, noncurrent		$ 34

LITIGATION

New Jersey District Court Consolidated Shareholder Class Actions

On September 11, 2018, Stéphane Gouet filed a purported class action complaint against the Company, Stephen P. Herbert, the Chief Executive Officer, and Priyanka Singh, the former Chief Financial Officer, in the United States District Court for the District of New Jersey. The alleged class members are those who purchased the Company's securities from November 9, 2017 through September 11, 2018. The complaint alleges that the Company disclosed on September 11, 2018 that it was unable to timely file its Annual Report on Form 10-K for the fiscal year ended June 30, 2018, and that the Audit Committee of the Company's Board of Directors was in the process of conducting an internal investigation of 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 complaint alleges that the defendants disseminated false statements and failed to disclose material facts and engaged in practices that operated as a fraud or deceit upon Gouet and others similarly situated in connection with their purchases of the Company's securities during the alleged class period. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "1934 Act") and Rule 10b-5 promulgated thereunder.

Two additional class action complaints, containing substantially the same factual allegations and legal claims were filed against the Company, Herbert and Singh in the United States District Court for the District of New Jersey. On September 13, 2018, David Gray filed a purported class action complaint, and on October 3, 2018, Anthony E. Phillips filed a purported class action complaint. Subsequently, multiple shareholders moved to be appointed lead plaintiff, and on December 19, 2018, the Court consolidated the three actions, appointed a lead plaintiff (the "Lead Plaintiff"), and appointed lead counsel for the consolidated actions (the "Consolidated Action").

On February 28, 2019, the Court approved a Stipulation agreed to by the parties in the Consolidated Action for the filing of an amended complaint within fourteen days after the Company files the above-referenced Form 10-K. On January 22, 2019, the Company and Herbert filed a motion to transfer the Consolidated Action to the United States District Court for the Eastern District of Pennsylvania. On February 5, 2019, the Lead Plaintiff filed its opposition to the Motion to Transfer. The Court has not yet ruled on the Motion to Transfer.

On August 12, 2019, the University of Puerto Rico Retirement System ("UPR") filed a purported class action complaint in the United States District Court for the District of New Jersey against the Company, Herbert, Singh, the Company's Directors at the relevant time (Steven D. Barnhart, Joel Books, Robert L. Metzger, Albin F. Moschner, William J. Reilly and William J. Schoch) ("the Independent Directors"), and the investment banking firms who acted as underwriters for the May 2018 follow-on public offering of the Company (the "Public Offering"): William Blair & Company; LLC ("William Blair"); Craig-Hallum Capital Group, LLC ("Craig-Hallum"); Northland Securities, Inc. ("Northland"); and Barrington Research Associates, Inc. ("Barrington") ("the Underwriter Defendants"). The alleged class members are those who purchased the Company's shares pursuant to the registration statement and prospectus issued in connection with the Public Offering. Plaintiff seeks to recover damages caused by Defendants' alleged violations of the Securities Act of 1933 (the "1933 Act"), and specifically Sections 11, 12 and 15 thereof. The complaint generally seeks compensatory damages, rescission and attorneys' fees and costs. The UPR complaint was consolidated into the Consolidated Action and the UPR docket was closed. Pursuant to the February 28, 2019 Stipulation referred to above, plaintiffs' counsel in the Consolidated Action will file one amended complaint (covering the 1933 Act and the 1934 Act claims) after the above-referenced Form 10-K has been filed, and no response to the complaint is required at this time.

The Company plans to vigorously defend against the claims asserted in the Consolidated Action.

Chester County, Pennsylvania Class Action

On May 17, 2019, the City of Warren Police and Fire Retirement System filed a purported class action complaint in the Court of Common Pleas, Chester County, Pennsylvania. The alleged class members are those who purchased the Company's shares pursuant to the registration statement and prospectus issued in connection with the Public Offering. The defendants are the Company, Herbert, Singh, the Independent Directors, and the Underwriter Defendants. Plaintiffs allege that the registration statement was negligently prepared, contained untrue statements of material facts or omitted to state facts necessary to make the statements not misleading, and was not prepared in accordance with the rules and regulations governing its preparation. Plaintiff seeks to recover damages caused by defendants' alleged violations of the 1933 Act, and specifically Sections 11, 12 and 15 thereof. The complaint generally seeks compensatory damages, rescission and attorneys' fees and costs. Defendants filed a Petition for Stay due to the previously filed Consolidated Action, and on September 20, 2019, and following a hearing, the Court granted the Petition and stayed the action pending the final disposition of the Consolidated Action. The Company plans to vigorously defend against these claims.

The Shareholder Demand Letters

By letter dated October 12, 2018, Peter D'Arcy, a purported shareholder of the Company, demanded that the Board of Directors investigate, remedy and commence proceedings against certain of the Company's current and former officers and Directors for breach of fiduciary duties. The letter alleged the officers and Directors made false and misleading statements that failed to disclose that the Company's accounting treatment, financial reporting and internal controls related to certain of the Company's contractual agreements would result in an internal investigation and would delay the Company's filing of its Annual Report on Form 10-K for the fiscal year ended June 30, 2018, and that the Company failed to maintain internal controls. By letter dated October 18, 2018, Chiu Jen-Ting, a purported shareholder of the Company, demanded that the Board of Directors investigate, remedy and commence proceedings against certain of the Company's current and former officers and Directors for breach of fiduciary duties in connection with the issues similar to those asserted by Mr. D'Arcy. By letter dated August 2, 2019, Stan Emanuel, a purported shareholder of the Company, demanded that the Board of Directors investigate, remedy and commence proceedings against certain of the Company's current and former officers and Directors for breach of fiduciary duties in connection with the issues similar to those asserted by Mr. D'Arcy. In response to the first two demand letters, and in accordance with Pennsylvania law, in January 2019, the Board of Directors formed a special litigation committee (the "SLC") consisting of Joel Brooks and William Reilly, Jr., in order to, among other things, investigate and evaluate the demand letters. The SLC has retained counsel and the SLC and its counsel are currently investigating the matters raised in these letters.

The ultimate outcome of these matters cannot be determined at this time. The Company believes that it has meritorious defenses to such claims and is defending them vigorously, and has not recorded a provision for the ultimate outcome of these matters in its financial statements.

20. UNAUDITED QUARTERLY DATA

	Three months ended			
($ in thousands, except per share data)	**September 30, 2018**	**December 31, 2018**	**March 31, 2019**	**June 30, 2019**
	(unaudited)	***(unaudited)***	***(unaudited)***	***(unaudited)***
Revenue	$ 33,522	$ 34,406	$ 37,646	$ 38,225
Gross profit	$ 10,110	$ 9,243	$ 9,779	$ 8,987
Operating loss	$ (5,921)	$ (10,200)	$ (3,892)	$ (10,143)
Net loss	$ (6,320)	$ (10,657)	$ (4,510)	$ (10,541)
Cumulative preferred dividends	$ (334)	$ —	$ (334)	$ —
Net loss applicable to common shares	$ (6,654)	$ (10,657)	$ (4,844)	$ (10,541)
Net loss per common share - basic	$ (0.11)	$ (0.18)	$ (0.08)	$ (0.18)
Net loss per common share - diluted	$ (0.11)	$ (0.18)	$ (0.08)	$ (0.18)
Weighted average number of common shares outstanding - basic	60,053,912	60,059,936	60,065,053	60,065,978
Weighted average number of common shares outstanding - diluted	60,053,912	60,059,936	60,065,053	60,065,978

($ in thousands, except per share data)	Three months ended September 30, 2017 (As Restated)	December 31, 2017 (As Restated)	March 31, 2018 (As Restated)	June 30, 2018
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	$ 25,259	$ 31,532	$ 33,592	$ 42,125
Gross profit	$ 6,181	$ 9,172	$ 9,845	$ 10,478
Operating loss	$ (1,750)	$ (3,905)	$ (2,566)	$ (1,002)
Net loss	$ (2,171)	$ (4,194)	$ (3,223)	$ (1,696)
Cumulative preferred dividends	$ (334)	$ —	$ (334)	$ —
Net loss applicable to common shares	$ (2,505)	$ (4,194)	$ (3,557)	$ (1,696)
Net loss per common share - basic	$ (0.05)	$ (0.08)	$ (0.07)	$ (0.03)
Net loss per common share - diluted	$ (0.05)	$ (0.08)	$ (0.07)	$ (0.03)
Weighted average number of common shares outstanding - basic	47,573,364	52,150,106	53,637,085	54,064,750
Weighted average number of common shares outstanding - diluted	47,573,364	52,150,106	53,637,085	54,064,750

($ in thousands, except per share data)	Three months ended September 30, 2016 (As Restated)	December 31, 2016 (As Restated)	March 31, 2017 (As Restated)	June 30, 2017 (As Restated)
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	$ 21,569	$ 21,787	$ 26,301	$ 31,779
Gross profit	$ 6,297	$ 6,445	$ 6,342	$ 5,977
Operating loss	$ (1,383)	$ 109	$ (459)	$ (2,401)
Net loss	$ (3,370)	$ (232)	$ (925)	$ (2,938)
Cumulative preferred dividends	$ (334)	$ —	$ (334)	$ —
Net loss applicable to common shares	$ (3,704)	$ (232)	$ (1,259)	$ (2,938)
Net loss per common share - basic	$ (0.10)	$ (0.01)	$ (0.03)	$ (0.07)
Net loss per common share - diluted	$ (0.10)	$ (0.01)	$ (0.03)	$ (0.07)
Weighted average number of common shares outstanding - basic	38,488,005	40,308,934	40,327,697	40,331,993
Weighted average number of common shares outstanding - diluted	38,488,005	40,308,934	40,327,697	40,331,993

Explanatory Note:

The Company is providing restated quarterly and year-to-date unaudited consolidated financial information for interim periods occurring within fiscal years ended June 30, 2017 and 2018 in order to comply with SEC requirements. Refer to Note 2 — *"Restatement of Consolidated Financial Statements"* for further background concerning the events preceding the restatement of financial information in this Form 10-K.

As discussed in Note 2, the Audit Committee and the Company identified certain errors that are corrected through adjustments made as part of the restatement. These adjustments include corrections related to the investigation of customer transactions that was conducted, as well as (i) corrections related to the Company's acquisition and financial integration of Cantaloupe and (ii) corrections resulting from management's review of significant accounts and transactions.

A summary of the impact of these matters on income (loss) before taxes is presented below:

($ in thousands)	Increase / (Decrease) Restatement Impact				
	Three months ended September 30, 2017	Three months ended December 31, 2017	Six months ended December 31, 2017	Three months ended March 31, 2018	Nine months ended March 31, 2018
Audit Committee Investigation-related Adjustments:					
Revenue	$ (411)	$ (866)	$ (1,277)	$ (768)	$ (2,045)
Costs of sales	$ 165	$ (1,225)	$ (1,060)	$ (293)	$ (1,353)
Gross profit	$ (576)	$ 359	$ (217)	$ (475)	$ (692)
Operating income (loss)	$ (576)	$ 359	$ (217)	$ (9)	$ (226)
Income (loss) before income taxes	$ (576)	$ 357	$ (219)	$ (29)	$ (248)
Acquisition and Financial Integration-related Adjustments:					
Revenue	$ —	$ (60)	$ (60)	$ (1,546)	$ (1,606)
Costs of sales	$ —	$ (33)	$ (33)	$ (79)	$ (112)
Gross profit	$ —	$ (27)	$ (27)	$ (1,467)	$ (1,494)
Operating income (loss)	$ —	$ (288)	$ (288)	$ (1,594)	$ (1,882)
Income (loss) before income taxes	$ —	$ (223)	$ (223)	$ (1,499)	$ (1,722)
Significant Account and Transaction Review and Other:					
Revenue	$ 53	$ (47)	$ 6	$ 75	$ 81
Costs of sales	$ 497	$ 313	$ 810	$ 231	$ 1,041
Gross profit	$ (444)	$ (360)	$ (804)	$ (156)	$ (960)
Operating income (loss)	$ (622)	$ (775)	$ (1,397)	$ (461)	$ (1,858)
Income (loss) before income taxes	$ (886)	$ (1,041)	$ (1,927)	$ (696)	$ (2,623)

($ in thousands)	Increase / (Decrease) Restatement Impact					
	Three months ended September 30, 2016	Three months ended December 31, 2016	Six months ended December 31, 2016	Three months ended March 31, 2017	Nine months ended March 31, 2017	Three months ended June 30, 2017
Audit Committee Investigation-related Adjustments:						
Revenue	$ —	$ —	$ —	$ (111)	$ (111)	$ (2,457)
Costs of sales	$ —	$ —	$ —	$ (24)	$ (24)	$ (1,139)
Gross profit	$ —	$ —	$ —	$ (87)	$ (87)	$ (1,318)
Operating income (loss)	$ —	$ —	$ —	$ (87)	$ (87)	$ (1,318)
Income (loss) before income taxes	$ —	$ —	$ —	$ (87)	$ (87)	$ (1,318)
Significant Account and Transaction Review and Other:						
Revenue	$ (18)	$ 31	$ 13	$ (49)	$ (36)	$ (53)
Costs of sales	$ (148)	$ (81)	$ (229)	$ 147	$ (82)	$ 173
Gross profit	$ 130	$ 112	$ 242	$ (196)	$ 46	$ (226)
Operating income (loss)	$ (434)	$ (124)	$ (558)	$ (790)	$ (1,348)	$ (1,516)
Income (loss) before income taxes	$ (769)	$ (441)	$ (1,210)	$ (1,159)	$ (2,369)	$ (1,831)

A summary of the impact of these matters on the consolidated balance sheet is presented below, excluding any tax effect from the restatement adjustments in the aggregate:

($ in thousands)	Increase / (Decrease) Restatement Impact					
	As of September 30, 2016	As of December 31, 2016	As of March 31, 2017	As of September 30, 2017	As of December 31, 2017	As of March 31, 2018
Audit Committee Investigation-related Adjustments:						
Accounts receivables	$ —	$ —	$ —	$ (315)	$ (1,774)	$ (1,954)
Finance receivables, net	$ —	$ —	$ 92	$ (1,640)	$ (1,269)	$ (1,666)
Inventory, net	$ —	$ —	$ —	$ 941	$ 2,166	$ 2,459
Prepaid expenses and other current assets	$ —	$ —	$ 30	$ 25	$ 25	$ 25
Other assets	$ —	$ —	$ 95	$ 82	$ 76	$ 69
Property and equipment, net	$ —	$ —	$ —	$ —	$ (162)	$ (146)
Accounts payable	$ —	$ —	$ 270	$ 270	$ 106	$ 99
Accrued expenses	$ —	$ —	$ 34	$ 803	$ 580	$ 341
Acquisition and Financial Integration-related Adjustments:						
Cash and cash equivalents	$ —	$ —	$ —	$ —	$ (26)	$ (52)
Accounts receivables	$ —	$ —	$ —	$ —	$ 1,133	$ (1,974)
Finance receivables, net	$ —	$ —	$ —	$ —	$ (1,515)	$ 158
Inventory, net	$ —	$ —	$ —	$ —	$ (500)	$ (500)
Prepaid expenses and other current assets	$ —	$ —	$ —	$ —	$ (35)	$ (44)
Property and equipment, net	$ —	$ —	$ —	$ —	$ 721	$ 826
Other assets	$ —	$ —	$ —	$ —	$ (139)	$ (175)
Goodwill	$ —	$ —	$ —	$ —	$ 4,121	$ 4,121
Accrued expenses	$ —	$ —	$ —	$ —	$ 785	$ 883
Deferred revenue	$ —	$ —	$ —	$ —	$ (153)	$ (153)
Common stock	$ —	$ —	$ —	$ —	$ 3,469	$ 3,469
Significant Account and Transaction Review and Other:						
Accounts receivables	$ (143)	$ 110	$ 61	$ 77	$ (8)	$ 127
Finance receivables, net	$ —	$ —	$ —	$ —	$ 1,074	$ 28
Inventory, net	$ (338)	$ (348)	$ (470)	$ (305)	$ (861)	$ (1,067)
Prepaid expenses and other current assets	$ 13	$ 13	$ 13	$ (136)	$ (150)	$ (173)
Other assets	$ —	$ —	$ —	$ (543)	$ (600)	$ (693)
Property and equipment, net	$ 2,865	$ 2,561	$ 2,168	$ (1,149)	$ (737)	$ (635)
Accounts payable	$ 17	$ 19	$ 21	$ 25	$ 27	$ 29
Accrued expenses	$ 4,506	$ 5,222	$ 6,166	$ 8,319	$ 9,087	$ 9,877
Line of credit, net	$ 13	$ 13	$ 13	$ —	$ —	$ —
Capital lease obligation and current obligations under long-term debt	$ 4,117	$ 3,566	$ 2,998	$ (21)	$ 367	$ (5)
Deferred revenue	$ —	$ —	$ —	$ (27)	$ (27)	$ (27)
Deferred gain from sale-leaseback transactions	$ (685)	$ (470)	$ (255)	$ (198)	$ (198)	$ (198)
Deferred gain from sale-leaseback transactions, less current portion	$ —	$ —	$ —	$ (99)	$ (49)	$ —
Capital lease obligation and long-term debt, less current portion	$ —	$ —	$ —	$ —	$ 697	$ —
Common stock	$ —	$ —	$ —	$ (166)	$ (372)	$ (867)

The effect of the restatement on the previously filed consolidated balance sheet as of September 30, 2017 is as follows:

($ in thousands, except per share data)	As of September 30, 2017		
	As Previously Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 51,870	$ —	$ 51,870
Accounts receivable	10,288	(473)	9,815
Finance receivables, net	3,082	(1,641)	1,441
Inventory, net	8,240	636	8,876
Prepaid expenses and other current assets	1,122	(66)	1,056
Total current assets	74,602	(1,544)	73,058
Non-current assets:			
Finance receivables due after one year	7,742	—	7,742
Other assets	750	(461)	289
Property and equipment, net	11,850	(1,149)	10,701
Deferred income taxes	28,205	(28,205)	—
Intangibles, net	578	—	578
Goodwill	11,492	—	11,492
Total non-current assets	60,617	(29,815)	30,802
Total assets	$ 135,219	$ (31,359)	$ 103,860
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 14,211	$ 295	$ 14,506
Accrued expenses	3,795	8,422	12,217
Line of credit, net	7,051	—	7,051
Capital lease obligations and current obligations under long-term debt	2,649	(21)	2,628
Income taxes payable	10	(10)	—
Deferred revenue	—	439	439
Deferred gain from sale-leaseback transactions	197	(197)	—
Total current liabilities	27,913	8,928	36,841
Long-term liabilities:			
Deferred income taxes	—	109	109
Capital lease obligations and long-term debt, less current portion	1,049	—	1,049
Accrued expenses, less current portion	62	—	62
Deferred gain from sale-leaseback transactions, less current portion	99	(99)	—
Total long-term liabilities	1,210	10	1,220
Total liabilities	$ 29,123	$ 8,938	$ 38,061
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $19,109 at September 30, 2017	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $19,109 at September 30, 2017	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 50,194,731 shares issued and outstanding at September 30, 2017	286,463	(167)	286,296
Accumulated deficit	(183,505)	(40,130)	(223,635)
Total shareholders' equity	106,096	(43,435)	62,661
Total liabilities, convertible preferred stock and shareholders' equity	$ 135,219	$ (31,359)	$ 103,860

The effect of the restatement on the previously filed consolidated statement of operations for the three months ended September 30, 2017 is as follows:

($ in thousands, except per share data)	Three months ended September 30, 2017		
	As Previously Reported	Adjustments	As Restated
Revenue:			
License and transaction fees	$ 19,944	$ (547)	$ 19,397
Equipment sales	5,673	189	5,862
Total revenue	25,617	(358)	25,259
Costs of sales:			
Cost of services	13,326	(79)	13,247
Cost of equipment	5,090	741	5,831
Total costs of sales	18,416	662	19,078
Gross profit	7,201	(1,020)	6,181
Operating expenses:			
Selling, general and administrative	6,746	178	6,924
Integration and acquisition costs	762	—	762
Depreciation and amortization	245	—	245
Total operating expenses	7,753	178	7,931
Operating loss	(552)	(1,198)	(1,750)
Other income (expense):			
Interest income	80	—	80
Interest expense	(209)	(264)	(473)
Total other expense, net	(129)	(264)	(393)
Loss before income taxes	(681)	(1,462)	(2,143)
Benefit (provision) for income taxes	468	(496)	(28)
Net loss	(213)	(1,958)	(2,171)
Preferred dividends	(334)	—	(334)
Net loss applicable to common shares	$ (547)	$ (1,958)	$ (2,505)
Net loss per common share			
Basic	$ (0.01)	$ (0.04)	$ (0.05)
Diluted	$ (0.01)	$ (0.04)	$ (0.05)
Weighted average number of common shares outstanding			
Basic	47,573,364	—	47,573,364
Diluted	47,573,364	—	47,573,364

The effect of the restatement on the previously filed consolidated statement of cash flows for the three months ended September 30, 2017 is as follows:

($ in thousands)	Three months ended September 30, 2017		
	As Previously Reported	Adjustments	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (213)	$ (1,958)	$ (2,171)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Non-cash stock-based compensation	576	(167)	409
(Gain) loss on disposal of property and equipment	(18)	—	(18)
Non-cash interest and amortization of debt discount	15	2	17
Bad debt expense	118	50	168
Provision for inventory reserve	—	221	221
Depreciation and amortization	1,492	(122)	1,370
Excess tax benefits	67	—	67
Deferred income taxes, net	(535)	551	16
Recognition of deferred gain from sale-leaseback transactions	(43)	43	—
Changes in operating assets and liabilities:			
Accounts receivable	(3,192)	43	(3,149)
Finance receivables, net	8,771	397	9,168
Inventory, net	(3,648)	(252)	(3,900)
Prepaid expenses and other current assets	(217)	114	(103)
Accounts payable and accrued expenses	(2,168)	678	(1,490)
Deferred revenue	—	171	171
Income taxes payable	—	(55)	(55)
Net cash provided by operating activities	1,005	(284)	721
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(992)	272	(720)
Proceeds from sale of property and equipment	45	—	45
Net cash used in investing activities	(947)	272	(675)
FINANCING ACTIVITIES:			
Issuance of common stock in public offering, net	39,888	—	39,888
Repayment of capital lease obligations and long-term debt	(821)	12	(809)
Net cash provided by financing activities	39,067	12	39,079
Net increase in cash and cash equivalents	39,125	—	39,125
Cash and cash equivalents at beginning of year	12,745	—	12,745
Cash and cash equivalents at end of period	$ 51,870	$ —	$ 51,870

The effect of the restatement on the previously filed consolidated balance sheet as of December 31, 2017 is as follows:

($ in thousands, except per share data)	As of December 31, 2017		
	As Previously Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 15,386	$ (26)	$ 15,360
Accounts receivable	15,472	(765)	14,707
Finance receivables, net	5,517	(2,221)	3,296
Inventory, net	11,215	804	12,019
Prepaid expenses and other current assets	1,971	(361)	1,610
Total current assets	49,561	(2,569)	46,992
Non-current assets:			
Finance receivables due after one year	11,215	513	11,728
Other assets	1,120	(662)	458
Property and equipment, net	12,622	(179)	12,443
Deferred income taxes	14,774	(14,774)	—
Intangibles, net	30,910	—	30,910
Goodwill	64,449	(46)	64,403
Total non-current assets	135,090	(15,148)	119,942
Total assets	$ 184,651	$ (17,717)	$ 166,934
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 23,775	$ 133	$ 23,908
Accrued expenses	6,798	9,825	16,623
Capital lease obligations, current obligations under long-term debt, and collateralized borrowings	5,121	367	5,488
Income taxes payable	6	(6)	—
Deferred revenue	595	135	730
Deferred gain from sale-leaseback transactions	198	(198)	—
Total current liabilities	36,493	10,256	46,749
Long-term liabilities:			
Revolving credit facility	10,000	—	10,000
Deferred income taxes	—	91	91
Capital lease obligations, long-term debt, and collateralized borrowings, less current portion	23,874	696	24,570
Accrued expenses, less current portion	65	—	65
Deferred gain from sale-leaseback transactions, less current portion	49	(49)	—
Total long-term liabilities	33,988	738	34,726
Total liabilities	$ 70,481	$ 10,994	$ 81,475
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $19,109 at December 31, 2017	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $19,109 at December 31, 2017	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 53,619,898 shares issued and outstanding at December 31, 2017	307,053	3,097	310,150
Accumulated deficit	(196,021)	(31,808)	(227,829)
Total shareholders' equity	114,170	(31,849)	82,321
Total liabilities, convertible preferred stock and shareholders' equity	$ 184,651	$ (17,717)	$ 166,934

The effect of the restatement on the previously filed consolidated statement of operations for the three and six months ended December 31, 2017 is as follows:

($ in thousands, except per share data)	Three months ended December 31, 2017			Six months ended December 31, 2017		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Revenue:						
License and transaction fees	$ 22,853	$ 661	$ 23,514	$ 42,797	$ 114	$ 42,911
Equipment sales	9,653	(1,635)	8,018	15,326	(1,446)	13,880
Total revenue	32,506	(974)	31,532	58,123	(1,332)	56,791
Costs of sales:						
Cost of services	14,362	(6)	14,356	27,688	(85)	27,603
Cost of equipment	8,943	(939)	8,004	14,033	(198)	13,835
Total costs of sales	23,305	(945)	22,360	41,721	(283)	41,438
Gross profit	9,201	(29)	9,172	16,402	(1,049)	15,353
Operating expenses:						
Selling, general and administrative	8,329	676	9,005	15,075	854	15,929
Integration and acquisition costs	3,335	—	3,335	4,097	—	4,097
Depreciation and amortization	737	—	737	982	—	982
Total operating expenses	12,401	676	13,077	20,154	854	21,008
Operating loss	(3,200)	(705)	(3,905)	(3,752)	(1,903)	(5,655)
Other income (expense):						
Interest income	251	73	324	331	73	404
Interest expense	(494)	(276)	(770)	(703)	(540)	(1,243)
Total other expense, net	(243)	(203)	(446)	(372)	(467)	(839)
Loss before income taxes	(3,443)	(908)	(4,351)	(4,124)	(2,370)	(6,494)
(Provision) benefit for income taxes	(9,073)	9,230	157	(8,605)	8,734	129
Net loss	(12,516)	8,322	(4,194)	(12,729)	6,364	(6,365)
Preferred dividends	—	—	—	(334)	—	(334)
Net loss applicable to common shares	$ (12,516)	$ 8,322	$ (4,194)	$ (13,063)	$ 6,364	$ (6,699)
Net loss per common share						
Basic	$ (0.24)	$ 0.16	$ (0.08)	$ (0.26)	$ 0.13	$ (0.13)
Diluted	$ (0.24)	$ 0.16	$ (0.08)	$ (0.26)	$ 0.13	$ (0.13)
Weighted average number of common shares outstanding						
Basic	52,150,106	—	52,150,106	49,861,735	—	49,861,735
Diluted	52,150,106	—	52,150,106	49,861,735	—	49,861,735

The effect of the restatement on the previously filed consolidated statement of cash flows for the six months ended December 31, 2017 is as follows:

($ in thousands)	Six months ended December 31, 2017		
	As Previously Reported	Adjustments	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (12,729)	$ 6,364	$ (6,365)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Non-cash stock-based compensation	1,356	(372)	984
(Gain) loss on disposal of property and equipment	(83)	3	(80)
Non-cash interest and amortization of debt discount	86	8	94
Bad debt expense	291	91	382
Provision for inventory reserve	—	1,091	1,091
Depreciation and amortization	3,476	(198)	3,278
Excess tax benefits	67	—	67
Deferred income taxes, net	8,537	(8,696)	(159)
Recognition of deferred gain from sale-leaseback transactions	(93)	93	—
Changes in operating assets and liabilities:			
Accounts receivable	(5,290)	(42)	(5,332)
Finance receivables, net	7,958	(626)	7,332
Inventory, net	(5,822)	(1,793)	(7,615)
Prepaid expenses and other current assets	(606)	604	(2)
Accounts payable and accrued expenses	6,950	754	7,704
Deferred revenue	—	570	570
Income taxes payable	40	(80)	(40)
Net cash provided by operating activities	4,138	(2,229)	1,909
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(1,767)	33	(1,734)
Proceeds from sale of property and equipment	157	—	157
Cash paid for acquisitions, net of cash acquired	(65,181)	—	(65,181)
Net cash used in investing activities	(66,791)	33	(66,758)
FINANCING ACTIVITIES:			
Proceeds from collateralized borrowing from the transfer of finance receivables	—	1,075	1,075
Payment of debt issuance costs	(445)	—	(445)
Proceeds from issuance of long-term debt	25,100	—	25,100
Proceeds from revolving credit facility	10,000	—	10,000
Issuance of common stock in public offering, net	39,888	—	39,888
Repayment of line of credit	(7,111)	—	(7,111)
Repayment of capital lease obligations and long-term debt	(2,138)	1,095	(1,043)
Net cash provided by financing activities	65,294	2,170	67,464
Net increase in cash and cash equivalents	2,641	(26)	2,615
Cash and cash equivalents at beginning of year	12,745	—	12,745
Cash and cash equivalents at end of period	$ 15,386	$ (26)	$ 15,360

The effect of the restatement on the previously filed consolidated balance sheet as of March 31, 2018 is as follows:

($ in thousands, except per share data)	As of March 31, 2018		
	As Previously Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 17,107	$ (52)	$ 17,055
Accounts receivable	23,166	(3,723)	19,443
Finance receivables, net	3,904	(1,670)	2,234
Inventory, net	11,030	893	11,923
Prepaid expenses and other current assets	1,869	(591)	1,278
Total current assets	57,076	(5,143)	51,933
Non-current assets:			
Finance receivables due after one year	9,679	191	9,870
Other assets	1,214	(800)	414
Property and equipment, net	12,198	45	12,243
Deferred income taxes	16,911	(16,911)	—
Intangibles, net	30,119	—	30,119
Goodwill	64,196	(47)	64,149
Total non-current assets	134,317	(17,522)	116,795
Total assets	$ 191,393	$ (22,665)	$ 168,728
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 29,446	$ 128	$ 29,574
Accrued expenses	7,961	10,547	18,508
Capital lease obligations and current obligations under long-term debt	4,475	(5)	4,470
Deferred revenue	441	70	511
Deferred gain from sale-leaseback transactions	198	(198)	—
Total current liabilities	42,521	10,542	53,063
Long-term liabilities:			
Revolving credit facility	10,000	—	10,000
Deferred income taxes	—	96	96
Capital lease obligations and long-term debt, less current portion	22,895	—	22,895
Accrued expenses, less current portion	66	—	66
Total long-term liabilities	32,961	96	33,057
Total liabilities	$ 75,482	$ 10,638	$ 86,120
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $19,443 at March 31, 2018	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $19,443 at March 31, 2018	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 53,666,718 shares issued and outstanding at March 31, 2018	307,634	2,888	310,522
Accumulated deficit	(194,861)	(36,191)	(231,052)
Total shareholders' equity	115,911	(36,441)	79,470
Total liabilities, convertible preferred stock and shareholders' equity	$ 191,393	$ (22,665)	$ 168,728

The effect of the restatement on the previously filed consolidated statement of operations for the three and nine months ended March 31, 2018 is as follows:

($ in thousands, except per share data)	Three months ended March 31, 2018			Nine months ended March 31, 2018		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Revenue:						
License and transaction fees	$ 27,020	$ (1,639)	$ 25,381	$ 69,817	$ (1,525)	$ 68,292
Equipment sales	8,812	(601)	8,211	24,138	(2,047)	22,091
Total revenue	35,832	(2,240)	33,592	93,955	(3,572)	90,383
Costs of sales:						
Cost of services	16,012	25	16,037	43,700	(60)	43,640
Cost of equipment	7,876	(166)	7,710	21,909	(364)	21,545
Total costs of sales	23,888	(141)	23,747	65,609	(424)	65,185
Gross profit	11,944	(2,099)	9,845	28,346	(3,148)	25,198
Operating expenses:						
Selling, general and administrative	9,572	57	9,629	24,647	911	25,558
Integration and acquisition costs	1,747	(70)	1,677	5,844	(70)	5,774
Depreciation and amortization	1,125	(20)	1,105	2,107	(20)	2,087
Total operating expenses	12,444	(33)	12,411	32,598	821	33,419
Operating loss	(500)	(2,066)	(2,566)	(4,252)	(3,969)	(8,221)
Other income (expense):						
Interest income	134	92	226	465	165	630
Interest expense	(612)	(251)	(863)	(1,315)	(791)	(2,106)
Total other expense, net	(478)	(159)	(637)	(850)	(626)	(1,476)
Loss before income taxes	(978)	(2,225)	(3,203)	(5,102)	(4,595)	(9,697)
Benefit (provision) for income taxes	2,138	(2,158)	(20)	(6,467)	6,576	109
Net income (loss)	1,160	(4,383)	(3,223)	(11,569)	1,981	(9,588)
Preferred dividends	(334)	—	(334)	(668)	—	(668)
Net income (loss) applicable to common shares	$ 826	$ (4,383)	$ (3,557)	$ (12,237)	$ 1,981	$ (10,256)
Net income (loss) per common share						
Basic	$ 0.02	$ (0.09)	$ (0.07)	$ (0.24)	$ 0.04	$ (0.20)
Diluted	$ 0.02	$ (0.09)	$ (0.07)	$ (0.24)	$ 0.04	$ (0.20)
Weighted average number of common shares outstanding						
Basic	53,637,085	—	53,637,085	51,101,813	—	51,101,813
Diluted	54,234,566	(597,481)	53,637,085	51,101,813	—	51,101,813

The effect of the restatement on the previously filed consolidated statement of cash flows for the nine months ended March 31, 2018 is as follows:

($ in thousands)	Nine months ended March 31, 2018		
	As Previously Reported	Adjustments	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (11,569)	$ 1,981	$ (9,588)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Non-cash stock-based compensation	2,005	(581)	1,424
(Gain) loss on disposal of property and equipment	(112)	13	(99)
Non-cash interest and amortization of debt discount	100	18	118
Bad debt expense	506	4	510
Provision for inventory reserve	—	1,361	1,361
Depreciation and amortization	5,858	(272)	5,586
Excess tax benefits	67	—	67
Deferred income taxes, net	6,400	(6,554)	(154)
Recognition of deferred gain from sale-leaseback transactions	(143)	143	—
Changes in operating assets and liabilities:			
Accounts receivable	(12,972)	3,008	(9,964)
Finance receivables, net	11,114	(2,912)	8,202
Sale of finance receivables	—	2,051	2,051
Inventory, net	(5,624)	(2,153)	(7,777)
Prepaid expenses and other current assets	(564)	919	355
Accounts payable and accrued expenses	13,808	1,447	15,255
Deferred revenue	(185)	536	351
Income taxes payable	—	(30)	(30)
Net cash provided by operating activities	8,689	(1,021)	7,668
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(3,005)	(133)	(3,138)
Proceeds from sale of property and equipment	252	—	252
Cash paid for acquisitions, net of cash acquired	(65,181)	—	(65,181)
Net cash used in investing activities	(67,934)	(133)	(68,067)
FINANCING ACTIVITIES:			
Proceeds from collateralized borrowing from the transfer of finance receivables	—	1,075	1,075
Cash used in retirement of common stock	(156)	—	(156)
Proceeds from exercise of common stock options	109	—	109
Payment of debt issuance costs	(445)	—	(445)
Proceeds from issuance of long-term debt	25,100	—	25,100
Proceeds from revolving credit facility	12,500	—	12,500
Repayment of revolving credit facility	(2,500)	—	(2,500)
Issuance of common stock in public offering, net	39,888	—	39,888
Repayment of line of credit	(7,111)	—	(7,111)
Repayment of capital lease obligations and long-term debt	(3,778)	27	(3,751)
Net cash provided by financing activities	63,607	1,102	64,709
Net increase in cash and cash equivalents	4,362	(52)	4,310
Cash and cash equivalents at beginning of year	12,745	—	12,745
Cash and cash equivalents at end of period	$ 17,107	$ (52)	$ 17,055

The effect of the restatement on the previously filed consolidated balance sheet as of September 30, 2016 is as follows:

($ in thousands, except per share data)	As of September 30, 2016		
	As Previously Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 18,198	$ —	$ 18,198
Accounts receivable	5,840	(233)	5,607
Finance receivables, net	3,349	—	3,349
Inventory, net	4,264	(338)	3,926
Prepaid expenses and other current assets	1,439	(87)	1,352
Deferred income taxes	2,271	(2,271)	—
Total current assets	35,361	(2,929)	32,432
Non-current assets:			
Finance receivables due after one year	3,962	—	3,962
Other assets	163	—	163
Property and equipment, net	9,570	2,866	12,436
Deferred income taxes	25,568	(25,568)	—
Intangibles, net	754	—	754
Goodwill	11,703	—	11,703
Total non-current assets	51,720	(22,702)	29,018
Total assets	$ 87,081	$ (25,631)	$ 61,450
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 8,693	$ 17	$ 8,710
Accrued expenses	3,912	4,223	8,135
Line of credit, net	7,258	13	7,271
Capital lease obligations and current obligations under long-term debt	834	4,118	4,952
Income taxes payable	8	7	15
Deferred revenue	—	94	94
Deferred gain from sale-leaseback transactions	685	(685)	—
Total current liabilities	21,390	7,787	29,177
Long-term liabilities:			
Deferred income tax	—	47	47
Capital lease obligations and long-term debt, less current portion	1,517	—	1,517
Accrued expenses, less current portion	11	—	11
Total long-term liabilities	1,528	47	1,575
Total liabilities	$ 22,918	$ 7,834	$ 30,752
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,442 at September 30, 2016	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,442 at September 30, 2016	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 40,295,425 shares issued and outstanding at September 30, 2016	244,996	—	244,996
Accumulated deficit	(183,971)	(33,465)	(217,436)
Total shareholders' equity	64,163	(36,603)	27,560
Total liabilities, convertible preferred stock and shareholders' equity	$ 87,081	$ (25,631)	$ 61,450

The effect of the restatement on the previously filed consolidated statement of operations for the three months ended September 30, 2016 is as follows:

($ in thousands, except per share data)	Three months ended September 30, 2016		
	As Previously Reported	Adjustments	As Restated
Revenue:			
License and transaction fees	$ 16,365	$ (2)	$ 16,363
Equipment sales	5,223	(17)	5,206
Total revenue	21,588	(19)	21,569
Costs of sales:			
Cost of services	11,243	(144)	11,099
Cost of equipment	4,178	(5)	4,173
Total costs of sales	15,421	(149)	15,272
Gross profit	6,167	130	6,297
Operating expenses:			
Selling, general and administrative	6,909	563	7,472
Depreciation and amortization	208	—	208
Total operating expenses	7,117	563	7,680
Operating loss	(950)	(433)	(1,383)
Other income (expense):			
Interest income	73	—	73
Interest expense	(212)	(335)	(547)
Change in fair value of warrant liabilities	(1,490)	—	(1,490)
Total other expense, net	(1,629)	(335)	(1,964)
Loss before income taxes	(2,579)	(768)	(3,347)
Benefit (provision) for income taxes	115	(138)	(23)
Net loss	(2,464)	(906)	(3,370)
Preferred dividends	(334)	—	(334)
Net loss applicable to common shares	$ (2,798)	$ (906)	$ (3,704)
Net loss per common share			
Basic	$ (0.07)	$ (0.03)	$ (0.10)
Diluted	$ (0.07)	$ (0.03)	$ (0.10)
Weighted average number of common shares outstanding			
Basic	38,488,005	—	38,488,005
Diluted	38,488,005	—	38,488,005

The effect of the restatement on the previously filed consolidated statement of cash flows for the three months ended September 30, 2016 is as follows:

($ in thousands)	Three months ended September 30, 2016		
	As Previously Reported	Adjustments	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (2,464)	$ (906)	$ (3,370)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash stock-based compensation	211	—	211
Non-cash interest and amortization of debt discount	105	34	139
Bad debt expense	97	102	199
Provision for inventory reserve	—	248	248
Depreciation and amortization	1,301	302	1,603
Change in fair value of warrant liabilities	1,490	—	1,490
Deferred income taxes, net	(115)	130	15
Recognition of deferred gain from sale-leaseback transactions	(215)	215	—
Changes in operating assets and liabilities:			
Accounts receivable	(1,038)	35	(1,003)
Finance receivables, net	(5)	—	(5)
Inventory, net	(2,223)	(490)	(2,713)
Prepaid expenses and other current assets	(224)	100	(124)
Accounts payable and accrued expenses	(3,175)	632	(2,543)
Deferred revenue	—	(59)	(59)
Income taxes payable	(10)	7	(3)
Net cash used in operating activities	(6,265)	350	(5,915)
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(810)	187	(623)
Net cash used in investing activities	(810)	187	(623)
FINANCING ACTIVITIES:			
Cash used in retirement of common stock	(31)	—	(31)
Proceeds from exercise of common stock warrants	6,193	—	6,193
Repayment of capital lease obligations and long-term debt	(161)	(537)	(698)
Net cash provided by financing activities	6,001	(537)	5,464
Net decrease in cash and cash equivalents	(1,074)	—	(1,074)
Cash and cash equivalents at beginning of year	19,272	—	19,272
Cash and cash equivalents at end of period	$ 18,198	$ —	$ 18,198

The effect of the restatement on the previously filed consolidated balance sheet as of December 31, 2016 is as follows:

($ in thousands, except per share data)	As of December 31, 2016		
	As Previously Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 18,034	$ —	$ 18,034
Accounts receivable	6,796	96	6,892
Finance receivables, net	1,442	—	1,442
Inventory, net	4,786	(348)	4,438
Prepaid expenses and other current assets	1,764	(87)	1,677
Deferred income taxes	2,271	(2,271)	—
Total current assets	35,093	(2,610)	32,483
Non-current assets:			
Finance receivables due after one year	3,956	—	3,956
Other assets	145	(1)	144
Property and equipment, net	9,433	2,561	11,994
Deferred income taxes	25,568	(25,568)	—
Intangibles, net	711	—	711
Goodwill	11,492	—	11,492
Total non-current assets	51,305	(23,008)	28,297
Total assets	$ 86,398	$ (25,618)	$ 60,780
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 9,090	$ 19	$ 9,109
Accrued expenses	2,912	4,629	7,541
Line of credit, net	7,078	13	7,091
Capital lease obligations and current obligations under long-term debt	766	3,565	4,331
Income taxes payable	6	15	21
Deferred revenue	—	478	478
Deferred gain from sale-leaseback transactions	470	(470)	—
Total current liabilities	20,322	8,249	28,571
Long-term liabilities:			
Deferred income taxes	—	63	63
Capital lease obligations and long-term debt, less current portion	1,394	—	1,394
Accrued expenses, less current portion	52	—	52
Total long-term liabilities	1,446	63	1,509
Total liabilities	$ 21,768	$ 8,312	$ 30,080
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,442 at December 31, 2016	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,442 at December 31, 2016	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 40,321,941 shares issued and outstanding at December 31, 2016	245,230	—	245,230
Accumulated deficit	(183,738)	(33,930)	(217,668)
Total shareholders' equity	64,630	(37,068)	27,562
Total liabilities, convertible preferred stock and shareholders' equity	$ 86,398	$ (25,618)	$ 60,780

The effect of the restatement on the previously filed consolidated statement of operations for the three and six months ended December 31, 2016 is as follows:

($ in thousands, except per share data)	Three months ended December 31, 2016			Six months ended December 31, 2016		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Revenue:						
License and transaction fees	$ 16,639	$ (2)	$ 16,637	$ 33,004	$ (4)	$ 33,000
Equipment sales	5,117	33	5,150	10,340	16	10,356
Total revenue	21,756	31	21,787	43,344	12	43,356
Costs of sales:						
Cost of services	11,389	(143)	11,246	22,632	(287)	22,345
Cost of equipment	4,033	63	4,096	8,211	58	8,269
Total costs of sales	15,422	(80)	15,342	30,843	(229)	30,614
Gross profit	6,334	111	6,445	12,501	241	12,742
Operating expenses:						
Selling, general and administrative	5,793	236	6,029	12,702	799	13,501
Depreciation and amortization	307	—	307	515	—	515
Total operating expenses	6,100	236	6,336	13,217	799	14,016
Operating income (loss)	234	(125)	109	(716)	(558)	(1,274)
Other income (expense):						
Interest income	200	—	200	273	—	273
Interest expense	(201)	(317)	(518)	(413)	(652)	(1,065)
Change in fair value of warrant liabilities	—	—	—	(1,490)	—	(1,490)
Total other expense, net	(1)	(317)	(318)	(1,630)	(652)	(2,282)
Income (loss) before income taxes	233	(442)	(209)	(2,346)	(1,210)	(3,556)
(Provision) benefit for income taxes	—	(23)	(23)	115	(161)	(46)
Net income (loss)	233	(465)	(232)	(2,231)	(1,371)	(3,602)
Preferred dividends	—	—	—	(334)	—	(334)
Net income (loss) applicable to common shares	$ 233	$ (465)	$ (232)	$ (2,565)	$ (1,371)	$ (3,936)
Net income (loss) per common share						
Basic	$ 0.01	$ (0.02)	$ (0.01)	$ (0.07)	$ (0.03)	$ (0.10)
Diluted	$ 0.01	$ (0.02)	$ (0.01)	$ (0.07)	$ (0.03)	$ (0.10)
Weighted average number of common shares outstanding						
Basic	40,308,934	—	40,308,934	39,398,469	—	39,398,469
Diluted	40,730,712	(421,778)	40,308,934	39,398,469	—	39,398,469

The effect of the restatement on the previously filed consolidated statement of cash flows for the six months ended December 31, 2016 is as follows:

($ in thousands)	Six months ended December 31, 2016		
	As Previously Reported	Adjustments	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (2,231)	$ (1,371)	$ (3,602)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash stock-based compensation	445	—	445
(Gain) loss on disposal of property and equipment	(31)	(3)	(34)
Non-cash interest and amortization of debt discount	26	39	65
Bad debt expense	450	(119)	331
Provision for inventory reserve	—	480	480
Depreciation and amortization	2,564	600	3,164
Change in fair value of warrant liabilities	1,490	—	1,490
Deferred income taxes, net	(115)	145	30
Recognition of deferred gain from sale-leaseback transactions	(430)	430	—
Changes in operating assets and liabilities:			
Accounts receivable	(2,347)	(71)	(2,418)
Finance receivables, net	2,119	—	2,119
Inventory, net	(2,689)	(714)	(3,403)
Prepaid expenses and other current assets	(542)	100	(442)
Accounts payable and accrued expenses	(3,840)	1,140	(2,700)
Deferred revenue	—	326	326
Income taxes payable	(12)	15	3
Net cash used in operating activities	(5,143)	997	(4,146)
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(1,944)	192	(1,752)
Proceeds from sale of property and equipment	61	—	61
Net cash used in investing activities	(1,883)	192	(1,691)
FINANCING ACTIVITIES:			
Cash used in retirement of common stock	(31)	—	(31)
Proceeds from exercise of common stock warrants	6,193	—	6,193
Repayment of line of credit	—	(106)	(106)
Repayment of capital lease obligations and long-term debt	(374)	(1,083)	(1,457)
Net cash provided by financing activities	5,788	(1,189)	4,599
Net decrease in cash and cash equivalents	(1,238)	—	(1,238)
Cash and cash equivalents at beginning of year	19,272	—	19,272
Cash and cash equivalents at end of period	$ 18,034	$ —	$ 18,034

The effect of the restatement on the previously filed consolidated balance sheet as of March 31, 2017 is as follows:

($ in thousands, except per share data)	As of March 31, 2017		
	As Previously Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 17,780	$ —	$ 17,780
Accounts receivable	6,734	(72)	6,662
Finance receivables, net	2,057	92	2,149
Inventory, net	4,147	(470)	3,677
Prepaid expenses and other current assets	1,628	(34)	1,594
Deferred income taxes	2,271	(2,271)	—
Total current assets	34,617	(2,755)	31,862
Non-current assets:			
Finance receivables due after one year	7,548	—	7,548
Other assets	137	94	231
Property and equipment, net	9,173	2,168	11,341
Deferred income taxes	25,359	(25,359)	—
Intangibles, net	666	—	666
Goodwill	11,492	—	11,492
Total non-current assets	54,375	(23,097)	31,278
Total assets	$ 88,992	$ (25,852)	$ 63,140
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 11,529	$ 290	$ 11,819
Accrued expenses	3,111	5,681	8,792
Line of credit, net	7,021	13	7,034
Capital lease obligations and current obligations under long-term debt	786	2,999	3,785
Income taxes payable	—	23	23
Deferred revenue	—	310	310
Deferred gain from sale-leaseback transactions	255	(255)	—
Total current liabilities	22,702	9,061	31,763
Long-term liabilities:			
Deferred income taxes	—	78	78
Capital lease obligations and long-term debt, less current portion	1,239	—	1,239
Accrued expenses, less current portion	52	—	52
Total long-term liabilities	1,291	78	1,369
Total liabilities	$ 23,993	$ 9,139	$ 33,132
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,775 at March 31, 2017	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,775 at March 31, 2017	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 40,327,675 shares issued and outstanding at March 31, 2017	245,463	—	245,463
Accumulated deficit	(183,602)	(34,991)	(218,593)
Total shareholders' equity	64,999	(38,129)	26,870
Total liabilities, convertible preferred stock and shareholders' equity	$ 88,992	$ (25,852)	$ 63,140

The effect of the restatement on the previously filed consolidated statement of operations for the three and nine months ended March 31, 2017 is as follows:

($ in thousands, except per share data)	Three months ended March 31, 2017			Nine months ended March 31, 2017		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Revenue:						
License and transaction fees	$ 17,459	$ (1)	$ 17,458	$ 50,463	$ (5)	$ 50,458
Equipment sales	9,001	(158)	8,843	19,341	(142)	19,199
Total revenue	26,460	(159)	26,301	69,804	(147)	69,657
Costs of sales:						
Cost of services	11,876	(143)	11,733	34,508	(430)	34,078
Cost of equipment	7,959	267	8,226	16,170	325	16,495
Total costs of sales	19,835	124	19,959	50,678	(105)	50,573
Gross profit	6,625	(283)	6,342	19,126	(42)	19,084
Operating expenses:						
Selling, general and administrative	5,947	595	6,542	18,649	1,394	20,043
Depreciation and amortization	259	—	259	774	—	774
Total operating expenses	6,206	595	6,801	19,423	1,394	20,817
Operating income (loss)	419	(878)	(459)	(297)	(1,436)	(1,733)
Other income (expense):						
Interest income	114	—	114	387	—	387
Interest expense	(188)	(369)	(557)	(601)	(1,021)	(1,622)
Change in fair value of warrant liabilities	—	—	—	(1,490)	—	(1,490)
Total other expense, net	(74)	(369)	(443)	(1,704)	(1,021)	(2,725)
Income (loss) before income taxes	345	(1,247)	(902)	(2,001)	(2,457)	(4,458)
(Provision) benefit for income taxes	(209)	186	(23)	(94)	25	(69)
Net income (loss)	136	(1,061)	(925)	(2,095)	(2,432)	(4,527)
Preferred dividends	(334)	—	(334)	(668)	—	(668)
Net loss applicable to common shares	$ (198)	$ (1,061)	$ (1,259)	$ (2,763)	$ (2,432)	$ (5,195)
Net loss per common share						
Basic	$ —	$ (0.03)	$ (0.03)	$ (0.07)	$ (0.06)	$ (0.13)
Diluted	$ —	$ (0.03)	$ (0.03)	$ (0.07)	$ (0.06)	$ (0.13)
Weighted average number of common shares outstanding						
Basic	40,327,697	—	40,327,697	39,703,690	—	39,703,690
Diluted	40,327,697	—	40,327,697	39,703,690	—	39,703,690

The effect of the restatement on the previously filed consolidated statement of cash flows for the nine months ended March 31, 2017 is as follows:

($ in thousands)	Nine months ended March 31, 2017		
	As Previously Reported	Adjustments	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (2,095)	$ (2,432)	$ (4,527)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash stock-based compensation	678	—	678
(Gain) loss on disposal of property and equipment	(59)	—	(59)
Non-cash interest and amortization of debt discount	98	—	98
Bad debt expense	577	(117)	460
Provision for inventory reserve	—	804	804
Depreciation and amortization	3,774	905	4,679
Change in fair value of warrant liabilities	1,490	—	1,490
Deferred income taxes, net	94	(48)	46
Recognition of deferred gain from sale-leaseback transactions	(646)	646	—
Changes in operating assets and liabilities:			
Accounts receivable	(2,388)	72	(2,316)
Finance receivables, net	(2,113)	(67)	(2,180)
Inventory, net	(2,042)	(915)	(2,957)
Prepaid expenses and other current assets	(406)	(48)	(454)
Accounts payable and accrued expenses	(1,239)	2,501	1,262
Deferred revenue	—	157	157
Income taxes payable	(18)	22	4
Net cash used in operating activities	(4,295)	1,480	(2,815)
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(2,818)	282	(2,536)
Proceeds from sale of property and equipment	105	—	105
Net cash used in investing activities	(2,713)	282	(2,431)
FINANCING ACTIVITIES:			
Cash used in retirement of common stock	(31)	—	(31)
Proceeds from exercise of common stock warrants	6,193	—	6,193
Payment of debt issuance costs	(90)	—	(90)
Repayment of line of credit	—	(106)	(106)
Repayment of capital lease obligations and long-term debt	(556)	(1,656)	(2,212)
Net cash provided by financing activities	5,516	(1,762)	3,754
Net decrease in cash and cash equivalents	(1,492)	—	(1,492)
Cash and cash equivalents at beginning of year	19,272	—	19,272
Cash and cash equivalents at end of period	$ 17,780	$ —	$ 17,780

The effect of the restatement on the previously filed consolidated statement of operations for the three months ended June 30, 2017 is as follows:

($ in thousands, except per share data)	Three months ended June 30, 2017		
	As Previously Reported	Adjustments	As Restated
Revenue:			
License and transaction fees	$ 18,679	$ (3)	$ 18,676
Equipment sales	15,610	(2,507)	13,103
Total revenue	34,289	(2,510)	31,779
Costs of sales:			
Cost of services	12,545	(103)	12,442
Cost of equipment	14,224	(864)	13,360
Total costs of sales	26,769	(967)	25,802
Gross profit	7,520	(1,543)	5,977
Operating expenses:			
Selling, general and administrative	6,844	1,290	8,134
Depreciation and amortization	244	—	244
Total operating expenses	7,088	1,290	8,378
Operating income (loss)	432	(2,833)	(2,401)
Other income (expense):			
Interest income	95	—	95
Interest expense	(291)	(315)	(606)
Total other expense, net	(196)	(315)	(511)
Income (loss) before income taxes	236	(3,148)	(2,912)
Benefit (provision) for income taxes	7	(33)	(26)
Net income (loss)	243	(3,181)	(2,938)
Preferred dividends	—	—	—
Net income (loss) applicable to common shares	$ 243	$ (3,181)	$ (2,938)
Net income (loss) per common share			
Basic	$ 0.01	$ (0.08)	$ (0.07)
Diluted	$ 0.01	$ (0.08)	$ (0.07)
Weighted average number of common shares outstanding			
Basic	40,331,993	—	40,331,993
Diluted	40,772,482	(440,489)	40,331,993

21. SUBSEQUENT EVENTS

On July 19, 2019, the Company entered into a lease for approximately 16,713 square feet of office space in Denver, Colorado. The lease is for a period of 89 months, and commenced on August 1, 2019. The Company's monthly base rent for the premises, which is payable from January 1, 2020, will initially be approximately $45 thousand, and will increase each year up to a maximum monthly base rent of approximately $53 thousand. The Company intends to consolidate its Portland and San Francisco office into this new office location.

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

None.

Item 9A. Controls and Procedures

(i) Background.

Prior to filing of this Form 10-K, we have neither issued audited financial statements, nor filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q, since our Annual Report on Form 10-K for the fiscal year ended June 30, 2017 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2018, respectively. Consequently, management previously had not evaluated the effectiveness of our disclosure controls and procedures since as of March 31, 2018 or our internal controls over financial reporting since as of June 30, 2017. As disclosed in our Current Report on Form 8-K filed on February 6, 2019, management's and its independent auditor's report on the effectiveness of internal control over financial reporting as of June 30, 2017 should no longer be relied upon.

As more fully explained in our Explanatory Note, the remedial measures undertaken in response to the Audit Committee's investigation and the non-investigatory issues that were identified by current management and our independent auditor during the audit process, and the conclusions that our current management reached in its evaluations of the effectiveness of our disclosure controls and procedures and internal controls over financial reporting as of June 30, 2019, are described below.

Notwithstanding the material weaknesses described with this item 9A, our management, including our Chief Executive Officer and interim Chief Financial Officer, has concluded that the consolidated financial statements and related financial information included in this Form 10-K present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles in the United States. Management's belief is based on a number of factors, including, but not limited to:

- The completion of the Audit Committee's investigation and the substantial resources expended (including the use of external consultants) and the resulting adjustments we made to our previously issued financial statements, including the restatement of our fiscal year 2017 audited financial statements and our unaudited quarterly and year-to-date financial statements for September 30, 2017, December 31, 2017 and March 31, 2018;

- The subsequent identification by management and our independent auditor during the audit process of non-investigatory issues, leading to the adjustment of our previously issued and non-issued financial statements, including the restatement of our fiscal year 2015 and 2016 selected financial data contained in Item 6 of this Form 10-K and our quarterly and year-to-date financial statements for September 30, 2016, December 31, 2016, and March 31, 2017;

- Based on the actions described above, we have updated, and in some cases corrected, our accounting policies and have applied those to our previously issued financial statements and to our fiscal year 2018 and 2019 financial statements; and

- Certain remedial actions we have undertaken to address the identified material weaknesses, as discussed below.

Audit Committee Investigation and Subsequent Restatement

On September 11, 2018, the Company announced that the Audit Committee with the assistance of independent legal and forensic accounting advisors, was in the process of conducting an internal investigation of 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 Audit Committee's investigation focused principally on certain customer transactions entered into by the Company during fiscal years 2017 and 2018. As a result of the investigation, the Audit Committee proposed certain adjustments to previously reported revenues related to fiscal quarters occurring during the 2017 and 2018 fiscal years of the Company.

On February 4, 2019, the Board of Directors of the Company, upon the recommendation of the Audit Committee, and based upon the adjustments to previously reported revenues proposed by the Audit Committee, determined that the following financial statements previously issued by the Company should no longer be relied upon: (1) the audited consolidated financial statements for the fiscal year ended June 30, 2017; and (2) the quarterly and year-to-date unaudited consolidated financial statements for September 30, 2017, December 31, 2017, and March 31, 2018.

The investigatory adjustments are further discussed in Note 2, "Restatement of Consolidated Financial Statements" of the Notes to Consolidated Financial Statements, located in Item 8 of this Form 10-K.

Non-Investigatory Adjustments Identified During the Audit Process

During the audit process, financial reporting issues were identified by current management, including our new interim Chief Financial Officer (the "CFO"), and our new independent auditor, 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. These issues were due to the lack of supporting evidence for various historical accounting reserves or accounting policies, failure to adequately and consistently complete the financial integration of Cantaloupe, and the inadequate performance of our internal controls during the 2019 fiscal year.

Based upon these non-investigatory adjustments, on October 7, 2019, the Board of Directors of the Company, upon the recommendation of the Audit Committee, determined that the following financial statements previously issued by the Company should no longer be relied upon: (1) the audited consolidated financial statements for the fiscal year ended June 30, 2015; (2) the audited consolidated financial statements for the fiscal year ended June 30, 2016; and (3) the quarterly and year-to-date unaudited consolidated financial statements for September 30, 2016, December 31, 2016, and March 31, 2017.

The non-investigatory adjustments are further discussed in Note 2, "Restatement of Consolidated Financial Statements" of the Notes to Consolidated Financial Statements, located in Item 8 of this Form 10-K.

(ii) Evaluation of disclosure controls and procedures.

The principal executive officer and principal financial officer have evaluated the Company's disclosure controls and procedures as of June 30, 2019. Based on this evaluation, they conclude that because of the material weaknesses in our internal control over financial reporting discussed below, the disclosure controls and procedures were not effective as required under Rule 13a-15(e) under the Securities Exchange Act of 1934. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(iii) 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 defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process affected by the Company's management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles in the United States.

In designing and evaluating our internal controls and procedures, our management recognized that internal controls and procedures, no matter how well conceived and operated, can provide only a reasonable, not absolute, assurance that the objectives of the internal controls and procedures are met. In addition, any evaluation of the effectiveness of internal controls over financial reporting in future periods is subject to risk that those internal controls may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate.

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 our annual or interim financial statements will not be prevented or detected on a timely basis.

The Company's management assessed the effectiveness of its internal control over financial reporting as of June 30, 2019. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission's 2013 Internal Control-Integrated Framework. Based on its assessment, as well as factors identified during the Audit Committee investigation and subsequent audit process, management has concluded that that our internal control over financial reporting as of June 30, 2019 was not effective due to the existence of the material weaknesses in internal control over financial reporting described below.

BDO USA, LLP, the Company's independent registered public accounting firm that audited our financial statements included in this Form 10-K, has issued an attestation report on our internal control over financial reporting, which is included herein.

(iv) Material Weaknesses Identified and Remedial Measures Implemented Based upon Audit Committee Investigation.

Based on the principal findings of the investigation conducted by the Audit Committee, management has concluded that it did not maintain an appropriate control environment, inclusive of structure and responsibility, and risk assessment and monitoring activities which led to revenue recognition, tonal concerns, and communication issues and which constituted the following material weaknesses:

A. Pressure to achieve sales targets gave rise to the premature and/or inappropriate recognition of revenues and reporting of connections associated with certain of the examined transactions, typically occurring at or near the end of financial reporting periods;

B. On multiple occasions, the Company's finance function was not timely or fully apprised of the salient transaction terms in order to permit them to properly evaluate the accounting treatment of a given transaction;

C. The Company's internal controls failed and/or were not adequate to ensure that there was effective communication between the sales and finance functions of the Company so as to allow proper and timely evaluation of the accounting treatment of the examined transactions;

D. Senior management did not timely or fully report certain employee complaints and concerns to the independent auditor and/or the Audit Committee; and

E. Senior management did not timely or thoroughly investigate or effectively remediate certain employee complaints or concerns relating to compliance and/or financial reporting matters.

As previously reported, and as more fully described below, the Board determined to implement significant remedial measures to address the findings of the Audit Committee. The Company has substantially completed the implementation of the remedial measures as identified in the Audit Committee investigation, and believes that the implementation of these measures will effectively address the tonal issues identified by the internal investigation and provide for a sustained culture of compliance.

- *Enhancing the Company's internal controls, particularly those relating to unusual or quarter end customer transactions and communication between the sales and finance departments.*

The Company has implemented a new customer contract approval process which applies to each new customer order and focuses specifically on ensuring that any non-standard terms and conditions are fully considered prior to the transaction being approved. The process is designed to ensure that there is appropriate interaction/communication between the sales and finance teams. As part of this process, all new customer contracts are required to be routed by the sales team to the Company's CFO for review and approval, including an accounting treatment analysis.

The Company intends to continue to enhance and improve its internal control environment as part of its Sarbanes-Oxley Act requirements and in conjunction with process changes being planned for fiscal year 2020.

- *Mandatory training for the sales department.*

The Company has conducted a series of compliance outreach and training for its sales department which will continue into fiscal year 2020. These training sessions included a review of the new sales process described above and discussion and training relating to potential improper customer transactions identified by the internal investigation. These trainings also included a review of the Company's Code of Business Conduct and Ethics (the "Code of Conduct") and the Employee Complaints & Whistleblower Policy (the "Whistleblower Policy").

- *Claw-back of any appropriate compensation under the Company's incentive compensation plans.*

In July 2019, the Board approved a new Incentive Compensation Clawback Policy (the "Clawback Policy") that had been developed and recommended by the Compensation Committee. The Clawback Policy is effective as of July 1, 2019 and applies to any incentive compensation that may have been paid, settled or awarded to an executive officer thereafter under any Company policy, plan or program.

The Compensation Committee has determined that based upon the restated financial statements for the 2017 fiscal year, the awards paid or issued to the executive officers under the Company's incentive compensation bonus plans for the 2017 fiscal year were in excess of what they would have been under the restated financial results. The Company's Clawback Policy would not apply to these awards as the policy only applies to incentive compensation paid or issued to our executive officers prospectively since its

adoption in July 2019. The March 27, 2019 settlement agreement between Michael Lawlor, our former Chief Services Officer, and the Company provides for the claw back by the Company of any overpayment made to Mr. Lawlor. Stephen Herbert, our Chief Executive Officer ("CEO"), has voluntarily agreed to the claw back of any overpayment.

- *Expanding the Company's public disclosure regarding connections.*

Management has expanded the definition of the Company's connection count which, among other things, clarifies that the count reflects devices that may not be installed in a customer's vending machine or which were previously installed but have subsequently become inactive.

- *Company-wide training about compliance matters, including with respect to employee complaints and concerns and enhancement of the customer contracting process.*

The Company has conducted Company-wide training sessions which will continue into fiscal year 2020. These sessions focused on a number of areas related to sensitivity training/tonal concerns, including increased promotion and training around the Code of Conduct and the Whistleblower Policy, and a review of potential improper contractual arrangements identified by the internal investigation. The Company is in the process of designing and implementing a more formalized compliance program with the goal of sustaining a culture of compliance.

- *Considering appropriate employment actions relating to certain employees.*

In January 2019, the Company implemented a senior leadership reorganization pursuant to which, among other things, the Company retained a new Chief Compliance Officer ("CCO") and a new Chief Operating Officer ("COO") and separated the employment of our former Chief Services Officer ("CSO").

- *Enhancing the internal compliance and legal functions, and authorizing management to retain the appropriate individual or individuals.*

As part of the senior leadership reorganization referred to above, we have retained a new CCO and a new COO, each of whom has enhanced the internal compliance function.

The Board has established a new standing Committee of the Board, the Compliance Committee, which has oversight responsibility for the Company's compliance functions and for supervising the Company's CCO. The Board has appointed Donald Layden, Ingrid Stafford and Joel Brooks as members of the new Compliance Committee.

As also discussed above, the Company has enhanced its internal control environment and redesigned its new contract approval process. This process includes coordination among the leadership team with representation from sales, finance, legal counsel, and others as appropriate.

Management has identified the need for an internal, management-led compliance committee which would assist the Company on an ongoing basis in understanding and promoting a wide range of both internal and regulatory compliance requirements. The internal committee will consist of a cross section of management, including both the CCO and legal counsel, and would meet at least quarterly.

The Company has enhanced its Whistleblower Policy by including our CCO in the investigation, documentation and resolution process.

- *During January 2019, the Board split the roles of Chairman and CEO.*

- *The Board authorized the Nominating and Corporate Governance Committee to identify additional independent directors who had corporate governance or auditing experience, and in April 2019 appointed each of Donald Layden, Patricia Oelrich and Ingrid Stafford as independent directors.*

(v) Material Weaknesses Identified and Remedial Measures Implemented as a Result of Non-Investigatory Issues Identified During the Audit Process.

During the audit process, and subsequent to June 30, 2019, financial reporting and accounting policy issues were identified by current management, including our new interim CFO, and our new independent auditor, that were unrelated to the internal investigation. These issues resulted in material adjustments to our fiscal year 2015 through 2019 financial statements, including the restatement of the fiscal year 2015 and 2016 selected financial data contained in Item 6 of this Form 10-K, and the quarterly

and year-to-date unaudited financial statements for September 30, 2016, December 31, 2016, and March 31, 2017 which are contained in Note 20, "Unaudited Quarterly Data", of the Notes to our Consolidated Financial Statements, located in Item 8 of this Form 10-K.

We have identified the following material weaknesses in connection with the non-investigatory issues:

RISK ASSESSMENT, CONTROL ENVIRONMENT, AND MONITORING

A. Management did not effectively design controls in response to the risks of material misstatement and specifically did not have an adequate process or appropriate business combination controls in place to prevent or detect material errors in the financial statements of Cantaloupe, our subsidiary acquired on November 9, 2017. There was not a full nor effective financial integration of Cantaloupe resulting in significant adjustments as follows:

- Certain trade and finance receivables relating to customer leasing/rental contracts of Cantaloupe were double counted by the Company on the opening balance sheet, and the Company's sales-type lease accounting policy was not consistently or accurately applied by the Company to these contracts subsequent to the date of the acquisition.

- In several cases, current management reversed previously recorded revenue associated with certain incorrect customer transactions and recorded accruals for potential uncollectible amounts due from customers.

- Management has now determined the correct original amount of finance receivables and the proper balance for this and the other assets and liabilities acquired by the Company in its acquisition of Cantaloupe.

- Cantaloupe's goodwill had been incorrectly calculated using the Company's weighted average stock price for the period leading up to the closing of the transaction. Current management has determined that the stock should have been valued on the November 9, 2017 opening balance sheet using the sale price on the date of closing resulting in an increase of approximately $3.5 million to goodwill and equity.

We have concluded that we did not have appropriate financial reporting controls and processes in place to prevent or detect material errors in the financial statements of Cantaloupe on and subsequent to the acquisition, the financial integration of Cantaloupe was not adequately or consistently performed, and certain accounting practices were not implemented in order to conform to the Company's existing accounting policies and generally accepted accounting principles in the United States.

We continue to strengthen our internal controls with respect to Cantaloupe, and continue to refine our processes, procedures and documentation pertaining to our approach to the on-going accounting for Cantaloupe.

CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

B. Management did not maintain an effective control environment including ensuring that required accounting methodologies, policies and supporting documentation were in place. This control deficiency led to a series of financial adjustments recently identified by both current management and the Company's independent auditor related to fiscal years 2019, 2018 and 2017 and resulted in the requirement to restate previously issued financial statements.

- The Company recorded an accrual for the payment of sales taxes in certain states for certain products which affected fiscal years 2016 through 2019 due to the failure to historically account for these matters.

- The Company has determined to fully restore its income tax valuation allowance which resulted in a charge to the income statement and a corresponding reduction to retained earnings in fiscal year 2016 due to the lack of supporting evidence for its accounting position.

- The Company has determined that the original accounting treatment of a 2014 fiscal year sale-leaseback transaction as an operating lease was incorrect, and should have been treated as a capital lease, and appropriate adjustments have been recorded during fiscal years 2015 through 2019.

- Due to incorrect historical accounting treatment, the Company wrote off the outstanding inventory on the balance sheet relating to obsolete inventory during the 2015 through 2019 fiscal years which was returned to the Company by customers in exchange for new equipment as the Company did not have a history of collecting these items and the equipment was obsolete.

- The Company had to revise its excess and obsolete inventory reserve analysis to conform with generally accepted accounting principles in the United States as the Company lacked supporting evidence for its historical reserve analysis.

- The Company has reversed certain costs which were previously incorrectly capitalized and has now appropriately reclassified debt and preferred stock.

C. Management did not perform all internal controls in a timely manner throughout the 2019 fiscal year.

Although key financial closing controls were performed, documented, and tested from April 1 through June 30, 2019, not all of the Company's internal controls were performed adequately or consistently during the year. Management has concluded that the foregoing was attributable to several factors including the lack of finance leadership during this interim period, not retaining the Company's third-party professional SOX testing consultant during this interim period, and significant management turnover.

We are committed to continuing to improve our internal control processes related to these non-investigatory matters and will continue to diligently and vigorously review our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may take additional measures to address deficiencies or modify certain of the remediation measures described above. We expect that our remediation efforts, including design and implementation, will continue through fiscal year 2020, with the goal to fully remediate all remaining material weaknesses by fiscal year-end.

(vi) Changes in internal control over financial reporting.

Other than the ongoing remediation efforts described above, there have been no changes during the quarter ended June 30, 2019 in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

DIRECTORS AND EXECUTIVE OFFICERS

Our Directors and executive officers, on September 19, 2019, together with their ages and business backgrounds were as follows:

Name	Age	Position Held
Steven D. Barnhart (1)(2)	57	Director
Joel Brooks (3)(4)	60	Director
Glen E. Goold	48	Interim Chief Financial Officer
Stephen P. Herbert	56	Chief Executive Officer and Director
Donald W. Layden, Jr. (4)	61	Director
Matthew W. McConnell	50	Chief Operating Officer
Robert L. Metzger (1)(2)	51	Director
Albin F. Moschner	66	Chairman of the Board of Directors
James M. Pollock	45	Chief Compliance Officer
Patricia A. Oelrich (1)	65	Director
William J. Reilly, Jr. (2)(3)	71	Director
William J. Schoch (1)(3)	55	Director
Ingrid S. Stafford (4)	66	Director

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of Nominating and Corporate Governance Committee

(4) Member of Compliance Committee

Each member of the Board of Directors will hold office until the next annual shareholders' meeting and until his or her successor has been elected and qualified.

Steven D. Barnhart was appointed to the Board of Directors in October 2009. Mr. Barnhart has been a member of our Audit Committee since December 2016 and a member of our Compensation Committee since April 2019. He previously served as a member of our Compensation Committee until December 2016 and as the Company's lead independent director until January 2019. From January 2018 until September 2019, he served as the Chief Financial Officer of FTD Companies, Inc. Prior thereto, from September 2014 until November 2017, Mr. Barnhart served as the Senior Vice President and Chief Financial Officer for Bankrate, Inc. From August 2012 to June 2014, Mr. Barnhart served as the Senior Vice President and Chief Financial Officer of Sears Hometown and Outlet Stores, Inc. From January 2010 to June 2012, Mr. Barnhart served as the Senior Vice President and Chief Financial Officer of Bally Total Fitness. Mr. Barnhart was Chief Executive Officer and President of Orbitz Worldwide from 2007 to January 2009, after holding other executive positions since 2003, when he joined the company. Prior to Orbitz Worldwide, he worked for PepsiCo and the Pepsi Bottling Group from 1990 to 2003, where he was Finance Director for the Southeast Business Unit of the Pepsi Bottling Group and held various finance and strategy roles at PepsiCo. Mr. Barnhart received a Bachelor of Arts degree in Economics in 1984 from the College of the University of Chicago and a Master of Business Administration in 1988 from the University of Chicago-Booth School of Business. Mr. Barnhart served on the Board of Directors of Orbitz Worldwide from 2007 to January 2009. We believe Mr. Barnhart's extensive executive experience and leadership skills, and prior public board experience provide the requisite qualifications, skills, perspectives, and experiences to serve on our Board of Directors.

Joel Brooks joined the Board of Directors of the Company in March 2007. Mr. Brooks has been a member of our Nominating and Corporate Governance Committee since February 2018, has been a member of the Compliance Committee since April 2019. He previously served on our Audit Committee from March 2007 until December 2016, and served as Chair of our Audit Committee since October 2009. Since May 2015, Mr. Brooks has served as the Vice President, Finance, for MeiraGTx Holdings plc. From December 2000 until May 2015, Mr. Brooks served as the Chief Financial Officer, Treasurer and Secretary of Sevion Therapeutics,

Inc. (formerly Senesco Technologies, Inc.), a biotechnology company whose shares are traded on the OTCQB. From September 1998 until November 2000, Mr. Brooks was the Chief Financial Officer of Blades Board and Skate, LLC, a retail establishment specializing in the action sports industry. Mr. Brooks was Chief Financial Officer from 1997 until 1998 and Controller from 1994 until 1997 of Cable and Company Worldwide, Inc. He also held the position of Controller at USA Detergents, Inc. from 1992 until 1994, and held various positions at several public accounting firms from 1983 through 1992. Mr. Brooks received his Bachelor of Science degree in Commerce with a major in Accounting from Rider University in February 1983. We believe Mr. Brooks' extensive accounting and finance background, and his executive experience at Sevion Therapeutics, Inc. provide the requisite qualifications, skills, perspectives, and experiences to serve on our Board of Directors.

Glen E. Goold has been our Interim Chief Financial Officer since January 2019. He has been serving as a consultant to the Company since October 2018. Mr. Goold was the Chief Financial Officer of Sutron Corporation ("Sutron") from March 2014 until February 2018. Sutron had been a public company (Nasdaq:STRN) prior to its acquisition by Danaher Corporation (NYSE:DHR) in July 2015. As Chief Financial Officer of Sutron, Mr. Goold was responsible for the accounting, financial reporting, human resources, investor relations and regulatory compliance functions of the organization. Prior to that, Mr. Goold was the interim Chief Financial Officer of Sutron from October 2013 to March 2014, and Assistant Chief Financial Officer and Director of Finance of Sutron from November 2012 to October 2013. From 2005 to 2012, Mr. Goold was the Associate Vice President of Fund Management at The Carlyle Group, a private equity firm. Prior to that, Mr. Goold was a Tax Manager at the accounting firm of Ernst & Young LLP from 1999 to 2005, and was a Tax Consultant at the firm from 1997 to 1999. Mr. Goold is a Certified Public Accountant.

Stephen P. Herbert has been our Chief Executive Officer since November 30, 2011, and served as our Chairman of the Board from November 30, 2011 until January 13, 2019. He was elected a director in April 1996, and joined the Company on a full-time basis on May 6, 1996 as Executive Vice President. During August 1999, Mr. Herbert was appointed President and Chief Operating Officer of the Company. On October 5, 2011, Mr. Herbert was appointed as interim Chief Executive Officer and Chairman, and on November 30, 2011, he was appointed as the Chairman of the Board of Directors and Chief Executive Officer of the Company. Prior to joining us and since 1986, Mr. Herbert had been employed by Pepsi-Cola, the beverage division of PepsiCo, Inc. From 1994 to April 1996, Mr. Herbert was a Manager of Market Strategy at Pepsi-Cola. In such position, he was responsible for directing development of market strategy for the vending channel, and subsequently, the supermarket channel for Pepsi-Cola in North America. Prior thereto, Mr. Herbert held various sales and management positions with Pepsi-Cola. Mr. Herbert graduated with a Bachelor of Science degree from Louisiana State University. We believe Mr. Herbert's position as the President and Chief Operating Officer of our Company until October 5, 2011 and as Chairman and Chief Executive Officer of the Company thereafter, his intimate knowledge and experience with all aspects of our Company, and his extensive vending experience at PepsiCo before joining our Company provide the requisite qualifications, skills, perspectives, and experiences to serve on our Board of Directors.

Donald W. Layden, Jr. joined the Board of Directors of the Company in April 2019. Mr. Layden has served as the Chair of the Compliance Committee since April 2019. He is a Venture Partner at Baird Venture Partners, which he joined in December 2011. Since October 2009, he has been an of-counsel partner of Quarles & Brady LLP, where he practices corporate law. Mr. Layden served on the Board of Directors of Firstsource Solutions Limited (NSE:FSL), a public company traded on the National Stock Exchange of India from April 2006 until March 2019. Mr. Layden served as an independent director of Online Resources Corporation (NASDAQ:ORCC) from May 2010 to March 2013, when it was sold to ACI Worldwide, Inc. From November 2009 to November 2011, Mr. Layden served as an Adviser of Warburg Pincus LLC in the Technology, Media and Telecommunications group. From October 2004 to October 2009, Mr. Layden held various positions at Metavante Technologies, Inc. (NYSE:MV), including as President of the International Group, and as Senior Executive Vice President of Corporate Development and Strategy, Corporate Secretary and General Counsel. Prior to that, he served at NuEdge Systems LLC as Chief Operating Officer from 2000 to 2002 and as President from 2002 until 2004, when it was purchased by Metavante Technologies, Inc. Prior to that, Mr. Layden held senior management positions with Marshall & Ilsley Corporation (NYSE:MI) from October 1994 until December 1998. Mr. Layden holds a Juris Doctor with honors from Marquette University Law School and a Bachelor of Arts in Economics and Political Science from Marquette University. We believe Mr. Layden's extensive executive experience and leadership skills, and prior public board experience provide the requisite qualifications, skills, perspectives, and experiences to serve on our Board of Directors.

Matthew W. McConnell was appointed as the Chief Operating Officer of the Company on May 22, 2019. From June 2012 to January 2018, Mr. McConnell had been employed by Comcast NBCUniversal as Senior Vice President and General Manager where he was responsible for operating Comcast Technology Solutions, a global division of Comcast Cable, which provides B2B products and services to the marketplace. From April 2009 to May 2011, Mr. McConnell was the President, Chief Executive Officer, and was a founder, of Troppus Software Corporation ("Troppus"), a SaaS business providing customer care and technical support software and services to the multiple-systems operator and telecommunications marketplace. Troppus was sold to EchoStar Corporation (NASDAQ: SATS) in 2011. From June 2008 through December 2008, he was Executive Vice President, Corporate Strategy and Business Development for NextAction Corporation, and from December 2006 through February 2008, he served in various capacities for Level 3 Communications, Inc., including as Senior Vice President, Offer Management, Content Markets Group. From May 2000 through October 2006, Mr. McConnell held various positions with America Online, Inc., including Vice

President, Business Affairs and Corporate Development. Since November 2011, Mr. McConnell has been an adjunct professor at the University of Denver where he teaches graduate level courses in ethics and leadership as well as technology strategy and management. Matt serves as Vice-Chairman of the Board for Junior Achievement Rocky Mountain, and has received both the prestigious Silver and Bronze Leadership Awards from Junior Achievement USA. Matt holds a BS cum laude in Finance and Management Information Systems from Boston College and an MBA from the Colgate Darden Graduate School of Business Administration at the University of Virginia.

Robert L. Metzger joined the Board of Directors of the Company in March 2016. Mr. Metzger has been the Chair of our Audit Committee since December 2016, and is a member of the Compensation Committee. He is a Clinical Assistant Professor of Finance at the University of Illinois Urbana-Champaign Geis College of Business, has served as the Director of the Investment Banking Academy since August 2015, and as the Director of Honors Programs since January 2016. He serves as a member of the Board of Directors and an Audit Committee member of South Mountain Merger Corp., a special purpose acquisition corporation founded in 2019. He served as a member of the Audit Committee and the Board of Directors of WageWorks, Inc. from February 2016 until August 2019, and as a member of the Audit Committee and Board of Directors of JetPay Corporation from November 2017 to December 2018. Mr. Metzger was a Partner at William Blair & Company, L.L.C. from January 2005 to December 2015 after joining the firm in 1999, and since January 2016, he has been employed as a Senior Director at the firm. He served as the head of the Technology group between January 2011 and January 2015 and of the Financial Services Investment Banking Group between April 2007 and December 2015. He also acted as Chairman of the firm's Audit Committee from January 2013 to December 2015. Prior to joining William Blair & Company, L.L.C., he worked in the Investment Banking Division of ABN AMRO Incorporated from 1997 to 1999, in the Financial Institutions Group at A.T. Kearney, Inc. from 1995 to 1997, and in Audit and Audit Advisory Services at Price Waterhouse from 1990 to 1994. Mr. Metzger graduated with a Masters in Business Administration with concentrations in Finance and Strategy in 1995 from Northwestern University's Kellogg School of Management and a Bachelor of Science degree in Accountancy in 1989 from the University of Illinois at Urbana-Champaign. We believe that Mr. Metzger's finance and accounting background, his experience with public companies and capital markets, and experience in the financial technology and payments space provide the requisite qualifications, skills, perspectives, and experiences to serve on our Board of Directors.

Albin F. Moschner joined the Board of Directors of the Company in April 2012 and became Chairman of the Board in January 2019. He was the Chair of our Compensation Committee until January 2019 and was a member of our Audit Committee from June 2014 until June 2016. Mr. Moschner is a principal at Northcroft Partners, LLC. He has been serving on the Board of The Nuveen Funds since July 2016. He also served on the Board of Wintrust Financial Corporation from 1994 until June 2016. Previously, he served at Leap Wireless International, Inc. as the Chief Operating Officer from July 2008 to February 2011 and as Chief Marketing Officer from August 2004 to June 2008. Prior to joining Leap Wireless, Mr. Moschner served as President of the Verizon Card Services division of Verizon Communications, Inc. From January 1999 to December 2000, Mr. Moschner was President of One Point Services at One Point Communications. Mr. Moschner served at Zenith Electronics Corporation as President and Chief Executive Officer from 1995 to 1996 and as President, Chief Operating Officer and Director from 1994 to 1995. Mr. Moschner has also served in various managerial capacities at Tricord Systems, Inc. and International Business Machines Corp. Mr. Moschner holds a Bachelor of Engineering in Electrical Engineering from The City College of New York, awarded in 1974, and a Master's degree in Electrical Engineering awarded by Syracuse University in 1979. We believe that Mr. Moschner's marketing, manufacturing and wireless industry experience and long standing prior public board experience provide the requisite qualifications, skills, perspectives, and experiences to serve on our Board of Directors.

Patricia A. Oelrich joined the Board of Directors of the Company in April 2019. She has been a member of the Audit Committee since April 2019. Since December 2014, Ms. Oelrich has been serving on the Board of the Office of Finance of the Federal Home Loan Banks, where she is the chair of the Audit Committee and member of the Risk Committee. From May 2010 to April 2016, Ms. Oelrich served on the Board of Directors of Pepco Holdings, Inc. (NYSE:POM), where she was the chair of the Audit Committee and member of the Nominating/Governance Committee before its sale to Exelon Corporation (NYSE:EXC). From 2001 to 2009, Ms. Oelrich was the Vice President, Global IT Risk Management at GlaxoSmithKline PLC (NYSE:GSK). From 1995 to 2000, Ms. Oelrich was the Vice President of Internal Audit at SmithKline Beecham prior to its merger with GlaxoWellcome. Prior to that, Ms. Oelrich was a partner at Ernst & Young LLP. She is also a member of the Board of Directors at the Association of Audit Committee Members, Inc. and an advisory board member for the Raj and Kamala Gupta Governance Institute at Drexel University. Ms. Oelrich is a Certified Public Accountant, a Certified Information Systems Auditor and a Governance Fellow of the National Association of Corporate Directors. Ms. Oelrich holds a bachelor's degree in Business Accounting and Information Systems from Western Illinois University and a Master of Arts and PhD in Human and Organizational Systems from Fielding Graduate University. We believe Ms. Oelrich's prior experience in risk management, and public board and audit committee experience provide the requisite qualifications, skills, perspectives, and experiences to serve on our Board of Directors.

James M. Pollock was appointed as our Chief Compliance Officer as of April 15, 2019. Mr. Pollock had been employed by PricewaterhouseCoopers LLP ("PwC") as a Director within the Risk Assurance practice from July 2010. Prior to that, Mr. Pollock

had served in various capacities at PwC since July 1998, providing risk-based internal audit and other advisory services, performing SOX engagements, and addressing strategic and operational risk areas for global clients representing a wide range of industries. Prior to joining PwC, Mr. Pollock was an associate manager within the Controller's division at AT&T Inc. (NYSE:T) from June 1996, where he was responsible for cost center variance analysis and the general summation of financial results prior to consolidation. Mr. Pollock is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants, the Pennsylvania Institute of Certified Public Accountants, and the Philadelphia chapter of the Institute of Internal Auditors.

William J. Reilly, Jr., joined the Board of Directors of the Company in July 2012. He is a member of our Nominating and Corporate Governance Committee, has been a member of our Compensation Committee since December 2016 (and Chair since January 2019), and was a member of our Audit Committee from July 2012 until December 2016. He has been an independent consultant since January 2011. From September 2004 until November 2010, Mr. Reilly was President and Chief Executive Officer of Realtime Media, Inc., an interactive promotional marketing firm serving the pharmaceutical and consumer packaged goods markets. Following the sale of Realtime Media, Inc. in November 2010, Mr. Reilly was retained as a consultant until January 2011. From September 2002 to September 2004, Mr. Reilly was a principal at Chesterbrook Growth Partners, independent consultants to the private equity community. Between 1989 and 2002, Mr. Reilly served at various positions at Checkpoint Systems Inc., a multinational manufacturer and marketer of products and services for automatic identification, retail security, pricing and brand promotion, including as Chief Operating Officer, Executive Vice President, Senior Vice President of the Americas and Pacific Rim and Vice President of Sales. Prior to that, Mr. Reilly held national and sales management positions at companies in the medical electronics and telecommunications industries, including Minolta Corporation, Megatech Pty. Ltd. and Multitone Electronics PLC. He also served on the Board of Veramark Technologies, Inc., a telecommunications software firm, from June 1997 to May 2008. Mr. Reilly graduated from Mount St. Mary's University with a Bachelor of Science degree in Psychology in 1970. We believe that Mr. Reilly's executive, business development and international experience provide the requisite qualifications, skills, perspectives and experiences to serve on our Board of Directors.

William J. Schoch joined the Board of Directors of the Company in July 2012. He is the Chair of our Nominating and Corporate Governance Committee and has been a member of our Audit Committee since December 2016. Mr. Schoch is the President and Chief Executive Officer of Western Payments Alliance, a non-profit payments association and has served in that capacity since March 2008. He serves on the Boards of Western Payments Alliance and WesPay Advisors, a payments consultancy and subsidiary of Western Payments Alliance. He is a current director of NACHA - The Electronic Payments Association and previously served on the Steering committee of NACHA's Payments Innovation Alliance and the Federal Reserve's Faster Payments Task Force. From 1997 to 2008, Mr. Schoch worked at Visa International where, as the Vice President of Emerging Market Initiatives, he was responsible for the global market development of the Visa Original Credit Transaction (OCT). Prior to that, Mr. Schoch served as a Vice President at Citibank, N.A. from 1989 until 1997 and as an Associate Director at NACHA from 1986 until 1989. Mr. Schoch obtained a Bachelor of Arts degree in 1986 from Indiana University of Pennsylvania with a major in Public Policy and a minor in Economics. We believe that Mr. Schoch's experience and familiarity with the electronic payments industry and his leadership experience provide the requisite qualifications, skills, perspectives and experiences to serve on our Board of Directors.

Ingrid S. Stafford joined the Board of Directors of the Company in April 2019. Ms. Stafford has been a member of the Compliance Committee since April 2019. She retired from her role at Northwestern University in August 2019. She was a Senior Advisor to the Senior Vice President for Business and Finance at Northwestern University from September 2018 until August 2019 and the Vice President for Financial Operations and Treasurer from 2014 to 2018, and held other progressively responsible financial leadership positions since 1977. Additionally, she has been a member of the Board of Directors of Wintrust Financial Corporation (NASDAQ:WTFC) from May 1998, and has served as chair of the Audit Committee since 2008, and is also a member of the Risk Management Committee, the Executive Committee, and the Information Technology/Information Security Committee. Ms. Stafford has been a trustee of the Evanston Alternative Opportunity Funds, an SEC registered fund advised by Evanston Capital Management since February 2014, where she is chair of the Audit Committee and a member of the Fund Valuation Committee. From 1993 to 2006, Ms. Stafford was a member of the Board of Directors of Wittenberg University, where she was the Chair of the Board from 2001 to 2005 and has been an Emeritus Board member from 2006. Ms. Stafford holds a Bachelor of Arts in Economics and Political Science from Wittenberg University, a Master of Applied Economics from University of Michigan, and a Master of Management in Finance, Accounting and Education Management from J.L. Kellogg Graduate School of Management, Northwestern University. We believe Ms. Stafford's extensive executive experience in financial operations, and prior public board experience provide the requisite qualifications, skills, perspectives, and experiences to serve on our Board of Directors.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has a standing Audit Committee presently consisting of each of Mr. Metzger (Chair), Ms. Oelrich, and Messrs. Barnhart and Schoch. The Company's Board of Directors has determined that each of Ms. Oelrich and Mr. Barnhart is an "audit committee financial expert" under Securities and Exchange Commission rules, and has met the additional independence criteria required for Audit Committee membership under applicable NASDAQ listing standards.

CODE OF BUSINESS CONDUCT AND ETHICS

Our Board has adopted a Code of Ethics, which applies to all executive officers, directors and employees of the Company, including our Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Compliance Officer. A copy of our Code of Business Conduct and Ethics is accessible on the Company's website, www.usatech.com.

The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and other information regarding issuers that file electronically. Such information can be accessed through the internet at www.sec.gov.

DELINQUENT SECTION 16(A) REPORTS

Section 16(a) of the Exchange Act requires each of our directors and executive officers, and each beneficial owner of more than 10% of the Company's Common Stock, to file with the Securities and Exchange Commission an initial report on Form 3 of the person's beneficial ownership of our equity securities and subsequent reports on Form 4 regarding changes in ownership. On the basis of reports of our directors and executive officers, and except as provided in the next paragraph, we believe that each person subject to the filing requirements with respect to us satisfied all required filing requirements during the 2018 and 2019 fiscal years.

Each of Ms. Singh, Mr. Barnhart and Mr. Moschner filed one late Form 4, and Mr. Herbert filed two late Form 4s, during the 2018 fiscal year.

Item 11. Executive Compensation.

COMPENSATION DISCUSSION AND ANALYSIS

The following Compensation Discussion and Analysis ("CD&A") provides information regarding our executive compensation philosophy, the elements of our executive compensation program, and the factors that were considered in the compensation actions and decisions for our named executive officers during the 2018 and 2019 fiscal years. The CD&A should be read together with the compensation tables and related disclosures set forth elsewhere in the Form 10-K.

While this CD&A and the compensation tables and related disclosures provide information for each of the 2018 and 2019 fiscal years, as discussed elsewhere in this Form 10-K, given the circumstances we faced during the 2019 fiscal year, we did not award any incentive compensation for, or award any discretionary bonuses to, our executive officers other than discretionary bonuses awarded to our new executive officers.

Named Executive Officers

During the 2018 fiscal year, our named executive officers (collectively, the "fiscal year 2018 named executive officers") were as follows: Stephen P. Herbert - Chairman and Chief Executive Officer; Priyanka Singh - our then Chief Financial Officer; Michael Lawlor - our then Chief Services Officer; Anant Agrawal - Executive Vice-President, Corporate Development; and Mandeep Arora - our former Chief Product Officer who resigned on April 16, 2018. Messrs. Agrawal and Arora joined the Company at the time of the acquisition of Cantaloupe by the Company on November 9, 2017 and had been founders of Cantaloupe.

During the 2019 fiscal year, our named executive officers (collectively, the "fiscal year 2019 named executive officers") were as follows: Stephen P. Herbert - our Chief Executive Officer; Glen Goold - our interim Chief Financial Officer as of January 24, 2019; Matthew McConnell - our Chief Operating Officer as of May 22, 2019; James Pollock - our Chief Compliance Officer as of April 15, 2019; Anant Agrawal - our Executive Vice President, Corporate Development; Michael Lawlor - our former Chief Services Officer who resigned on March 22, 2019; and Priyanka Singh - our former Chief Financial Officer who resigned on January 7, 2019.

Overview

Investigation and Restatement

As discussed elsewhere in this Form 10-K, on September 11, 2018, the Company announced that the Audit Committee with the assistance of independent legal and forensic accounting advisors, was in the process of conducting an internal investigation of 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 Audit Committee's investigation focused principally on certain customer transactions entered into by the Company during fiscal years 2017 and 2018.

On January 14, 2019, the Company reported that the Audit Committee's internal investigation was substantially completed and described the principal findings of the internal investigation and the remedial actions to be implemented by the Company as a result of the internal investigation. These remedial actions included the retention of a Chief Compliance Officer and a Chief Operating Officer which were newly created positions, and the separation of our CSO from the Company.

On February 4, 2019, the Board of Directors of the Company, upon the recommendation of the Audit Committee, and based upon the adjustments to previously reported revenues proposed by the Audit Committee, determined that the following financial statements previously issued by the Company should no longer be relied upon: (1) the audited consolidated financial statements for the fiscal year ended June 30, 2017; and (2) the quarterly and year-to-date unaudited consolidated financial statements for September 30, 2017, December 31, 2017, and March 31, 2018. The Company also reported that related press releases, earnings releases, management's report on the effectiveness of internal control over financial reporting as of June 30, 2017, and investor communications describing the Company's financial statements for these periods should no longer be relied upon. During the audit process, significant financial reporting issues were identified by current management 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, including those for the 2017 fiscal year. For more information regarding the restatement, refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", Note 2, "Restatement of Consolidated Financial Statements"; and Note 20, "Unaudited Quarterly Data" of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

During the Audit Committee's investigation and the subsequent restatement and audit process, we were delayed in filing our periodic reports with the SEC, including our Annual Report on Form 10-K for the fiscal year ended June 30, 2018. As a result, we did not file a Compensation Discussion and Analysis or any other compensation-related information contemplated by Item 402 of Regulation S-K for our fiscal year 2018 actions and decisions. Consequently, those actions and decisions are included as part of the CD&A, together with our actions and decisions for the 2019 fiscal year.

Executive Officer Changes During Fiscal Year 2019

On January 7, 2019, our then Chief Financial Officer, Priyanka Singh, resigned and, on January 24, 2019, we appointed Glen Goold as our interim Chief Financial Officer. On January 13, 2019, Michael Lawlor ceased serving as Chief Services Officer, and he resigned as an employee as of March 22, 2019. On April 15, 2019, we appointed James Pollock as our new Chief Compliance Officer. On May 22, 2019 we appointed Matthew McConnell as our new Chief Operating Officer.

Compensation Committee Composition During Fiscal Years 2018 and 2019

During the 2018 fiscal year our Compensation Committee consisted of Messrs. Moschner and Reilly. Effective January 13, 2019, and at the time he became our non-executive Chairman, Mr. Moschner ceased serving as a member of the Committee, Mr. Reilly became Chairman, and Mr. Metzger became a member of the Committee. On April 8, 2019, Mr. Barnhart became a member of the Committee. The Committee is currently composed of Messrs. Reilly, Metzger, and Barnhart.

Our Compensation Philosophy

The Compensation Committee is responsible for annually reviewing and recommending to the Board for approval the corporate goals and objectives relevant to the compensation of the executive officers of the Company, evaluating the executive officers' performance in light of those goals and objectives, and recommending for approval to the Board the executive officers' compensation levels based on this evaluation. During the 2018 and 2019 fiscal years, the Chief Executive Officer assisted the Compensation Committee in establishing the compensation of our other executive officers. The compensation of Mr. Agrawal (who is not an executive officer) was determined by our Chief Executive Officer with input from the Compensation Committee. At the time of the acquisition of Cantaloupe, and as a condition thereof, the Company and each of Messrs. Agrawal and Arora entered into an employment agreement which set forth his respective compensation arrangements. Our Chief Executive Officer regularly provides information to the Compensation Committee. The Chief Executive Officer is not present during voting or deliberations on his compensation. The Compensation Committee utilized an independent compensation consultant, Willis Towers Watson, in order to assist the Committee in making appropriate recommendations regarding our executive officers' compensation for the 2018 fiscal year and the 2019 fiscal year.

We have developed a compensation policy that is designed to attract and retain key executives responsible for our success and motivate management to enhance long-term shareholder value. The Compensation Committee believes that compensation of the Company's executive officers should encourage creation of shareholder value and achievement of strategic corporate objectives, and the Committee seeks to align the interests of the Company's shareholders and management by integrating compensation with the Company's annual and long-term corporate and financial objectives. The Compensation Committee also seeks to tie a significant portion of each executive officer's compensation to key operational and financial goals and performance.

We have also historically designed and implemented our compensation package in order to be competitive with other companies

in our peer group, as compiled by our compensation consultant, and to motivate and retain our executive officers. Our compensation package also takes into account individual responsibilities and performance.

Certain elements of our compensation reflect different compensation objectives. For example, as base salaries are generally fixed in advance of the year in which the compensation will be earned, the Committee believes that it is appropriate to determine base salaries with a focus on similarly situated officers at comparable peer group companies, while also having them reflect the officer's performance. On the other hand, annual incentive bonuses and long-term incentives are better able to reflect the Company's performance, as measured by total number of connections, total revenues, non-GAAP net income, adjusted EBIDTA, and cash generated from operations. In addition, annual incentive bonuses and long-term incentive awards, including the performance goals upon which they are based, help us to achieve our goal of retaining executives, and motivating executive officers to increase shareholder value. In addition, we may also award discretionary annual bonuses to our executive officers in appropriate circumstances, including bonuses contingent on continued employment with the Company. The other elements of compensation reflect the Committee's and the Board's philosophy that personal benefits, including retirement and health benefits, should be available to all employees on a non-discriminatory basis.

Our Executive Compensation Practices

Our compensation program for our executive officers features many commonly used "best practices" including:

- *Pay-for-performance.* A substantial part of our executive officers' pay has been, in our view, performance-based. For the 2018 fiscal year, our Chief Executive Officer had approximately 68% of his total target compensation tied to performance, while our former Chief Financial Officer, former Chief Services Officer, and former Chief Product Officer had approximately 59%, 58%, and 67%, respectively, of their total target compensation tied to performance. For the 2018 fiscal year, Mr. Agrawal (who is not an executive officer) had approximately 52% of his total target compensation tied to performance. Due to the circumstances present during the 2019 fiscal year, we did not establish any incentive compensation plans or award any discretionary bonuses to our executive officers other than discretionary bonuses awarded to our new executive officers.
- *Stretch performance goals.* Our performance target goals under our Fiscal Year 2018 Short-Term Incentive Plan (the "2018 STI Plan") and Fiscal Year 2018 Long-Term Incentive Performance Share Plan (the "2018 LTI Stock Plan") are designed to stretch individual and organizational performance in order to receive target payouts.
- *Capped payouts under incentive plans.* Both our long-term and short-term bonus programs have maximum payout amounts in order to discourage excessive risk-taking.
- *Stock ownership guidelines.* We have significant ownership guidelines. Our Chief Executive Officer is required to hold Common Stock with a value equal to a multiple of three times his base salary and our Chief Financial Officer and other executive officers are required to hold Common Stock with a value equal to one time his or her base salary.
- *No Tax Gross-Up Provisions.* Our compensation program does not include any excise tax gross-up provisions with respect to payments contingent upon a change of control.
- *Limited perquisites for our executives.* Perquisites are not a significant portion of our executive officers' compensation, representing 1% of Mr. Herbert's, 1% of Ms. Singh's, 1% of Mr. Arora's, and 2% of Mr. Lawlor's total target compensation during the 2018 fiscal year.
- *Independent compensation consultant.* During the 2018 and 2019 fiscal years, the Committee retained an independent compensation consultant to review the executive compensation programs and practices and to provide input to the Committee.
- *No payment on change of control without a "double trigger."* Payments under our employment agreements require two events for vesting: both the change of control and either a "good reason" for termination of the executive's employment by the executive or termination of the executive's employment by the Company "without cause".
- *No repricing of underwater options.* Our stock incentive plans do not permit repricing or the exchange of underwater stock options without shareholder approval.
- *Clawback Policy*. In July 2019, the Board adopted an Incentive Compensation Clawback Policy (the "Clawback Policy") which had been developed and recommended by the Committee and which applied to any future incentive compensation awarded to our executive officers. The Clawback Policy provides that in the event of a restatement of the Company's financial results, an executive officer would have to return to the Company any overpayment of incentive compensation based on such restated results; provided, however, that the executive officer must have engaged in intentional misconduct that contributed to the need for the restatement.

Compensation-Setting Process in Fiscal Year 2018

In August 2017 in connection with our annual review of our executive officers' compensation, we established the 2018 STI Plan and the 2018 LTI Stock Plan for our executive officers, increased the base salaries of our executive officers, awarded discretionary

cash bonuses to two of our executive officers, and granted options to two of our executive officers. Due to the delay in finalizing our fiscal year 2018 financial statements, we were not able to finalize the awards under the 2018 STI Plan or the 2018 LTI Stock Plan until the date of filing of this Form 10-K which includes these financial statements. We intend to pay the cash bonuses earned under the 2018 STI Plan and to issue the shares earned under the 2018 LTI Stock Plan as soon as practicable after the filing of this Form 10-K.

Compensation-Setting Process in Fiscal Year 2019

The Committee's 2019 fiscal year executive compensation actions and decisions reflected the ongoing Audit Committee investigation and subsequent restatement and audit process, the significant changes in our executive team during the fiscal year and the forecasted management financial results for the fiscal year. The Committee did not award any incentive compensation or award any discretionary bonuses to our executive officers during the fiscal year other than discretionary bonuses awarded to our new executive officers. Following the Audit Committee investigation, the Committee and our Board determined that ensuring our executive officers prioritize and maintain a sustained culture of compliance should be an additional principle that should guide our executive compensation actions and decisions.

The actions and decisions taken during fiscal year 2019 were not the result of a change in our compensation philosophy, but reflected the circumstances facing the Company during the fiscal year. The Compensation Committee intends to follow its historical practice of establishing short-term and long-term incentive compensation plans for our executive officers and emphasizing pay-for-performance during fiscal year 2020 and future fiscal years.

Compensation-Setting Process in Fiscal Year 2020

On October 7, 2019, at the recommendation of the Compensation Committee, the Board of Directors approved incentive compensation plans for the 2020 fiscal year for our executive officers. Specific target metrics will be finalized after the Company's 2020 financial plan has been finalized.

2020 STI Plan

The Board approved the Fiscal Year 2020 Short-Term Incentive Plan which provides that each executive officer would earn a cash bonus in the event that the Company achieves during the 2020 fiscal year certain annual financial goals (70% weighting) and certain annual specific performance goals relating to the executive officer which are to be established by the Compensation Committee (30% weighting). The annual financial goals are total revenues (15% weighting), cash generated from operations (15% weighting), and non-GAAP net income (40% weighting). The specific performance goals to be established will prioritize the promotion of a sustained culture of compliance.

If none of the minimum threshold target goals are achieved, the executive officers would not earn a cash bonus. Assuming the minimum threshold target goal would be achieved for a particular metric, the amount of the cash bonus to be earned would be determined on a pro rata basis, provided that the bonus would not exceed the maximum distinguished award for that metric (which in any event cannot exceed 150% of the executive officer's target bonus award).

2020 LTI Stock Plan

The Board approved the Fiscal Year 2020 Long-Term Stock Incentive Plan which provides that each executive officer would be awarded shares of common stock of the Company in the event that certain metrics relating to the Company's 2020 fiscal year would result in specified ranges of year-over-year percentage growth. The metrics are total number of connections as of June 30, 2020 as compared to total number of connections as of June 30, 2019 (40% weighting) and adjusted EBITDA earned during the 2020 fiscal year as compared to the adjusted EBITDA earned during the 2019 fiscal year (60% weighting).

If none of the minimum threshold year-over-year percentage target goals are achieved, the executive officers would not be awarded any shares. Assuming the minimum threshold year-over-year percentage target goal would be achieved for a particular metric, the number of shares to be awarded for that metric would be determined on a pro rata basis, provided that the award would not exceed the maximum distinguished award for that metric (which in any event cannot exceed 150% of the executive officer's target bonus award). Any shares awarded under the plan would vest as follows: one-third at the time of issuance; one-third on June 30, 2021; and one-third on June 30, 2022.

Pay-for-Performance Review

Pay-for-performance has historically been an important component of our compensation philosophy and is evident in the structure of our compensation program. Our compensation approach is designed to motivate our executive officers to substantially contribute

to the Company's long-term sustainable growth. Our pay-for-performance approach provides that a large portion of our executive officers' total compensation should be in the form of short-term and long-term incentive awards with performance hurdles designed to stretch individual and organizational performance.

Reinforcing pay-for-performance is a significant underpinning of our compensation program which is designed to motivate executives to deliver strong business performance and create shareholder value. These compensation elements were dependent upon the Company's achievement of pre-established financial and other business goals recommended by the Committee as well as individual goals established by the Committee or consisted of stock option awards, which are inherently performance-based as they only deliver value if the stock price increases. All stock options awarded by the Committee are exercisable at the closing share price on the date of the grant. Based on actual results, the annual variable compensation amount and the ultimate value of the equity compensation awards could have been significantly reduced if the Company or management did not perform.

Fiscal Year 2018 Actions and Decisions

For fiscal year 2018, the targeted aggregate compensation of our fiscal year 2018 named executive officers consisted of the following components expressed as a percentage of total compensation:

Named Executive Officer	Base Salary	Annual Bonus	Long-Term Incentive Compensation	All Other Compensation	Total Compensation
Stephen P. Herbert	31%	16%	52%	1%	100%
Priyanka Singh	36%	20%	43%	1%	100%
Michael Lawlor	40%	18%	40%	2%	100%
Mandeep Arora	32%	19%	48%	1%	100%
Anant Agrawal	37%	15%	37%	11%	100%

The target long-term incentive compensation in the above table and in the table set forth below each reflect in addition to the performance stock awards granted under the 2018 LTI Stock Plan to each of Mr. Herbert and Ms. Singh, awards to Mr. Herbert of incentive stock options to purchase up to 19,047 shares, and to Ms. Singh of nonqualified stock options to purchase up to 25,000 shares. All other compensation in the above table and in the table set forth below includes 401(k) matching contributions for each named executive officer as well as $47,593 of housing and car allowances, moving expenses and income tax gross up payments relating to the car and housing allowances for Mr. Agrawal.

For fiscal year 2018, the aggregate compensation actually paid or awarded to our fiscal year 2018 named executive officers consisted of the following components, expressed as a percentage of total compensation:

Named Executive Officer	Base Salary	Annual Bonus	Long-Term Incentive Compensation	All Other Compensation	Total Compensation
Stephen P. Herbert	52%	18%	28%	2.3%	100%
Priyanka Singh	52%	12%	25%	11%	100%
Michael Lawlor	60%	14%	17%	9%	100%
Mandeep Arora	37%	6%	11%	46%	100%
Anant Agrawal	57%	11%	16%	16%	100%

Long-term incentive compensation for each of Mr. Herbert and Ms. Singh includes the value of the stock options granted to each of them during the fiscal year. All other compensation in the above table for Ms. Singh includes a signing bonus and discretionary bonus in the aggregate amount of $55,000, for Mr. Lawlor includes a discretionary bonus of $25,000, and for Mr. Arora includes $151,364 of severance payments, retention bonus payments and COBRA reimbursement payments made by the Company during the fiscal year pursuant to his separation agreement.

Fiscal Year 2019 Actions and Decisions

As discussed above, during the 2019 fiscal year, we did not award any incentive compensation or award any discretionary bonuses to our executive officers other than discretionary bonuses awarded to our new executive officers. The Committee did not increase any of the base salaries of our executive officers during the fiscal year.

In October 2019, and upon our recommendation, the Board awarded to Mr. McConnell, our new Chief Operating Officer, a cash bonus of $20,700 which is equal to the pro-rated amount of his target short-term incentive compensation bonus (which was 45% of his annual base salary) and awarded shares to him with a value of $46,000 which is equal to the pro-rated amount of his target long-term incentive compensation bonus (which was 100% of his annual base salary). The pro-ration was based on the days employed by Mr. McConnell during the fiscal year. At the time he signed his employment agreement, we also granted to him non-qualified stock options to purchase up to 50,000 shares.

In October 2019, and upon our recommendation, the Board awarded to Mr. Pollock, our new Chief Compliance Officer, a cash bonus of $13,576 which is equal to the pro-rated amount of his target short-term incentive compensation bonus (which was 30% of his annual base salary) and granted to him incentive stock options to purchase up to 5,760 shares at $7.43, the price of our shares as of June 30, 2019. The pro-ration of his cash bonus was based on the days Mr. Pollock was employed by the Company during the fiscal year. At the time Mr. Pollock joined the Company, we granted to him incentive stock options to purchase up to 20,000 shares, and he received a $30,000 cash signing bonus which was paid on August 15, 2019.

The engagement agreement of Mr. Goold, our interim Chief Financial Officer, provides that he would receive a $100,000 cash bonus if he remains our interim Chief Financial Officer through December 31, 2019, and he would receive a $200,000 cash bonus upon the Company regaining compliance with its periodic reporting requirements and with the Nasdaq listing rules. We paid Mr. Goold the amount of $50,000 in May 2019 on account of the $100,000 cash retention bonus which he has agreed to repay if he is not acting as our interim Chief Financial Officer on December 31, 2019.

Peer Group Analysis

In August 2016, the Company obtained an updated analysis from our independent compensation consultant, which contained a new peer group, and updated the compensation analysis that had previously been performed. Our independent compensation consultant assembled a peer group of 15 companies that it deemed comparable to the Company on the basis of size, market capitalization, industry, or financial performance. The peer group consisted of:

☐ Agilysys, Inc.	☐ Exav Corporation	☐ PDF Solutions, Inc.
☐ Amber Road, Inc.	☐ Infrustrure, Inc.	☐ Radysis Corporation
☐ Callidus Software, Inc.	☐ Limelight Networks, Inc.	☐ SciQuest, Inc.
☐ CVI Global, Inc.	☐ NAPCO Security Technologies, Inc.	☐ Upland Software, Inc.
☐ Exa Corporation	☐ Numerex Corp.	☐ Zix Corporation

When making compensation decisions for fiscal year 2018, the Committee reviewed the aggregate target compensation paid to an executive officer relative to the compensation paid to similarly situated executives, to the extent available, at our peer companies. For fiscal year 2018, the Committee recommended a compensation program for our executive officers consisting of target level compensation approximately equal to the 50th percentile for similarly situated officers at the peer group companies compiled by our independent compensation consultant.

The Committee did not utilize a peer group in connection with its compensation decisions during fiscal year 2019. In January 2019, and in connection with the retention of a new Chief Operating Officer and Chief Compliance Officer, the Committee obtained a compensation analysis from its independent compensation consultant for these newly created positions. The Committee utilized this analysis in connection with its compensation program recommendations for these new executive officers and received input from the consultant.

Elements of Compensation

This section describes the various elements of our compensation program for our named executive officers during the 2018 fiscal year and 2019 fiscal year. The components of compensation reflected in our named executive officers' compensation program are set forth in the following table:

Element	Key Characteristics	Why We Pay this Element	How We Determine the Amount
Base Salary	Fixed compensation component payable in cash. Reviewed annually and adjusted when appropriate.	Provide a base level of competitive cash compensation for executive talent.	Experience, job scope, peer group, and individual performance.
Annual Bonus	Variable compensation component payable in cash or stock based on performance as compared to annually-established company and/or individual performance goals. We also award discretionary stock or cash bonus awards.	Motivate and reward executives for performance on key operational, financial and personal measures during the year. Discretionary bonuses could be based upon continued employment.	Organizational and individual performance, with actual payouts based on the extent to which performance is achieved. Discretionary bonuses are based on various factors, including past performance.
Long Term Incentives	Variable compensation component payable in restricted stock or stock options.	Alignment of long term interests of management and shareholders. Retention of executive talent.	Organizational and individual performance, with actual awards based on the extent to which performance is achieved.
Perquisites and Other Personal Benefits	Fixed compensation component to provide basic competitive benefits.	Provide a base level of competitive compensation for executive talent.	Periodic review of benefits provided generally to all employees.

Base Salary

Base salary is the fixed component of our named executive officers' annual cash compensation and is set with the goal of attracting talented executives and adequately compensating and rewarding them for services rendered during the fiscal year. The Compensation Committee reviews our executive officers' base salaries on an annual basis.

The base salary of each of our executive officers reflects the individual's level of responsibility and performance. In recommending base salaries of our executive officers to the Board of Directors, the Compensation Committee also considers changes in duties and responsibilities, our business and financial results, and its knowledge of base salaries paid to executive officers of our peer group.

Effective August 16, 2017, and as part of our annual compensation review, we increased Mr. Herbert's base salary by 17% to $525,000, we increased Ms. Singh's base salary by 9% to $300,000, and we increased Mr. Lawlor's base salary by 10% to $275,000.

No increases were made to any base salaries of our executive officers during the 2019 fiscal year.

Annual Bonus

Performance-based annual bonuses are based on each named executive officer's achievement of performance goals. Annual bonuses are intended to provide officers with an opportunity to receive additional cash compensation based on their individual performance and Company results, including the achievement of pre-determined Company and/or individual performance goals. Performance-based bonuses are included in the compensation package because they incentivize our named executive officers, in any particular year, to pursue particular objectives that are consistent with the overall goals and strategic direction that the Board has set for the Company for that year.

The Committee believes that the annual performance-based bonus reinforces the pay-for-performance nature of our compensation program.

Fiscal Year 2018 Short-Term Incentive Plan

At the recommendation of the Compensation Committee, in August 2017 the Board of Directors adopted the 2018 STI Plan covering our executive officers. Pursuant to the 2018 STI Plan, each executive officer would earn a cash bonus in the event that the Company achieved during the 2018 fiscal year certain annual financial goals (80% weighting) and certain annual specific performance goals relating to the executive officer which were established by the Compensation Committee (20% weighting). The annual financial goals are total revenues (15% weighting), cash generated from operations (15% weighting), and non-GAAP net income (50% weighting). Assuming the minimum threshold target goal would be exceeded for a particular metric, the amount of the cash bonus to be earned would be determined on a pro rata basis, provided that the bonus would not exceed the maximum distinguished award for that metric.

The financial target goals under the 2018 STI Plan were based upon the 2018 fiscal year financial plan established by management which reflected the anticipated results from the acquisition of Cantaloupe, and the Compensation Committee believed that the attainment of these target goals would represent a significant achievement for management, and would stretch the Company's and management's performance during the fiscal year.

Under the 2018 STI Plan, the primary individual performance goals established by the Compensation Committee for Mr. Herbert were the following: completing the Cantaloupe acquisition within the financial parameters established by the Board of Directors; providing significant management attention to the integration of Cantaloupe following the acquisition to form a cohesive market offering to take advantage of the contemplated market synergies; and clearly communicating the Company's strategy, goals and objectives to the investment community.

Under the 2018 STI Plan, the Compensation Committee sets the cash bonus opportunity for each executive officer as a percentage of his or her respective annual base salary as set forth in the following table:

Executive Officer	Threshold Performance	Target Performance	Distinguished Performance
Stephen P. Herbert	—	50%	75%
Priyanka Singh	—	35%	53%
Michael Lawlor	—	35%	53%
Mandeep Arora	—	40%	60%

Subsequent to the establishment of the 2018 STI Plan, and in February 2018, the Committee recommended and the Board approved the increase of the target performance bonus from 30% to 40% of annual base salary for each of Ms. Singh and Mr. Lawlor effective as of January 1, 2018, resulting in a target performance bonus for the fiscal year for each of them of 35% of annual base salary which is reflected in the above table.

Below were the threshold, target and distinguished cash bonus award target opportunities under the 2018 STI Plan for our executive officers:

Executive Officer	Threshold Performance	Target Performance	Distinguished Performance
Stephen P. Herbert	$ —	$ 262,500	$ 393,750
Priyanka Singh	$ —	$ 105,000	$ 157,500
Michael Lawlor	$ —	$ 96,250	$ 144,375
Mandeep Arora	$ —	$ 71,803	$ 107,704

Mr. Herbert earned a cash bonus of $175,828, representing 18% of his base salary, Ms. Singh earned a cash bonus of $70,331, representing 12% of her base salary, and Mr. Lawlor earned a cash bonus of $64,470, representing 14% of his base salary, under the 2018 STI Plan. The Compensation Committee determined that each of Mr. Herbert, Ms. Singh, and Mr. Lawlor had achieved 200% of their respective individual performance target goals, and that Mr. Arora had achieved 50% of his individual performance target goals. Pursuant to his separation agreement, the cash bonus earned by Mr. Arora under the plan was pro-rated to reflect the dates of his employment with the Company, and he earned a cash bonus of $18,043 representing 6% of his prorated base salary. Based on the actual performance of the Company during the 2018 fiscal year, non-GAAP net income was less than the minimum threshold target goal, cash generated from operations exceeded the distinguished target goal, and revenues exceeded the minimum

threshold target but was less than the target goal under the plan.

Fiscal Year 2019 Short-Term Incentive Plan

During the 2019 fiscal year, we did not award any performance based incentive compensation for our fiscal year 2019 named executive officers or award any discretionary bonuses to our fiscal year 2019 named executive officers other than discretionary bonuses awarded to our new executive officers. In May 2019, we paid a $50,000 bonus to Mr. Goold on account of a $100,000 bonus to be earned by him if he remains our interim Chief Financial Officer through December 31, 2019, and, in September 2019, we awarded a pro-rated cash bonus to each of Mr. McConnell and Mr. Pollock equal to the pro-rated short term target bonus set forth in their respective employment agreements of $20,700 and $13,536, respectively. In November 2018, Mr. Agrawal received a retention bonus in accordance with the terms of his November 2017 employment agreement. We also agreed that Mr. Goold would earn a cash bonus of $200,000 to Mr. Goold if and when the Company regains compliance with its periodic reporting obligations and the Nasdaq listing requirements.

Other Named Executive Officer's Cash Bonus

Pursuant to his employment agreement, Mr. Agrawal participated in the 2018 STI Plan, with any award thereunder to be on a prorated basis for the period of time that he was employed during the fiscal year. If all of the target performance goals had been achieved, he would have earned a cash bonus equal to 40% of his prorated base salary ($71,803), and if all of the distinguished performance goals had been achieved, he would have earned a cash bonus equal to 60% of his prorated base salary ($107,704). Mr. Agrawal earned a cash bonus under the 2018 STI Plan of $33,735, representing 11% of his prorated base salary.

Long-Term Incentive Compensation

As described above, the Compensation Committee believes that a substantial portion of each executive officer's compensation should be in the form of long-term incentive compensation in order to further align the interests of our executive officers and shareholders.

Fiscal Year 2018 Long-Term Incentive Performance Share Plan

At the recommendation of the Compensation Committee, in August 2017 the Board of Directors adopted the 2018 LTI Stock Plan covering our executive officers. Under the 2018 LTI Stock Plan, each executive officer would be awarded shares of Common Stock in the event that certain metrics relating to the Company's 2018 fiscal year would result in specified ranges of year-over-year percentage growth. The metrics are total number of connections as of June 30, 2018 as compared to total number of connections as of June 30, 2017 (40% weighting), and adjusted EBITDA earned during the 2018 fiscal year as compared to adjusted EBITDA earned during the 2017 fiscal year (60% weighting). The shares awarded under the 2018 LTI Stock Plan would vest as follows: one-third on the date of issuance; one-third on June 30, 2019; and one-third on June 30, 2020.

The target goals under the 2018 LTI Stock Plan were based upon the 2018 fiscal year financial plan established by management which reflected the anticipated results from the acquisition of Cantaloupe. The Compensation Committee believed that the attainment of the target goals under the 2018 LTI Stock Plan would represent a significant achievement for management, and would stretch the Company's and management's performance during the fiscal year.

The Compensation Committee established target long-term award levels for each executive officer under the 2018 LTI Stock Plan as a percentage of his or her respective annual base salary, as indicated in the table set forth below.

Executive Officer	Threshold Performance	Target Performance	Distinguished Performance
Stephen P. Herbert	—	160%	240%
Priyanka Singh	—	100%	150%
Michael Lawlor	—	100%	150%
Mandeep Arora	—	100%	150%

The table set forth below lists the value of the shares that would have been awarded to the executive officers under the 2018 LTI Stock Plan if all of the minimum threshold performance goals had been achieved, if all of the target performance goals had been achieved, and if all of the distinguished performance goals had been achieved. Assuming the minimum threshold target goal was achieved for a particular metric, the number of shares to be awarded for that metric was required to be determined on a pro-rata basis, provided that the award could not exceed the maximum distinguished award for that metric.

Executive Officer	Threshold Performance	Target Performance	Distinguished Performance
Stephen P. Herbert	$ —	$ 840,000	$ 1,260,000
Priyanka Singh	$ —	$ 300,000	$ 450,000
Michael Lawlor	$ —	$ 275,000	$ 412,500
Mandeep Arora	$ —	$ 179,507	$ 269,260

Based on the actual performance of the Company during the 2018 fiscal year, connections for the fiscal year exceeded the minimum threshold target but were less than the target goal under the plan, and Adjusted EBITDA was less than the minimum threshold target. Consequently, the stock award to each executive officer under the 2018 LTI Stock Plan was as follows:

Names Executive Officer	Number of shares	Value of shares as of June 30, 2018
Stephen P. Herbert	16,823	$ 235,525
Priyanka Singh	6,008	$ 84,116
Michael Lawlor	5,508	$ 77,107
Mandeep Arora	2,443	$ 34,200

The shares awarded to Mr. Herbert had a value equal to 45% of his annual base salary, the shares awarded to Ms. Singh had a value equal to 28% of her annual base salary, and the shares awarded to Mr. Lawlor had a value equal to 28% of his annual base salary. The shares awarded under the LTI Plan vest as follows: one-third at the time of issuance, one-third on June 30, 2019 and on-third on June 30, 2020. As Ms. Singh resigned her employment with the Company on January 7, 2019, none of the shares vested. Pursuant to his Separation Agreement, the shares earned by Mr. Lawlor would become vested upon issuance. The shares awarded to Mr. Arora had a value equal to 11% of his prorated annual base salary received during the period of time he was employed by the Company during the fiscal year, and pursuant to his Separation Agreement would become vested without regard to continued employment.

Fiscal Year 2019 Long-Term Incentive Compensation

As discussed above, we did not award any long-term incentive compensation for our 2019 fiscal year named executive officers. In October 2019, Mr. McConnell was awarded shares with a value of $46,000, which is equal to his long-term incentive plan target bonus pro-rated for the days during the fiscal year for which he was employed by the Company, and Mr. Pollock was awarded options to purchase up to 5,760 shares at an exercise price of $7.43, representing the price of our shares as of June 30, 2019.

Other Named Executive Officer

Pursuant to his employment agreement, Mr. Agrawal participated in the 2018 LTI Stock Plan with any award thereunder to be prorated to reflect the period of time that he was employed during the fiscal year. If all of the target performance goals had been achieved, he would have received an award equal to 64% of his base salary ($179,507), and if all of the distinguished performance goals had been achieved, he would have received an award equal to 96% of his base salary ($269,260). Based on the actual performance of the Company during the 2018 fiscal year, he was awarded 3,595 shares of stock under the 2018 LTI Stock Plan with a value as of June 30, 2018 of $50,331 with a value equal to 16% of his prorated annual base salary received during the fiscal year.

During the 2019 fiscal year, Mr. Agrawal received a retention bonus in November 2018 in accordance with the terms of his November 2017 employment agreement entered into at the time of the acquisition of Cantaloupe.

Stock Option Awards

During August 2017, Mr. Herbert was awarded incentive stock options intended to qualify under Section 422 of the Code, to purchase up to 19,047 shares of the Company's Common Stock at an exercise price of $5.25 per share. The options vested on August 16, 2018, and expire if not exercised prior to August 16, 2024.

During August 2017, Ms. Singh was awarded nonqualified stock options to purchase up to 25,000 shares of the Company's Common Stock at an exercise price of $5.25 per share. The options vest one-third on August 16, 2018, one-third on August 16, 2019, and one-third on August 16, 2020, and expire if not exercised prior to August 16, 2024. As Ms. Singh resigned her employment with the Company on January 7, 2019, only the first tranche of these options became vested.

During April 2019, and in connection with his retention as Chief Compliance Officer, Mr. Pollock was awarded qualified stock options to purchase up to 20,000 shares of the Company's Common Stock at an exercise price of $3.88 per share. The options vest one-third on March 23, 2020, one-third on March 23, 2021, and one-third on March 23, 2022, and expire if not exercised prior to March 23, 2026.

During May 2019, and in connection with his retention as Chief Operating Officer, Mr. McConnell was awarded nonqualified stock options to purchase up to 50,000 shares of the Company's Common Stock at an exercise price of $5.72 per share. The options vest one-third on September 30, 2019, one-third on September 30, 2020, and one-third on September 30, 2021, and expire if not exercised prior to May 22, 2026.

In October 2019, we granted options to Mr. Pollock to purchase up to 5,760 shares at $7.43 per share as a discretionary bonus. These options vest as follows: one-third at the time of issuance, one-third on June 30, 2020, and one-third on June 30, 2021, and are exercisable for a period of seven years from the grant date.

As authorized under our stock incentive plans, the Compensation Committee and Chief Executive Officer may, on an annual basis, agree on aggregate equity awards to be awarded by the Chief Executive Officer to non-executive officer employees. Accordingly, on June 12, 2018, the Compensation Committee and Chief Executive Officer designated options to purchase up to 450,000 shares to be awarded by our Chief Executive Officer. Pursuant to such designation, our Chief Executive Officer granted incentive stock options, with a grant date of September 21, 2018, to non-executive officer employees to purchase up to 400,000 shares at $8.75 per share. These shares vest as follows: one-third on each of September 21, 2019, September 21, 2020 and September 21, 2021, and are exercisable for a period of seven years from the grant date.

All Other Compensation

Our named executive officers were entitled to the health care coverage, group insurance and other employee benefits provided to all of our other employees.

In connection with Mr. Agrawal's relocation from California to the Philadelphia metropolitan area, in February 2018, the Company and Mr. Agrawal entered into an amendment to his employment agreement which provided for reimbursement of moving expenses, and a housing allowance of $6,000 per month and car allowance of $500 per month for 20 months, provided that he would remain an employee of the Company. The automobile and car allowance payments are on an after-tax basis and include an additional tax gross up payment. In July 2019, Mr. Agrawal relocated to San Francisco, California, and in accordance with a further amendment to his employment agreement, the housing allowance and car allowance previously provided to him were terminated as of July 1, 2019.

Post-Termination Compensation

As set forth in his employment agreement, upon the termination of Mr. Herbert's employment under certain circumstances, including termination by the Company without cause or by a notice of non-renewal of the employment agreement, or under certain circumstances following a change of control of the Company, the Company has agreed to pay Mr. Herbert a lump sum amount equal to two times his annual base salary, and all restricted stock awards or stock options would become vested as of the date of termination.

We believe that these provisions are an important component of Mr. Herbert's employment arrangement, and will help to secure his continued employment and dedication, notwithstanding any concern that he might have at such time regarding his own continued employment, prior to or following a change of control.

The Committee notes that there would be no payments to our executive officers upon a change of control without a "double trigger." Payments under our employment agreements require two events for vesting: both the change of control and a "good reason" for termination of employment.

As set forth in his employment agreement, upon the termination of Mr. Agrawal's employment under certain circumstances, including termination by the Company without cause, or termination by Mr. Agrawal for good reason, the Company has agreed to continue to pay to Mr. Agrawal his base salary and to provide coverage for Mr. Agrawal and his family under all applicable Company group health benefit plans for a period of one year following the date of termination. Any such payment would be subject to Mr. Agrawal executing a release of any and all claims, suits or causes of action against the Company and its affiliates.

Additional information regarding what would have been received by our fiscal year 2019 named executive officers had termination of employment occurred on June 30, 2019 is found under the heading "Potential Payments upon Termination or Change of Control" appearing on page 96 of this Form 10-K.

Stock Ownership Policy

We believe that providing our executive officers who have responsibility for the Company's management and growth with an opportunity to increase their ownership of Company shares aligns the interests of the executive officers with those of the shareholders. Our Stock Ownership Guidelines provide that the Chief Executive Officer should own shares with a value of at least three times his annual base salary, and the Chief Financial Officer and other executive officers should own shares with a value of at least one times his or her annual base salary. Each executive officer has five years to obtain such ownership from the commencement of serving as an executive officer. As of the date hereof, each executive officer is in compliance with the policy.

Our Stock Ownership Guidelines provide that each non-employee director should own shares of Common Stock with a value of at least five times his or her annual cash retainer. For this purpose, the annual retainer shall include the annual retainer for service on the Board as well as the annual retainer for serving on one (but not more than one) Committee of the Board. Each director has five years to obtain such ownership from commencement of service as a director. As of the date hereof, each of the directors is in compliance with the policy.

For purposes of these guidelines, "shares" include shares owned by the executive officer or director or by such person's immediate family members residing in the same household, and include non-vested restricted stock awards held by the executive officer or non-employee director.

Clawback Policy

In July 2019, we adopted an Incentive Compensation Clawback Policy (the "Clawback Policy") which provides that in the event of a restatement of the Company's financial results (other than due to a change in applicable accounting methods, rules or interpretations) the result of which is that any incentive compensation paid, settled, or awarded to an executive officer would have been lower or none at all had it been calculated based on such restated results, the Compensation Committee shall review such incentive compensation.

If the Committee determines that (1) the amount of any incentive compensation actually paid, settled, or awarded to an executive officer (the "Awarded Compensation") would have been a lower amount had it been calculated based upon the restated financial results (the "Actual Compensation"), and (2) that the executive officer engaged in intentional misconduct that contributed to the need for the restatement, then the Committee shall, except as provided below, recommend to the Board of Directors that the executive officer be required to return, repay or forfeit the difference between the Awarded Compensation and the Actual Compensation.

The Committee may determine not to recommend the return, repayment or forfeiture to the extent it determines (i) that to do so would be unreasonable or (ii) that it would not be in the best interests of the Company to do so.

If the Board of Directors upon recommendation of the Committee determines to seek a claw-back pursuant to the Clawback Policy, the Company shall make a written demand for repayment from the executive officer and, if the executive officer does not within a reasonable period tender repayment in response to the demand, the Company may seek a court order against the executive officer for such repayment.

The Clawback Policy is effective as of July 1, 2019, and applies to any incentive compensation to be paid, settled, or awarded to an executive officer thereafter under any applicable Company compensation policy, plan or program, and shall be incorporated into any such applicable compensation policy, plan and program currently adopted or which may be adopted by the Company as of or after July 1, 2019.

Recovery of Incentive Compensation Bonuses in Connection with the Restatement

In light of our restatement of our fiscal year 2017 financial statements and pursuant to the remedial measures adopted by the Board as a result of the internal investigation, in October 2019, the Compensation Committee re-evaluated the awards that were previously paid or issued to our executive officers under our short-term and long-term incentive compensation plans that were established for that fiscal year. Based on the restated financial results for the fiscal year, a reduced award under these plans would have been awarded to these executive officers. The Company's Clawback Policy would not apply to these awards as the policy only applies to incentive compensation paid or issued to our executive officers prospectively since its adoption in July 2019. Pursuant to the March 2019 Separation Agreement, the Company will reduce the cash bonus that was awarded to Mr. Lawlor under the Fiscal Year 2018 STI Plan by $38,086, representing the overpayment he received under the fiscal year 2017 incentive compensation plans. Mr. Herbert has agreed to repay to the Company the amount of $120,014, representing the overpayment he received under the fiscal year 2017 incentive compensation plans.

Anti-Hedging Policy

In July 2019, the Board adopted an Anti-Hedging Policy that was developed and recommended by the Committee. The policy prohibits our employees, officers and directors from engaging in any hedging or similar transactions with respect to the Company's securities, including through the establishment of a short position in the Company's securities, that are designed to or that may reasonably be expected to have the effect of hedging or offsetting a decrease in the market value of the Company's securities.

Effect of 2018 Say-On-Pay Vote

At the 2018 Annual Meeting of Shareholders held on April 26, 2018, over 86% of the votes cast on the advisory vote on the compensation of our named executive officers were in favor of the Company's executive compensation disclosed in the proxy statement (relating to our fiscal year ended June 30, 2017).

Because of the Audit Committee's investigation and subsequent restatement and audit process, we have not held an annual meeting of shareholders since April 26, 2018, and have not conducted a say-on-pay vote relating to our fiscal year 2018 or fiscal year 2019 compensation of our named executive officers. In evaluating executive compensation for future years, the Committee intends to consider the results of upcoming say-on-pay votes and other feedback from our shareholders.

Impact of Taxation and Accounting Considerations on Executive Compensation

The Compensation Committee and the Board of Directors take into account tax and accounting consequences of the compensation program and weigh these factors when setting total compensation and determining the individual elements of any named executive officer's compensation package.

The stock and option awards to our named executive officers under our equity incentive plans provide that the officer is responsible for any withholding or payroll tax obligations incurred by the Company in connection with the award, and that the officer may satisfy any such obligations by, among other things, either the delivery to the Company of a cash payment equal to the obligations, or the assignment or transfer to the Company of shares having a value equal to the obligations, or such other method that shall be satisfactory to the Company.

2018 Summary Compensation Table

The following table sets forth certain information with respect to compensation paid or accrued by the Company during the fiscal years ended June 30, 2018, 2017, and 2016 to each of our fiscal year 2018 named executive officers:

Name and Principal Position	Fiscal Year	Salary	Bonus [1]	Stock Awards [2]	Option Awards [3]	Non-Equity Incentive Plan Compensation [4]	All Other Compensation [5]	Total
Stephen P. Herbert	2018	$ 515,769	$ —	$ 840,000	$ 40,951	$ 175,828	$ 22,986	$ 1,595,534
Chief Executive Officer, President	2017	$ 446,538	$ —	$ 675,000	$ 39,758	$ 131,299	$ 13,091	$ 1,305,686
& Chairman of the Board	2016	$ 358,194	$ —	$ 360,000	$ 48,225	$ 134,227	$ 10,600	$ 911,246
Priyanka Singh [6]	2018	$ 296,923	$ 55,000	$ 300,000	$ 56,750	$ 70,331	$ 7,385	$ 786,389
Chief Financial Officer	2017	$ 70,865	$ —	$ 103,125	$ 123,000	$ 33,334	$ 50,000	$ 380,324
Michael Lawlor	2018	$ 271,923	$ 25,000	$ 275,000	$ —	$ 64,470	$ 12,841	$ 649,234
Chief Services Officer	2017	$ 249,231	$ —	$ 250,000	$ —	$ 38,891	$ 13,706	$ 551,828
	2016	$ 203,246	$ —	$ 88,125	$ 107,250	$ 68,977	$ 9,990	$ 477,588
Anant Agrawal [7]	2018	$ 179,846	$ —	$ 186,480	$ —	$ 33,735	$ 54,333	$ 454,394
Exec. VP, Corporate Development								
Mandeep Arora [8]	2018	$ 120,615	$ —	$ 186,480	$ —	$ 18,043	$ 151,364	$ 476,502
Former Chief Product Officer								

(1) Represents: (i) a cash discretionary bonus of $25,000 paid to each of Ms. Singh and Mr. Lawlor, and (ii) a signing bonus of $30,000 paid to Ms. Singh.

(2) In accordance with FASB ASC Topic 718, the price of our common stock on the grant date equals the grant date fair value of these stock awards. For fiscal year 2018, represents (i) 160,000 shares with a value of $840,000 that would have been earned by Mr. Herbert under the 2018 LTI Stock Plan if all of the target goals had been achieved, (ii) 57,143 shares with a value of $300,000 that would have been earned by Ms. Singh under the 2018 LTI Stock Plan if all of the target goals had been achieved, (iii) 52,381 shares with a value of $275,000 that would have been earned by Mr. Lawlor under the 2018 LTI Stock Plan if all of the target goals had been achieved, and (iv) 35,520 shares with a value of $186,480 that would have been earned by each of Mr. Agrawal and Mr. Arora under the 2018 LTI Stock Plan if all of the target goals had been achieved. Based on the actual financial results for the fiscal year, Mr. Herbert was awarded shares with a value of $235,525, Ms. Singh was awarded shares with a value of $84,116, Mr. Lawlor was awarded shares with a value of $77,107, Mr. Agrawal was awarded shares with a value of $50,331, and Mr. Arora was awarded shares with a value of $34,200. As Ms. Singh resigned on January 7, 2019, none of the shares granted to her under the 2018 LTI Stock Plan will vest. If all of the maximum target levels had been achieved under the 2018 LTI Plan, Mr. Herbert would have earned shares with a value of $1,260,000, Ms. Singh would have earned shares with a value of $450,000, Mr. Lawlor would have earned shares with a value of $412,500, and each of Mr. Agrawal and Mr. Arora would have earned shares with a value of $279,720. The shares earned under the 2018 LTI Stock Plan vest as follows: one-third on the date of issuance; one-third on June 30, 2019; and one-third on June 30, 2020. Pursuant to his Separation Agreement, the shares earned by Mr. Lawlor would become vested upon issuance.

(3) In accordance with FASB ASC Topic 718, the Black-Scholes value on the grant date equals the grant date fair value of these option awards. For fiscal year 2018, represents (i) 19,047 incentive stock options awarded to Mr. Herbert on August 16, 2017, which will vest on August 16, 2018; and (ii) 25,000 non-qualified stock options awarded to Ms. Singh on August 16, 2017, which vest as follows: one-third on August 16, 2018, one-third on August 16, 2019, and

one-third on August 16, 2020. As Ms. Singh resigned her employment on January 7, 2019, only the first tranche of these options became vested.

(4) For fiscal year 2018, represents awards under the 2018 STI Plan to each of Mr. Herbert, Ms. Singh, Mr. Lawlor, Mr. Agrawal and Mr. Arora.

(5) During the 2018 fiscal year, represents: (i) matching 401(k) plan contributions for Mr. Herbert, Ms. Singh, Mr. Lawlor, Mr. Agrawal and Mr. Arora; (ii) the following amounts paid to Mr. Agrawal: $10,500 of reimbursement for moving expenses, $2,500 for automobile allowance, $24,000 for housing allowance, $425 for tax gross-up payments related to the automobile allowance, and $10,168 for tax gross-up payments related to the housing allowance; and (iii) the following amounts paid to Mr. Arora under his Separation Agreement: $59,231 in severance payments; $85,385 in satisfaction of a retention bonus; and $3,303 in health insurance benefits.

(6) Ms. Singh joined the Company as Chief Financial Officer on March 31, 2017 and resigned her employment on January 7, 2019.

(7) Mr. Agrawal joined the Company as Executive Vice President, Corporate Development, on November 9, 2017.

(8) Mr. Arora joined the Company as Chief Product Officer on November 9, 2017, and separated from the Company on April 16, 2018.

2018 Grants of Plan-Based Awards Table

The table below summarizes the amounts of awards granted to our fiscal year 2018 named executive officers during the fiscal year ended June 30, 2018:

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options (3)	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards (4)
Name	Grant Date	Threshold (#)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	Units (#)	Units (#)	$/Sh	Awards ($)
Stephen P. Herbert		—	$ 262,500	$ 393,750	—	—	—	—	—	—	—
	8/16/2017	—	—	—	—	160,000	240,000	—	—	—	$ 840,000
	8/16/2017	—	—	—	—	—	—	—	19,047	$ 5.25	$ 40,951
Priyanka Singh		—	$ 105,000	$ 135,000	—	—	—	—	—	—	—
	8/16/2017	—	—	—	—	57,143	85,714	—	—	—	$ 300,000
	8/16/2017	—	—	—	—	—	—	—	25,000	$ 5.25	$ 56,750
Michael Lawlor		—	$ 96,250	$ 123,750	—	—	—	—	—	—	—
	8/16/2017	—	—	—	—	52,381	78,571	—	—	—	$ 275,000
Anant Agrawal		—	$ 74,592	$ 111,888	—	—	—	—	—	—	—
	11/9/2017	—	—	$ —	—	35,520	53,280	—	—	—	$ 186,480
Mandeep Arora		—	$ 74,592	$ 111,888	—	—	—	—	—	—	—
	11/9/2017	—			—	35,520	53,280	—	—	—	186,480

(1) Represents target and maximum awards for Mr. Herbert, Ms. Singh, Mr. Lawlor, Mr. Agrawal and Mr. Arora under the 2018 STI Plan. Mr. Herbert was awarded $175,828, Ms. Singh was awarded $70,331, Mr. Lawlor was awarded $64,470, Mr. Agrawal was awarded $33,735, and Mr. Arora was awarded $18,043 under the 2018 STI Plan.

(2) Represents number of shares under the target and maximum awards for Mr. Herbert, Ms. Singh, Mr. Lawlor, Mr. Agrawal and Mr. Arora under the 2018 LTI Stock Plan. The number of shares in the table above represents the total dollar value of the award divided by the grant date value of the shares. Based upon the financial results for the 2018 fiscal year, Mr. Herbert was awarded 16,823 shares under the plan, Ms. Singh was awarded 6,008 shares under the plan, Mr. Lawlor was awarded 5,508 shares under the plan, Mr. Agrawal was awarded 3,595 shares under the plan, and Mr. Arora was awarded 2,443 shares under the plan. The shares earned under the 2018 LTI Stock Plan vest as follows: one-third on the date of issuance; one-third on June 30, 2019; and one-third on June 30, 2020. Pursuant to his Separation Agreement, the shares earned by Mr. Lawlor would become vested upon issuance. As Ms. Singh resigned on January 7, 2019, none of the shares granted to her under the 2018 LTI Stock Plan will vest.

(3) Represents awards granted to Mr. Herbert and Ms. Singh as follows: Mr. Herbert - 19,047 incentive stock options; and Ms. Singh - 25,000 non-qualified stock options. The incentive stock options awarded to Mr. Herbert vest on August 16, 2018. The non-qualified stock options awarded to Ms. Singh vest as follows: one-third on August 16, 2018, one-third on August 16, 2019, and one-third on August 16, 2020. As Ms. Singh resigned her employment on January 7, 2019, only the first tranche of these options became vested.

(4) Represents the grant date fair value of the target award under the 2018 LTI Stock Plan or the option award, as the case may be, as determined in accordance with FASB ASC Topic 718

2018 Outstanding Equity Awards At Fiscal Year-End

The following table shows information regarding unexercised stock options and unvested equity awards granted to the fiscal year 2018 named executive officers as of the fiscal year ended June 30, 2018:

	Option Awards				Stock Awards	
Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable (1)	Option exercise price ($)	Option expiration date	Number of shares or units of stock that have not vested (#) (2)	Market value of shares or units of stock that have not vested ($) (3)
Stephen P. Herbert	205,555	—	$ 1.80	9/1/2021	38,815	$ 543,410
	29,585	—	3.38	8/1/2022	16,823	235,522
	20,080	—	$ 4.98	8/31/2023	—	—
	—	19,047	$ 5.25	8/16/2024	—	—
Priyanka Singh	75,000	—	$ 4.00	3/31/2024	5,930	$ 83,020
	—	25,000	$ 5.25	8/16/2024	6,008	$ 84,112
Michael Lawlor	25,000	—	$ 2.75	4/8/2022	14,376	$ 201,264
	50,000	25,000	$ 2.94	1/12/2023	5,508	$ 77,112
Anant Agrawal	—	—	—	—	3,595	$ 50,330
Mandeep Arora	—	—	—	—	2,443	$ 34,202

(1) Options vest as follows: Mr. Herbert -19,047 on August 16, 2018; Ms. Singh - 8,334 on August 16, 2018, and 8,333 on each of August 16, 2019 and August 16, 2020; Mr. Lawlor - 25,000 on January 12, 2019.

(2) Reflects: (i) the following shares awarded under the 2017 LTI Stock Plan that vest on June 30, 2019: 38,815 shares to Mr. Herbert, 5,930 shares to Ms. Singh, and 14,376 shares to Mr. Lawlor; and (ii) the following shares awarded under the 2018 LTI Stock Plan: 16,823 shares to Mr. Herbert, 6,008 shares to Ms. Singh, 5,508 shares to Mr. Lawlor, 3,595 shares to Mr. Agrawal, and 2,443 shares to Mr. Arora. The shares earned under the 2018 LTI Stock Plan vest as follows: one-third on the date of issuance; one-third on June 30, 2019; and one-third on June 30, 2020. Pursuant to Mr. Arora's and Mr. Lawlor's Separation Agreements, all of these shares will become vested upon issuance. As Ms. Singh resigned on January 7, 2019, none of the shares granted to her under the 2018 LTI Stock Plan will vest.

(3) The market value of our shares on June 30, 2018, or $14 per share, was used in the calculation of market value of unvested shares.

2018 Option Exercises And Stock Vested

The following table sets forth information regarding options exercised and shares of common stock acquired upon vesting by our fiscal year 2018 named executive officers during the fiscal year ended June 30, 2018:

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Shares Acquired on Vesting (#) [1]**	**Value Realized on Vesting ($) [2]**
Stephen P. Herbert	—	$ —	59,892	$ 838,488
Priyanka Singh	—	$ —	5,930	$ 83,020
Michael Lawlor	—	$ —	19,535	$ 273,490
Anant Agrawal	—	$ —	—	$ —
Mandeep Arora	—	$ —	—	$ —

(1) Includes: (i) shares awarded to Messrs. Herbert and Lawlor under the 2016 LTI Stock Plan which vested on June 30, 2018; (ii) shares awarded to Mr. Herbert, Ms. Singh and Mr. Lawlor under the 2017 LTI Stock Plan which vested on June 30, 2018.

(2) The market value of our shares on June 30, 2018, or $14 per share, was used in the calculation of value realized on vesting.

2019 Summary Compensation Table

The following table sets forth certain information with respect to compensation paid or accrued by the Company during the fiscal years ended June 30, 2019, 2018, and 2017 to each of our fiscal year 2019 named executive officers:

Name and Principal Position	Fiscal Year	Salary	Bonus [1]	Stock Awards	Option Awards [2]	Non-Equity Incentive Plan Compensation	All Other Compensation [3]	Total
Stephen P. Herbert [4]	2019	$ 525,000	$ —	$ —	$ —	$ —	$ 19,300	$ 544,300
Chief Executive Officer & President	2018	$ 515,769	$ —	$ 840,000	$ 40,951	$ 175,828	$ 22,986	$ 1,595,534
	2017	$ 446,538	$ —	$ 675,000	$ 39,758	$ 131,299	$ 13,091	$ 1,305,686
Glen E. Goold [5]	2019	$ 184,130	$ 50,000	$ —	$ —	$ —	$ —	$ 234,130
Interim Financial Officer								
Matthew W. McConnell [6]	2019	$ 43,077	$ —	$ —	$ 157,500	$ —	$ —	$ 200,577
Chief Operating Officer								
James M. Pollock [7]	2019	$ 49,712	$ —	$ —	$ 44,200	$ —	$ —	$ 93,912
Chief Compliance Officer								
Anant Agrawal	2019	$ 280,000	$ 210,000	$ —	$ —	$ —	$ 131,352	$ 621,352
Exec. VP, Corporate Development	2018	$ 179,846	$ —	$ 186,480	$ —	$ 33,735	$ 54,333	$ 454,394
Priyanka Singh [8]	2019	$ 161,538	$ —	$ —	$ —	$ —	$ 6,462	$ 168,000
Former Chief Financial Officer	2018	$ 296,923	$ 55,000	$ 300,000	$ 56,750	$ 70,331	$ 7,385	$ 786,389
	2017	$ 70,865	$ —	$ 103,125	$ 123,000	$ 33,334	$ 50,000	$ 380,324
Michael Lawlor [9]	2019	$ 200,961	$ —	$ —	$ —	$ —	$ 365,227	$ 566,188
Former Chief Services Officer	2018	$ 271,923	$ 25,000	$ 275,000	$ —	$ 64,470	$ 12,841	$ 649,234
	2017	$ 249,231	$ —	$ 250,000	$ —	$ 38,891	$ 13,706	$ 551,828

(1) For fiscal year 2019, represents: (i) a bonus of $50,000 paid to Mr. Goold, which shall be returned to the Company if Mr. Goold shall not serve as the interim Chief Financial Officer of the Company through December 31, 2019; and (ii) a retention bonus of $210,000 paid to Mr. Agrawal under the terms of his November 2017 employment agreement.

(2) In accordance with FASB ASC Topic 718, the Black-Scholes value on the grant date equals the grant date fair value of these option awards. For fiscal year 2019, represents: (i) 50,000 non-qualified stock options awarded to Mr. McConnell on May 8, 2019, which vest as follows: 16,667 on each of September 30, 2019 and September 30, 2020, and 16,666 on September 30, 2021; and (ii) 20,000 incentive stock options awarded to Mr. Pollock on March 23, 2019, which vest as follows: 6,667 on each of March 23, 2020 and March 23, 2021, and 6,666 on March 23, 2022.

(3) During the 2019 fiscal year, represents: (i) matching 401(k) plan contributions for Mr. Herbert, Ms. Singh, Mr. Lawlor, and Mr. Agrawal; (ii) the following amounts paid to Mr. Agrawal: $6,000 for automobile allowance, $72,000 for housing allowance, $2,398 for tax gross-up payments related to the automobile allowance, and $28,779 for tax gross-up payments related to the housing allowance; and (iii) the following amounts paid to Mr. Lawlor under his Separation Agreement during the 2019 fiscal year: $74,038 in severance payments, $73,200 towards the pro-rated portion of his target long-term incentive plan bonus, $29,200 towards the pro-rated portion of his target short-term

incentive plan bonus, $119,750 in exchange for his incentive stock options, $50,000 for post-separation consulting services, and $6,659 in health insurance benefits.

(4) In addition to being the Chief Executive Officer and President of the Company, Mr. Herbert served as the Chairman of the Board of Directors until January 13, 2019.

(5) Mr. Goold was engaged by the Company as interim Chief Financial Officer on January 24, 2019 and, therefore, his salary set forth in the table above represents the consulting fees for the portion of fiscal year 2019 in which he served as interim Chief Financial Officer. The amount does not include compensation paid to a consulting agency for his service as a consultant prior to his appointment as interim Chief Financial Officer.

(6) Mr. McConnell joined the Company as Chief Operating Officer on May 22, 2019.

(7) Mr. Pollock joined the Company as Chief Compliance Officer on April 15, 2019.

(8) Resigned as the Chief Financial Officer of the Company on January 7, 2019.

(9) Ceased serving as the Chief Services Officer of the Company on January 13, 2019, and separated from the Company on March 22, 2019.

2019 Grants of Plan-Based Awards Table

The table below summarizes the amounts of awards granted to our fiscal year 2019 named executive officers during the fiscal year ended June 30, 2019:

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options [1]	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards [2]
Name	Grant Date	Threshold (#)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	Units (#)	Units (#)	$/Sh	Awards ($)
Stephen P. Herbert		—	—	—	—	—	—	—	—	—	—
Glen E. Goold		—	—	—	—	—	—	—	—	—	—
Matthew W. McConnell	5/8/2019	—	—	—	—	—	—	—	50,000	$ 5.72	$ 157,500
James M. Pollock	3/23/2019	—	—	—	—	—	—	—	20,000	$ 3.88	$ 44,200
Anant Agrawal		—	—	—	—	—	—	—	—	—	—
Priyanka Singh		—	—	—	—	—	—	—	—	—	—
Michael Lawlor		—	—	—	—	—	—	—	—	—	—

(1) Represents awards granted to Messrs. McConnell and Pollock as follows: (i) Mr. McConnell - 50,000 non-qualified stock options; and (ii) Mr. Pollock - 20,000 incentive stock options. The 50,000 non-qualified stock options awarded to Mr. McConnell vest as follows: 16,667 on each of September 30, 2019 and September 30, 2020, and 16,666 on September 30, 2021. The 20,000 incentive stock options awarded to Mr. Pollock vest as follows: 6,667 on each of March 23, 2020 and March 23, 2021; and 6,666 on March 23, 2022.

(2) Represents the grant date fair value of the target award under Mr. McConnell or Mr. Pollock's employment agreement or the option award, as the case may be, as determined in accordance with FASB ASC Topic 718.

2019 Outstanding Equity Awards At Fiscal Year-End

The following table shows information regarding unexercised stock options and unvested equity awards granted to the fiscal year 2019 named executive officers as of the fiscal year ended June 30, 2019:

	Option Awards				Stock Awards	
Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options(#) unexercisable [1]	Option exercise price ($)	Option expiration date	Number of shares or units of stock that have not vested (#) [2]	Market value of shares or units of stock that have not vested ($) [3]
Stephen P. Herbert	205,555	—	$ 1.80	9/1/2021	16,823	$ 124,995
	29,585	—	3.38	8/1/2022	—	—
	20,080	—	$ 4.98	8/31/2023	—	—
	19,047	—	$ 5.25	8/16/2024	—	—
Glen E. Goold	—	—	$ —	—	—	$ —
Matthew W. McConnell	—	50,000	$ 5.72	5/22/2026	—	—
James M. Pollock	—	20,000	$ 3.88	3/23/2026	—	$ —
Anant Agrawal	—	—	—	—	3,595	$ 26,711
Priyanka Singh	75,000	—	$ 4.00	3/31/2024	—	$ —
	8,334	—	$ 5.25	8/16/2024	—	$ —
Michael Lawlor	—	—	—	—	5,508	$ 40,924

(1) Options vest as follows: Mr. McConnell's 50,000 options - 16,667 on each of September 30, 2019 and September 30, 2020, and 16,666 on September 30, 2021; and Mr. Pollock's 20,000 options - 6,667 on each of March 23, 2020 and March 23, 2021, and 6,666 on March 23, 2022.

(2) Includes shares awarded to each of Messrs. Herbert, Lawlor, and Agrawal under the 2018 LTI Stock Plan which are to vest as follows: one-third on each of the date of issuance, on June 30, 2019, and on June 30, 2020. As Ms. Singh resigned on January 7, 2019, none of the shares granted to her under the 2018 LTI Stock Plan will vest.

(3) The market value of our shares on June 30, 2019, or $7.43 per share, was used in the calculation of market value of unvested shares.

2019 Option Exercises And Stock Vested

The following table sets forth information regarding options exercised and shares of common stock acquired upon vesting by our fiscal year 2019 named executive officers during the fiscal year ended June 30, 2019:

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Shares Acquired on Vesting (#) [1]	Value Realized on Vesting ($) [2]
Stephen P. Herbert	—	$ —	38,815	$ 288,395
Glen E. Goold	—	$ —	—	$ —
Matthew W. McConnell	—	$ —	—	$ —
James M. Pollock	—	$ —	—	$ —
Anant Agrawal	—	$ —	—	$ —
Priyanka Singh	—	$ —	—	$ —
Michael Lawlor	—	$ —	14,376	$ 106,814

(1) Includes shares awarded to Messrs. Herbert and Lawlor under the 2017 LTI Stock Plan which vested on June 30, 2019.
(2) The market value of our shares on June 30, 2019, or $7.43 per share, was used in the calculation of value realized on vesting.

Executive Employment Agreements

Additional information regarding each named executive officer's employment agreement with the Company is set forth below.

Stephen P. Herbert

Mr. Herbert's employment agreement provides that he has been appointed Chairman and is employed as the Chief Executive Officer. The agreement provided for an initial term continuing through January 1, 2013, which is automatically renewed for consecutive one year periods unless terminated by either Mr. Herbert or the Company upon at least 90 days' notice prior to the end of the initial term or any one year extension thereof.

Matthew W. McConnell

Mr. McConnell's employment agreement provides that he is employed as the Chief Operating Officer effective May 22, 2019. Mr. McConnell's employment agreement with the Company provides for an initial term through May 22, 2020, and will automatically continue for consecutive one-year periods unless terminated by either party upon notice of at least 90 days prior to the end of the original term or any one-year renewal period.

Mr. McConnell is also entitled to be covered by all standard fringe and employee benefits made available to other employees of the Company, including medical and dental insurance, paid vacation and holidays, a 401(k) plan and a long-term disability plan.

James M. Pollock

Mr. Pollock's employment agreement provides that he is employed as the Chief Compliance Officer effective April 15, 2019. The Company has agreed to provide Mr. Pollock with at least six months' prior notice of the termination of his employment for any reason other than for cause.

Mr. Pollock is also entitled to be covered by all standard fringe and employee benefits made available to other employees of the Company, including medical and dental insurance, paid vacation and holidays, a 401(k) plan and a long-term disability plan.

Anant Agrawal

Mr. Agrawal's employment agreement provides that he has been employed as Executive Vice President, Corporate Development. The agreement provided for an initial term commencing on November 9, 2017 and continuing through November 8, 2018, which is automatically renewed for consecutive one-year periods unless terminated by either Mr. Agrawal or the Company upon at least 90 days' notice prior to the end of the initial term or any one-year extension thereof.

Mr. Agrawal is also entitled to be covered by all standard fringe and employee benefits made available to other employees of the Company, including medical and dental insurance, paid vacation and holidays, a 401(k) plan and a long-term disability plan. In connection with his relocation from California to the Philadelphia metropolitan area in March 2018, the Company and Mr. Agrawal entered into a first amendment to his employment agreement which provided that the Company would reimburse him for moving expenses as well as a return move to California at the end of the employment period provided that his termination of employment is not for cause or without good reason. The Company also agreed to provide Mr. Agrawal with a housing allowance of $6,000 per month and a car allowance of $500 per month for 20 months provided that he remains an employee of the Company. The automobile and car allowance payments are on an after-tax basis and include an additional tax gross up payment. In July 2019, Mr. Agrawal relocated to San Francisco, California, and in accordance with a second amendment to his employment agreement, the housing allowance and car allowance previously provided to him were terminated as of July 1, 2019.

Mr. Agrawal is also eligible to receive a cash retention bonus in the aggregate amount of up to $420,000 as follows: one-half if he remains employed with the Company on the first annual anniversary of the date of his employment agreement; and one-half if he remains employed with the Company on the second annual anniversary of the date of his employment agreement. Mr. Agrawal's employment agreement provides that in the event Mr. Agrawal's employment is terminated by the Company without cause or by Mr. Agrawal for good reason, or if the employment agreement would not be renewed by the Company, all of the unearned retention bonus, if any, shall be paid to him within 10 days following the date of any such termination.

Pursuant to the second amendment to the employment agreement that was entered into in August 2019, effective as of August 1, 2019, Mr. Agrawal's annual base salary was increased to $340,000 and his target short-term incentive bonus was increased to 48% of his annual base salary commencing with the 2020 fiscal year.

Priyanka Singh

Ms. Singh's employment agreement provided that she would be employed as Chief Financial Officer effective March 31, 2017 for an initial term through March 31, 2018, which would be automatically renewed for consecutive one-year periods unless terminated by either party upon notice of at least 90 days prior to the end of the original term or any one-year renewal period. Ms. Singh was also entitled to be covered by all standard fringe and employee benefits made available to other employees of the Company, including medical and dental insurance, paid vacation and holidays, a 401(k) plan and a long-term disability plan.

Effective January 7, 2019, Ms. Singh resigned as the Chief Financial Officer of the Company.

Michael Lawlor

Mr. Lawlor's employment agreement provided that he would be employed as Chief Services Officer effective March 8, 2016, and as Senior Vice President of Sales and Business Development prior thereto. Mr. Lawlor's employment agreement with the Company provided for an initial term through June 30, 2017, which would be automatically renewed for consecutive one-year periods unless terminated by either party upon notice of at least 60 days prior to the end of the original term or any one-year renewal period. Mr. Lawlor was also entitled to be covered by all standard fringe and employee benefits made available to other employees of the Company, including medical and dental insurance, paid vacation and holidays, a 401(k) plan and a long-term disability plan.

On March 27, 2019, the Company and Mr. Lawlor entered into a separation agreement pursuant to which Mr. Lawlor's employment with the Company was terminated as of March 22, 2019. Pursuant to the Separation Agreement, Mr. Lawlor will provide consulting services to the Company for a period of 6 months following the separation date, and receive compensation of $25,000 per month. The severance and benefits to be provided to Mr. Lawlor under the separation agreement included the following and replaced any severance or benefits otherwise payable to Mr. Lawlor under his employment agreement: (i) severance payments in an amount equal to his base salary of $275,000 through December 31, 2019; (ii) a cash payment of $183,000 equal to the prorated value of his target long-term incentive plan bonus; (iii) a cash payment of $73,000 representing the assumed prorated value of his target short-term incentive plan bonus; (iv) a cash payment of $119,750 in exchange for the cancelation of his vested options to purchase up to 100,000 shares; (v) subject to achievement of the target goals under the 2018 LTI Stock Plan, and subject to the terms thereof, the Company will issue to Mr. Lawlor the number of shares of common stock which may be earned by him under the plan; (vi) subject to achievement of the target goals under the 2018 STI Plan, and subject to the terms thereof, the Company will pay to Mr.

Lawlor the cash bonus which may be earned by him under the plan; (vii) 14,376 shares which were awarded to him under the fiscal year 2017 LTI Plan, and which would have vested if he had been employed on June 30, 2019; and (viii) group medical and dental insurance coverage through September 2020 to Mr. Lawlor and his eligible dependents at no cost to Mr. Lawlor. Mr. Lawlor has also agreed that he would repay to the Company any overpayment he received under the fiscal year 2017 long-term or short-term incentive compensation plans resulting from the restatement of the fiscal year 2017 financial statements, including through the reduction of any awards under the 2018 LTI Stock Plan or the 2018 STI Plan which would otherwise be paid or issued to him.

Mandeep Arora

Mr. Arora's employment agreement appointed him as Chief Product Officer, and provided for an initial term commencing on November 9, 2017 and continuing through November 8, 2018, which would be automatically renewed for consecutive one-year periods unless terminated by either Mr. Arora or the Company upon at least 90 days' notice prior to the end of the initial term or any one-year extension thereof. During the 2018 fiscal year of the Company, any awards under the 2018 STI Plan and under the 2018 LTI Stock Plan would be pro-rated from November 9, 2017 through June 30, 2018. Mr. Arora was also entitled to be covered by all standard fringe and employee benefits made available to other employees of the Company, including medical and dental insurance, paid vacation and holidays, a 401(k) plan and a long-term disability plan. Mr. Arora was also eligible to receive a cash retention bonus in the aggregate amount of up to $420,000 as follows: one-half if he remained employed with the Company on the first annual anniversary of the date of his employment agreement; and one-half if he remained employed with the Company on the second annual anniversary of the date of his employment agreement. Mr. Arora's employment agreement provided that in the event Mr. Arora's employment had been terminated by the Company without cause or by Mr. Agrawal for good reason, or if the employment agreement would not be renewed by the Company, all of the unearned retention bonus, if any, would be paid to him within 10 days following the date of any such termination.

On April 14, 2018, the Company and Mr. Arora entered into a separation agreement pursuant to which Mr. Arora resigned as Chief Product Officer of the Company, effective April 16, 2018. The severance and benefits to be provided to Mr. Arora under the separation agreement included the following and replaced any severance or benefits otherwise payable to Mr. Arora under his employment agreement: (i) severance payments in an amount equal to his base salary of $280,000 for a period of one year following the date of his resignation; (ii) an amount of $370,000, payable in twenty-six equal consecutive payments of $14,230.77 on a bi-weekly basis in payment of his retention bonus; (iii) group medical and dental insurance coverage for one year to Mr. Arora and his eligible dependents at no cost to Mr. Arora; (iv) subject to achievement of the target goals under the 2018 LTI Stock Plan, and subject to the terms thereof, the Company will issue to Mr. Arora the number of shares of common stock which may be earned by him under the plan on a prorated basis to reflect the period of time he was employed by the Company during the fiscal year; and (v) subject to achievement of the target goals under the 2018 STI Plan, and subject to the terms thereof, the Company will pay to Mr. Arora the cash bonus which may be earned by him under the plan on a prorated basis to reflect the period of time he was employed by the Company during the fiscal year.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL AS OF FISCAL YEAR ENDED 2019

The employment agreement of Mr. Herbert includes provisions for the Company to make a payment and certain benefits to him upon termination of employment under certain conditions or if a successor to the Company's business or assets does not agree to assume and perform his employment agreement as a condition to the consummation of a USA Transaction (as defined below).

Mr. Herbert's employment agreement provides that if Mr. Herbert would terminate his employment with the Company for good reason, or if the Company would terminate his employment without cause, or if the Company would provide Mr. Herbert with a notice of non-renewal of his employment agreement, then the Company would pay to him a lump sum equal to two times his base salary on or before the termination of his employment and all restricted stock awards and stock options would become vested as of the date of termination.

The term "good reason," as defined in the agreement, includes: (A) a material breach of the terms of the agreement by the Company; (B) the assignment by the Company to Mr. Herbert of duties in any way materially inconsistent with his authorities, duties, or responsibilities, or a material reduction or alteration in the nature or status of his authority, duties, or responsibilities as the Chief Executive Officer of the Company; (C) the Company reduces Mr. Herbert's annual base salary; or (D) a material reduction by the Company in the kind or level of employee benefits to which Mr. Herbert is entitled immediately prior to such reduction with the result that his overall benefit package is significantly reduced unless such failure to continue a plan, policy, practice or arrangement pertains to all plan participants generally. As a condition to Mr. Herbert receiving any payments or benefits upon the termination of his employment for good reason, Mr. Herbert shall have executed and delivered (and not revoked) a release of any and all claims, suits, or causes of action against the Company and its affiliates in form reasonably acceptable to the Company.

The agreement also provides that, as a condition of the consummation of a USA Transaction, the successor to the Company's business or assets would agree to assume and perform Mr. Herbert's employment agreement. If any such successor would not do so, Mr. Herbert's employment would terminate on the date of consummation of the USA Transaction, and the Company would pay to Mr. Herbert a lump sum equal to two times his base salary on or before the termination of his employment and all restricted stock awards and stock options would become vested as of the date of termination.

The term "USA Transaction" means: (i) the acquisition of fifty-one percent or more of the then outstanding voting securities entitled to vote generally in the election of directors of the Company by any person, entity or group, or (ii) the approval by the shareholders of the Company of a liquidation or dissolution, or certain reorganizations, mergers, or consolidations of the Company, or certain sales, transfers, leases or other dispositions of all or substantially all of the assets of the Company, or (iii) a change in the composition of the Board of Directors of the Company over a period of twelve (12) months or less such that the continuing directors fail to constitute a majority of the Board.

If Mr. Herbert's employment had been terminated as of June 30, 2019 (when the closing price per share was $7.43) (i) by him for good reason, or (ii) by the Company without cause, or (iii) if a successor to the Company's business or assets had not agreed to assume and perform his employment agreement as a condition to the consummation of a USA Transaction, then Mr. Herbert would have been entitled to receive: (a) an aggregate cash payment of twice his annual base salary or $1,050,000; and (b) an aggregate of 16,823 shares of Common Stock awarded to him under the 2018 LTI Stock Plan, which would become automatically vested as of the date of termination, with a value of $124,995.

Mr. Agrawal's employment agreement provides that in the event that Mr. Agrawal's employment is terminated by the Company without cause or by Mr. Agrawal for good reason, or if the employment agreement would not be renewed by the Company, Mr. Agrawal would be entitled to receive certain severance payments, including his annual base salary and coverage under the Company's group health benefit plans for a period of one year following such termination, and would also receive the unearned amount, if any, of the retention bonus.

If Mr. Agrawal's employment had been terminated as of June 30, 2019 (when the closing price per share was $7.43) (i) by him for good reason, or (ii) by the Company without cause, then Mr. Agrawal would have been entitled to receive: (a) his annual base salary for a period of one year, or $280,000; (b) the unpaid portion of his retention bonus in the amount of $210,000; (c) coverage for he and his family under the Company's group health plans for a period of one year with a value of approximately $27,862; and (d) an aggregate of 3,595 shares of Common Stock awarded to him under the 2018 LTI Plan valued at $26,711.

CEO Pay Ratio Disclosure

As required by SEC rules, we are providing the following information about the relationship of the annual total compensation of our Chief Executive Officer to that of our median employee. The pay ratio and annual total compensation amount disclosed in this section are reasonable estimates that have been calculated using methodologies and assumptions permitted by SEC rules.

Median Employee Determination

We identified our median employee by calculating the fiscal year 2019 cash compensation for all 124 of our employees, excluding the Chief Executive Officer, who were employed by us on June 30, 2019. Cash compensation included all earnings paid to each employee during the fiscal year. since we have an even number of employees when not including the CEO, determining the average of the annual total compensation of the two employees ranked sixty-second and sixty-third on the list ("Median Employee").

Annual Compensation of Median Employee Using Summary Compensation Table Methodology

After identifying the median employee as described above, we calculated annual total compensation for this employee using the same methodology we use for our Chief Executive Officer in the Summary Compensation Table for fiscal year 2019. The fiscal year 2019 compensation for our median employee was $86,252, and the compensation for our Chief Executive Officer, as shown in the Summary Compensation table, was $544,300.

2019 Pay Ratio

Based on the above information, the estimated ratio of the annual total compensation of our Chief Executive Officer to the median employee is 6:1. The pay ratio reported by other companies may not be comparable to the pay ratio reported above, due to variances in business mix, proportion of seasonal and part-time employees and distribution of employees across geographies, and wide range of methodologies that the SEC rules allow companies to adopt.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Committee was, during fiscal years 2018 or 2019, an officer or employee of the Company or any of our subsidiaries, or was formerly an officer of the Company or any of our subsidiaries, or had any relationships requiring disclosure by us under Item 404 of Regulation S-K of the General Rules and Regulations of the Securities and Exchange Commission.

During the fiscal years 2018 and 2019, none of our executive officers served as: (i) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Compensation Committee; (ii) a director of another entity, one of whose executive officers served on our Compensation Committee; or (iii) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director on our board of directors.

Compensation of Non-Employee Directors

Members of the Board of Directors who are not employees of the Company receive cash and equity compensation for serving on the Board of Directors, as reviewed and recommended annually by the Compensation Committee, with subsequent approval thereof by the Board of Directors. Each member of the Board has the option, in his or her discretion, to receive cash or stock, or some combination thereof, in payment of the cash compensation otherwise due for his or her service on the Board. A Director will receive all such fees in cash unless he or she elects to receive such fees in shares of the Company's Common Stock.

Each of our non-employee directors is entitled to receive the following standard compensation arrangements: (i) an annual retainer fee of $35,000 for serving on the Board; (ii) an additional annual fee of $7,500 for serving on the Audit Committee (but not Chair), of $7,500 for serving on the Compliance Committee (but not Chair), of $5,000 for serving on the Compensation Committee (but not Chair), and of $4,000 for serving on the Nominating And Corporate Governance Committee (but not Chair); (iii) an additional annual fee of $15,000 for serving as Chair of the Audit Committee, of $15,000 for serving as Chair of the Compliance Committee, of $10,000 for serving as Chair of the Compensation Committee, and of $8,000 for serving as Chair of the Nominating And Corporate Governance Committee; (iv) commencing on April 5, 2019, an additional fee of $1,000 for each Board or each Committee meeting attended in a fiscal year in excess of eight meetings for the Board or the Committee, as the case may be; (v) an additional annual fee of $40,000 for serving as non-Executive Chair of the Board; (vi) an additional annual fee of $35,000 for serving as lead independent director (this position was eliminated as of January 13, 2019); and (vii) an annual stock award with a value, on the date of the grant, of $90,000. The annual fees are paid in quarterly installments. The stock award is granted on July 1st of each year, and for the July 1, 2017 and July 1, 2018 awards vests ratably over a two year period, and commencing with the July 1, 2019 award, vests as follows: one-half on the date of the grant; and one-half on the first anniversary of the date of the grant.

Because we were not in compliance with our periodic filing requirements, the July 1, 2019 equity grant was not made to our non-employee directors.

2018 Director Compensation Table

The table below summarizes the compensation of the non-employee directors for the fiscal year ended June 30, 2018.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) [1]	Option Awards ($)	Total ($)
Steven D. Barnhart	$ 77,500	$ 90,000	$ —	$ 167,500
Joel Brooks	$ 36,500	$ 90,000	$ —	$ 126,500
Robert L. Metzger	$ 50,000	$ 90,000	$ —	$ 140,000
Albin F. Moschner	$ 45,000	$ 90,000	$ —	$ 135,000
William J. Reilly, Jr.	$ 44,000	$ 90,000	$ —	$ 134,000
William J. Schoch	$ 50,500	$ 90,000	$ —	$ 140,500

(1) Amounts represent the grant date fair value of the common stock, computed in accordance with FASB ASC Topic 718. The shares vest monthly over twenty-four (24) months.

2019 Director Compensation Table

The table below summarizes the compensation of the non-employee directors for the fiscal year ended June 30, 2019.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) [1]	Option Awards ($)	Total ($)
Steven D. Barnhart	$ 62,321	$ 90,000	$ —	$ 152,321
Joel Brooks	$ 40,731	$ 90,000	$ —	$ 130,731
Donald W. Layden, Jr.	$ 12,212	$ —	$ —	$ 12,212
Patricia A. Oelrich	$ 10,481	$ —	$ —	$ 10,481
Robert L. Metzger	$ 52,333	$ 90,000	$ —	$ 142,333
Albin F. Moschner	$ 59,000	$ 90,000	$ —	$ 149,000
William J. Reilly, Jr.	$ 46,333	$ 90,000	$ —	$ 136,333
William J. Schoch	$ 50,500	$ 90,000	$ —	$ 140,500
Ingrid S. Stafford	$ 10,481	$ —	$ —	$ 10,481

(1) Amounts represent the grant date fair value of the common stock, computed in accordance with FASB ASC Topic 718. The shares vest monthly over twenty-four (24) months.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this Form 10-K with the Company's management. Based upon such review and the related discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Form 10-K.

Compensation Committee

William J. Reilly, Jr.
Robert L. Metzger
Steven D. Barnhart

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

Common Stock

The following table sets forth, as of September 19, 2019, the beneficial ownership of the common stock of each of the Company's directors, by the named executive officers included in the Fiscal Year 2019 Summary Compensation Table set forth above, by the Company's current directors and executive officers as a group, and by the beneficial owners of more than 5% of the common stock. Except as otherwise indicated below, the Company believes that the beneficial owners of the common stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable:

Name of Beneficial Owner(1)	Number of Shares of Common Stock Beneficially Owned(2)		Percent of Class
Steven D. Barnhart	349,908	(3)	*
Joel Brooks	99,354	(4)	*
Glen E. Goold	—		*
Stephen P. Herbert	663,802	(5)	1.10%
Donald W. Layden, Jr.	—		*
Matthew W. McConnell	16,667	(6)	*
Robert L. Metzger	36,257	(7)	*
Albin F. Moschner	374,061	(8)	*
Patricia A. Oelrich	—		*
James M. Pollock	—		*
William J. Reilly, Jr.	136,428	(9)	*
William J. Schoch	144,269	(10)	*
Ingrid S. Stafford	—		*
Anant Agrawal	103,005		*
Michael Lawlor	88,694	(11)	*
Priyanka Singh	92,212	(12)	*
All current directors and executive officers as a group (13 persons)	1,820,746		3.02%

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned		Percent of Class
BlackRock, Inc.	3,893,655	(13)	6.49%
Hudson Executive Capital LP	8,195,972	(14)	13.66%
Oakland Hills BV	4,522,672	(15)	7.54%

*Less than one percent (1%)

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and derives from either voting or dispositive power with respect to securities. Shares of common stock issuable upon conversion of the series A preferred stock, or shares of common stock issuable upon exercise of options currently exercisable, or exercisable within 60 days of September 19, 2019, are deemed to be beneficially owned for purposes hereof.

(2) The percentage of common stock beneficially owned is based on 60,008,481 shares outstanding as of September 19, 2019.

(3) Includes 20,000 shares of common stock issuable upon exercise of stock options granted to Mr. Barnhart that are exercisable as of September 19, 2019, and 3,058 shares which have not yet vested and over which Mr. Barnhart has sole voting power but no dispositive power.

(4) Includes 20,000 shares of common stock issuable upon exercise of stock options granted to Mr. Brooks that are exercisable as of September 19, 2019, and 3,058 shares which have not yet vested and over which Mr. Brooks has sole voting power but no dispositive power.

(5) Includes 63,805 shares of common stock beneficially owned by Mr. Herbert's spouse. Includes 274,267 shares of common stock issuable upon exercise of stock options granted to Mr. Herbert that are exercisable as of, or within 60 days of, September 19, 2019.

(6) Includes 16,667 shares of common stock issuable upon exercise of options exercisable within 60 days of September 19, 2019.

(7) Includes 3,058 shares which have not yet vested, and over which Mr. Metzger has sole voting power but no dispositive power.

(8) Includes 795 shares of common stock issuable upon conversion of 4,000 shares of series A preferred stock, 20,000 shares of common stock beneficially owned by Moschner Family LLC, a Delaware limited liability company, of which Mr. Moschner is the manager, and 3,058 shares which have not yet vested, and over which Mr. Moschner has sole voting power but no dispositive power.

(9) Includes 100 shares of common stock beneficially owned by Mr. Reilly's child. Also includes 99 shares of common stock issuable upon conversion of 500 shares of series A preferred stock and 20,000 shares of common stock issuable upon exercise of stock options granted to Mr. Reilly that are exercisable as of September 19, 2019, and 3,058 shares which have not yet vested, and over which Mr. Reilly has sole voting power but no dispositive power.

(10) Includes 20,000 shares of common stock issuable upon exercise of stock options granted to Mr. Schoch that are exercisable as of September 19, 2019, and 3,058 shares which have not yet vested, and over which Mr. Schoch has sole voting power but no dispositive power.

(11) Includes 14,376 shares which were being held by the Company in escrow as of September 19, 2019 pending determination of the overpayment amount to Mr. Lawlor under the fiscal year 2017 incentive compensation plans, and over which Mr. Lawlor had sole voting power but no dispositive power.

(12) Includes 83,334 shares of common stock issuable upon exercise of stock options granted to Ms. Singh that are exercisable as of September 19, 2019.

(13) Based upon a Schedule 13G filed on February 8, 2019 with the Securities and Exchange Commission, BlackRock, Inc. has the sole voting and dispositive power over 3,893,655 shares. The principal business address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(14) Based upon a Schedule 13D and SC 13D/A filed on May 20, 2019 and August 5, 2019, respectively, with the Securities and Exchange Commission, each of the following persons has shared voting and dispositive power over 8,195,972 shares of common stock: Hudson Executive Capital LP, which serves as investment advisor to certain affiliated investment funds which have the right to receive dividends from, and the proceeds from the sale of, the 8,195,972 shares; HEC Management GP LLC , which is the general partner of Hudson Executive Capital LP; and Douglas L. Braunstein, who is the managing partner Hudson Executive Capital LP and the managing member of HEC Management GP LLC. The business address of each of the foregoing persons is 570 Lexington Avenue, 35th Floor, New York, NY 10022.

(15) Based upon a Schedule 13G/A filed on June 26, 2019 with the Securities and Exchange Commission, each of the following persons has voting and dispositive power over 4,522,672 shares of common stock: Oakland Hills BV, Malabar Hill NV, who is the statutory director of Oakland Hills BV, and Drs F.H. Fentener van Vlissingen, who is the statutory director of Malabar Hill NV. The principal business address of each of the foregoing persons is Albert Hahnplantsoen 23, 1077 BM, Amsterdam, The Netherlands.

Preferred Stock

The following table sets forth, as of September 19, 2019, the beneficial ownership of the series A preferred stock by the Company's directors, by the named executive officers included in the Fiscal Year 2019 Summary Compensation Table set forth above, by the Company's current directors and executive officers as a group, and by the beneficial owner of more than 5% of the series A preferred stock. Other than the shares of series A preferred stock beneficially owned by Messrs. Moschner and Reilly, there were no shares of series A preferred stock beneficially owned as of September 19, 2019 by the Company's directors, by the named executive officers included in the Fiscal Year 2019 Summary Compensation Table set forth above, or by the current directors and executive officers as a group. Except as indicated below, the Company believes that the beneficial owners of the series A preferred stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

Name of Beneficial Owner	Number of Shares of Series A Preferred Stock (1)		Percent of Class
Albin F. Moschner	4,000		*
William J. Reilly, Jr.	500		*
Legion Partners Asset Management, LLC	44,250	(2)	9.94%
All current directors and executive officers as a group (13 persons)	4,500		1.01%

*Less than one percent (1%)

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and derives from either voting or investment power with respect to securities. The percentage of series A preferred stock beneficially owned is based on 445,063 shares outstanding as of September 19, 2019.

(2) Based upon a Schedule 13D/A filed on November 4, 2016 with the Securities and Exchange Commission, each of the following persons has shared voting and dispositive power over 44,250 shares of series A preferred stock: Legion Partners Asset Management, LLC, Legion Partners, LLC, Legion Partners Holdings, LLC, Christopher S. Kiper, Bradley S. Vizi and Raymond White. Of the aforementioned 44,250 shares, Legion Partners, L.P. I has shared voting and dispositive power over 37,054 shares, and Legion Partners, L.P. II has shared voting and dispositive power over 7,196 shares. The business address of each of the foregoing persons is 9401 Wilshire Boulevard, Suite 705, Beverly Hills, California 90212.

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

REVIEW OR APPROVAL OF TRANSACTIONS WITH RELATED PERSONS

We have adopted a formal written policy, which is set forth in our Audit Committee Charter, that our executive officers, directors, holders of more than 5% of any class of our voting securities, and any member of the immediate family of, and any entity affiliated with, any of the foregoing persons, are not permitted to enter into a related person transaction with us without the prior consent of our Audit Committee. Any request for us to enter into a transaction with an executive officer, director, principal shareholder, or any of their immediate family members or affiliates, in which the amount involved exceeds $120,000 must first be presented to our Audit Committee for review, consideration and approval. In approving or rejecting any such proposal, our Audit Committee is to consider the relevant facts and circumstances available and deemed relevant to the Audit Committee, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction.

In addition, under our Code of Business Conduct and Ethics, our executive officers and directors have a responsibility to disclose any transaction or relationship that reasonably could be expected to interfere with their exercise of independent judgment or materially impair the performance of their responsibilities to our Board of Directors, which shall be responsible for reviewing such transaction or relationship and determining whether any action needs to be taken.

DIRECTOR INDEPENDENCE

The Board of Directors has determined that Steven D. Barnhart, Joel Brooks, Donald W. Layden, Jr., Robert L. Metzger, Albin F. Moschner, Patricia A. Oelrich, William J. Reilly, Jr., William J. Schoch, and Ingrid S. Stafford, which members constitute all of the currently serving Board of Directors other than Mr. Herbert, are independent in accordance with the applicable listing standards of The NASDAQ Stock Market LLC. The Board considered Mr. Metzger's present employment as a Senior Director of William Blair & Company, L.L.C., as well as his past relationship with that firm, in determining that he qualified as independent under the applicable listing standards.

The Board of Directors has a standing Audit Committee, Nominating and Corporate Governance Committee, Compensation Committee, and Compliance Committee.

The Audit Committee of the Board of Directors presently consists of Mr. Metzger (Chair), Mr. Barnhart, Ms. Oelrich and Mr. Schoch. The Board of Directors has determined that each member of the Audit Committee is independent as defined under the listing standards of The Nasdaq Stock Market LLC and under Rule 10A-3 of the Securities Exchange Act of 1934, as amended ("Exchange Act"). In making such determination, the Board considered Mr. Metzger's present and past relationship with William Blair, and affirmatively determined that Mr. Metzger qualified as an independent director under NASDAQ Listing Rule 5605(a)

(2). Our Board of Directors has also determined that each of Ms. Oelrich and Mr. Barnhart is an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. The Audit Committee engages the Company's independent accountants, and is primarily responsible for approving the services performed by the Company's independent accountants, for reviewing and evaluating the Company's accounting principles, reviewing the independence of independent auditors, recommending to the Board of Directors that the audited financial statements be included in the Company's annual Form 10-K, and for discussing with management and the independent auditor any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies. The Audit Committee operates pursuant to a charter that was last amended and restated by the Board of Directors on April 11, 2011, a copy of which is accessible on the Company's website, www.usatech.com.

The Compensation Committee of the Board of Directors presently consists of Mr. Reilly (Chair), Mr. Barnhart and Mr. Metzger. The Board of Directors has determined that each of the current members of the Compensation Committee is independent in accordance with the applicable listing standards of The Nasdaq Stock Market LLC. The Committee reviews and recommends compensation and compensation changes for the executive officers of the Company and administers the Company's incentive stock plans. The Compensation Committee operates pursuant to a charter that was adopted by the Board of Directors in September 2007 and amended in May 2013, a copy of which is accessible on the Company's website, www.usatech.com.

The Nominating and Corporate Governance Committee of the Board of Directors presently consists of Mr. Schoch (Chair), Mr. Brooks and Mr. Reilly. The Board of Directors has determined that each of the current members of the Nominating and Corporate Governance Committee is independent in accordance with the applicable listing standards of The Nasdaq Stock Market LLC. The Committee recommends to the entire Board of Directors for selection any nominees for director. The Nominating and Corporate Committee operates pursuant to a charter that was adopted by the Board of Directors on October 26, 2012, a copy of which is accessible on the Company's website, www.usatech.com.

The Compliance Committee is a new standing Committee of the Board and presently consists of Mr. Layden (Chair), Mr. Brooks and Ms. Stafford. The Committee has oversight responsibility for the Company's compliance functions and supervises the Company's Chief Compliance Officer. The Compliance Committee operates pursuant to a charter that was adopted by the Board of Directors on December 21, 2018, a copy of which is accessible on the Company's website, www.usatech.com.

Item 14. Principal Accounting Fees and Services.

AUDIT AND NON-AUDIT FEES

During the fiscal year ended June 30, 2019, fees in connection with services rendered by BDO USA LLP were as set forth below:

($ in thousands)	**Fiscal 2019**
Audit Fees	$ 5,833

Audit fees consisted of fees for the audit of our annual financial statements, review of quarterly financial statements and the audit of internal control over financial reporting, as well as services normally provided in connection with statutory and regulatory filings or engagements, consents and assistance with and reviews of Company documents filed with the Securities and Exchange Commission.

AUDIT COMMITTEE PRE-APPROVAL POLICY

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm on a case-by-case basis.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated November 6, 2017, by and among USA Technologies, Inc., USAT, Inc., Cantaloupe Systems, Inc., and Shareholder Representative Services LLC, as Stockholders' Representative (Incorporated by reference to Exhibit 2.1 to Form 8-K filed on November 7, 2017).
3.1	Amended and Restated Articles of Incorporation of the Company filed January 26, 2004 (Incorporated by reference to Exhibit 3.1.20 to Form 10-QSB filed on February 12, 2004).
3.1.1	First Amendment to Amended and Restated Articles of Incorporation of the Company filed on March 17, 2005 (Incorporated by reference to Exhibit 3.1.1 to Form S-1 Registration Statement No. 333-124078).
3.1.2	Second Amendment to Amended and Restated Articles of Incorporation of the Company filed on December 13, 2005 (Incorporated by reference to Exhibit 3.1.2 to Form S-1 Registration Statement No. 333-130992).
3.1.3	Third Amendment to Amended and Restated Articles of Incorporation of the Company filed on February 7, 2006 (Incorporated by reference to Exhibit 3.1.3 to Form 10-K filed on September 30, 2013).
3.1.4	Fourth Amendment to Amended and Restated Articles of Incorporation of the Company filed on July 25, 2007. (Incorporated by reference to Exhibit 3.1.3 to Form 10-K filed September 24, 2008).
3.1.5	Fifth Amendment to Amended and Restated Articles of Incorporation of the Company filed on March 6, 2008. (Incorporated by reference to Exhibit 3.1.4 to Form 10-K filed September 24, 2008).
3.2*	Amended and Restated By-Laws of the Company dated as of April 5, 2019.
4.1	Warrant dated March 29, 2016 in favor of Heritage Bank of Commerce (Incorporated by reference to Exhibit 4.2 to Form 10-K filed on September 13, 2016).
4.2*	Description of Securities.
10.1	Form of Indemnification Agreement between the Company and each of its officers and directors (Incorporated by reference to Exhibit 10.1 to Form 10-Q filed May 15, 2007).
10.2	USA Technologies, Inc. 2013 Stock Incentive Plan (Incorporated by reference to Exhibit 10.6 to Form 10-K filed on September 30, 2013).
10.3	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).
10.4	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).
10.4.1	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).
10.5	Amended and Restated Employment and Non-Competition Agreement between the Company and Stephen P. Herbert dated November 30, 2011. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed December 5, 2011).
10.6	Employment and Non-Competition Agreement dated June 7, 2010 between the Company and Michael Lawlor (Incorporated by reference to Exhibit 10.22 to Form 10-K filed on September 30, 2013).
10.6.1	First Amendment to Employment and Non-Competition Agreement dated April 27, 2012 between the Company and Michael Lawlor (Incorporated by reference to Exhibit 10.23 to Form 10-K filed on September 30, 2013).
10.6.2	Second Amendment Employment and Non-Competition Agreement dated as of April 29, 2016 by and between the Company and Michael K. Lawlor (Incorporated by reference to Exhibit 10.19 to Form 10-K filed on September 13, 2016).
10.6.3	Separation and Consulting Agreement between the Company and Michael Lawlor dated March 22, 2019 (Incorporated by reference to Exhibit 10.2 to Form 8-K filed April 2, 2019).
10.7	Employment Offer Letter dated as of March 10, 2017, by and between the Company and Priyanka Singh (Incorporated by reference to Exhibit 10.1 to Form 8-K filed March 28, 2017).

10.8	Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement by and between the Company and Mandeep Arora dated November 9, 2017 (Incorporated by reference to Exhibit 10.3 to Form 10 Q filed February 9, 2018).
10.8.1	Separation Agreement and Release by and between the Company and Mandeep Arora dated April 14, 2018 (Incorporated by reference to Exhibit 10.1 to Form 8-K filed April 19, 2018).
10.9*	Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement by and between the Company and Anant Agrawal dated November 9, 2017.
10.9.1*	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.
10.9.2*	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.
10.10	Letter agreement dated January 24, 2019, by and between the Company and Glen E. Goold (Incorporated by reference to Exhibit 10.1 to Form 8-K filed January 28, 2019).
10.10.1	Amendment to letter agreement dated May 14, 2019, by and between the Company and Glen E. Goold (Incorporated by reference to Exhibit 10.1 to Form 8-K filed May 20, 2019).
10.11	Employment Agreement dated March 27, 2019, by and between the Company and James M. Pollock (Incorporated by reference to Exhibit 10.1 to Form 8-K filed April 3, 2019).
10.12	Employment Agreement dated May 3, 2019, by and between the Company and Matthew W. McConnell (Incorporated by reference to Exhibit 10.1 to Form 8-K filed May 23, 2019).
10.12.1	Amendment to Employment Agreement dated May 17, 2019, between the Company and Matthew W. McConnell (Incorporated by reference to Exhibit 10.2 to Form 8-K filed May 23, 2019).
10.13	Small Ticket and Deployment Support Incentive Agreement between the Company and Visa U.S.A. Inc., dated as of October 31, 2017 (Portions of this exhibit were redacted pursuant to a confidential treatment request) (Incorporated by reference to Exhibit 10.1 to Form 10-Q filed February 9, 2018).
10.14	Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated (Incorporated by reference to Exhibit 10.2 to Form 10-Q filed May 15, 2015) (Portions of this exhibit were redacted pursuant to a confidential treatment request).
10.14.1	First Amendment to Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated dated April 27, 2015 (Incorporated by reference to Exhibit 10.45 to Form 10-K filed September 30, 2015) (Portions of this exhibit were redacted pursuant to a confidential treatment request).
10.14.2*	Second Amendment to Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated dated July 13, 2015.
10.14.3*	Third Amendment to Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated dated July 17, 2018.
10.15	Third Party Payment Processor Agreement dated April 24, 2015 by and among the Company, JPMorgan Chase Bank, N.A. and Paymentech, LLC (Incorporated by reference to Exhibit 10.46 to Form 10-K filed September 30, 2015) (Portions of this exhibit were redacted pursuant to a confidential treatment request).
10.15.1*	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.
10.16*	Merchant Processing Agreement dated April 6, 2018 by and among Cantaloupe Systems, Inc., and Heartland Payment Systems, Inc.
10.17	Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A., dated November 9, 2017 (Portions of this exhibit were redacted pursuant to a confidential treatment request) (Incorporated by reference to Exhibit 10.2 to Form 10 Q filed February 9, 2018).
10.17.1	First Consent Agreement dated September 28, 2018 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed October 1, 2018).
10.17.2	Second Consent Agreement dated November 15, 2018 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed November 20, 2018).

10.17.3	Third Consent Agreement dated December 31, 2018 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed January 3, 2019).
10.17.4	Fourth Consent Agreement dated February 15, 2019 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed February 19, 2019).
10.17.5	Fifth Consent Agreement dated March 29, 2019 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed April 2, 2019).
10.17.6	Sixth Consent Agreement dated June 27, 2019 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed June 28, 2019).
10.17.7	Seventh Consent Agreement dated August 30, 2019 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed September 4, 2019).
10.17.8	Eighth Consent Agreement dated September 17, 2019 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on September 24, 2019).
10.17.9	Ninth Consent Agreement dated September 27, 2019 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on October 1, 2019).
10.18*	Stock Purchase Agreement dated October 9, 2019 by and between the Company and Antara Capital Master Fund LP.
10.19*	Registration Rights Agreement dated October 9, 2019 by and between the Company and Antara Capital Master Fund LP.
10.20*	Debt Commitment Letter dated October 9, 2019 by and between the Company and Antara Capital Master Fund LP.
21	List of significant subsidiaries of the Company (Incorporated by reference to Exhibit 21 to Form S-1 filed on May 9, 2018).
23.1*	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm.
31.1*	Certifications of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2*	Certifications of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1*	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.
32.2*	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.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

SCHEDULE II
USA TECHNOLOGIES, INC.
VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED JUNE 30, 2019, 2018, AND 2017

($ in thousands)

ACCOUNTS RECEIVABLE RESERVE	Balance at beginning of period	Additions charged to bad debt expense	Deductions and other	Balance at end of period
June 30, 2019	$ 2,754	$ 1,940	$ 172	$ 4,866
June 30, 2018	$ 3,199	$ 471	$ (916)	$ 2,754
June 30, 2017	$ 3,071	$ 538	$ (410)	$ 3,199

FINANCE RECEIVABLES RESERVE	Balance at beginning of period	Additions charged to bad debt expense	Deductions and other	Balance at end of period
June 30, 2019	$ 12	$ 594	$ —	$ 606
June 30, 2018	$ 19	$ —	$ (7)	$ 12
June 30, 2017	$ —	$ 19	$ —	$ 19

INVENTORY RESERVE	Balance at beginning of period	Additions	Deductions	Balance at end of period
June 30, 2019	$ 3,217	$ 3,172	$ (498)	$ 5,891
June 30, 2018	$ 2,204	$ 1,467	$ (454)	$ 3,217
June 30, 2017	$ 1,525	$ 877	$ (198)	$ 2,204

DEFERRED TAX ASSET VALUATION ALLOWANCE	Balance at beginning of period	Additions	Deductions - JOBS Act	Deductions - Cantaloupe Acquisition	Balance at end of period
June 30, 2019	$ 36,194	$ 6,077	$ —	$ —	$ 42,271
June 30, 2018	$ 55,156	$ 3,737	$ (19,574)	$ (3,125)	$ 36,194
June 30, 2017	$ 52,967	$ 2,189	$ —	$ —	$ 55,156

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.

USA TECHNOLOGIES, INC

By: /s/ Stephen P. Herbert

Stephen P. Herbert, 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.

SIGNATURES	TITLE	DATE
/s/ Stephen P. Herbert Stephen P. Herbert	Chief Executive Officer (Principal Executive Officer)	October 9, 2019
/s/ Glen E. Goold Glen E. Goold	Interim Chief Financial Officer (Principal Financial and Accounting Officer)	October 9, 2019
/s/ Steven D. Barnhart Steven D. Barnhart	Director	October 9, 2019
/s/ Joel Brooks Joel Brooks	Director	October 9, 2019
/s/ Donald W. Layden, Jr. Donald W. Layden, Jr.	Director	October 9, 2019
/s/ Robert L. Metzger Robert L. Metzger	Director	October 9, 2019
/s/ Albin F. Moschner Albin F. Moschner	Chairman of the Board of Directors	October 9, 2019
/s/ Patricia A. Oelrich Patricia A. Oelrich	Director	October 9, 2019
/s/ William J. Reilly, Jr. William J. Reilly, Jr.	Director	October 9, 2019
/s/ William J. Schoch William J. Schoch	Director	October 9, 2019
/s/ Ingrid S. Stafford Ingrid S. Stafford	Director	October 9, 2019

AMENDED AND RESTATED BYLAWS

OF

USA TECHNOLOGIES, INC.
(a Pennsylvania corporation)

ARTICLE I

Offices and Fiscal Year

Section 1.01. Registered Office.--The registered office of the corporation in the Commonwealth of Pennsylvania shall be 100 Deerfield Lane, Suite 300, Malvern, Pennsylvania 19355, until otherwise established by an amendment of the articles of incorporation (the "articles") or by the board of directors and a record of such change is filed with the Department of State in the manner provided by law.

Section 1.02. Other offices.--The corporation may also have offices at such other places within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or the business of the corporation may require.

Section 1.03. Fiscal Year.--The fiscal year of the corporation shall begin on the first day of July in each year.

ARTICLE II

Notice - Waivers - Meetings Generally

Section 2.01. Manner of Giving Notice.

(a) General Rule.--Whenever written notice is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws, it may be given to the person either personally or by sending a copy thereof by first class or express mail, postage prepaid, or by telegram (with messenger service specified), telex or TWX (with answerback received) or courier service, charges prepaid, or by facsimile transmission to the address (or to the telex, TWX, facsimile or telephone number) of the person appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. If the notice is sent by mail, telegraph or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telex or TWX, when dispatched or, in the case of facsimile transmission when received. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Business Corporation Law, the articles or these bylaws.

(b) Adjourned Shareholder Meetings.--When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting in which event notice shall be given in accordance with Section 2.03.

Section 2.02. Notice of Meetings of Board of Directors.--Notice of a regular meeting of the board of directors need not be given. Notice of every special meeting of the board of directors shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone, telex, TWX or facsimile transmission) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by first class mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in a notice of the meeting.

Section 2.03. Notice of Meetings of Shareholders

(a) General Rule.--Written notice of every meeting of the shareholders shall be given by, or at the direction of, the secretary or other authorized person to each shareholder of record entitled to vote at the meeting at least (1) ten days prior to the day named for a meeting (and, in case of a meeting called to consider a merger, consolidation, share exchange or division, to each shareholder of record not entitled to vote at the meeting) called to consider a fundamental change under 15 Pa.C.S. Chapter 19 or (2) five days prior to the day named for the meeting in any other case. If the secretary neglects or refuses to give notice of a meeting, the person or persons calling the meeting may do so. In the case of a special meeting of shareholders, the notice shall specify the general nature of the business to be transacted.

(b) Notice of Action by Shareholders on Bylaws.--In the case of a meeting of shareholders that has as one of its purposes action on the bylaws, written notice shall be given to each shareholder that the purpose, or one of the purposes, of the meeting is to

consider the adoption, amendment or repeal of the bylaws. There shall be included in, or enclosed with, the notice a copy of the proposed amendment or a summary of the changes to be affected thereby.

(c) Notice of Action by Shareholders on Fundamental Change.--In the case of a meeting of the shareholders that has as one of its purposes action with respect to any fundamental change under 15 Pa.C.S. Chapter 19, each shareholder shall be given, together with written notice of the meeting, a copy or summary of the amendment or plan to be considered at the meeting in compliance with the provisions of Chapter 19.

(d) Notice of Action by Shareholders Giving Rise to Dissenters Rights.--In the case of a meeting of the shareholders that has as one of its purposes action that would give rise to dissenters rights under the provisions of 15 Pa.C.S. Subchapter 15D, each shareholder shall be given, together with written notice of the meeting:

(1) a statement that the shareholders have a right to dissent and obtain payment of the fair value of their shares by complying with the provisions of Subchapter 15D (relating to dissenters rights); and

(2) a copy of Subchapter 15D.

Section 2.04. Waiver of Notice.

(a) Written Waiver.--Whenever any written notice is required to be given under the provisions of the Business Corporation Law, the articles or these bylaws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of the notice. Neither the business to be transacted at, nor the purpose of, a meeting need be specified in the waiver of notice of the meeting.

(b) Waiver by Attendance.--Attendance of a person at any meeting shall constitute a waiver of notice of the meeting except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

Section 2.05. Modification of Proposal Contained in Notice.--Whenever the language of a proposed resolution is included in a written notice of a meeting required to be given under the provisions of the Business Corporation Law or the articles or these bylaws, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

Section 2.06. Exception to Requirement of Notice.

(a) General Rule.--Whenever any notice or communication is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws or by the terms of any agreement or other instrument or as a condition precedent to taking any corporate action and communication with that person is then unlawful, the giving of the notice or communication to that parson shall not be required.

(b) Shareholders Without Forwarding Addresses.--Notice or other communications need not be sent to any shareholder with who the corporation has been unable to communicate for more than 24 consecutive months because communications to the shareholder are returned unclaimed or the shareholder has otherwise failed to provide the corporation with a current address. Whenever the shareholder provides the corporation with a current address, the corporation shall commence sending notices and other communications to the shareholder in the same manner as to other shareholders.

Section 2.07. Use of Conference Telephone and Similar Equipment.--Any director may participate in any meeting of the board of directors, and the board of directors may provide by resolution with respect to a specific meeting or with respect to a class of meetings that one or more persons may participate in a meeting of the shareholders of the corporation, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

ARTICLE III

Shareholders

Section 3.01. Place of Meeting.--All meetings of the shareholders of the corporation shall be held at the registered office of the corporation or such other place as may be designated by the board of directors in the notice of a meeting.

Section 3.02. Annual Meeting.

(a) The annual meeting of shareholders shall be held at such date and at such time and place as may be fixed and designated by the Board of Directors, and at said meeting the shareholders then entitled to vote shall elect directors and shall transact such other business as may properly be brought before the meeting.

(b) Nominations of persons for election to the board of directors of the corporation at an annual meeting of shareholders, or the proposal of business to be considered by the shareholders at an annual meeting of shareholders, shall only be made:

(1) pursuant to the corporation's notice of the annual meeting (or any supplement thereto) given by or at the direction of the board of directors; or

(2) if otherwise properly brought before the annual meeting by or at the direction of the board of directors; or

(3) if brought before the annual meeting by any shareholder of the corporation who was a shareholder of record at the time of giving of notice provided for in this Section 3.02, who is entitled to vote at the annual meeting, and who complies with the notice procedures set forth in this Section 3.02.

(c) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (3) of paragraph (b) of this Section 3.02, the shareholder must have given timely notice thereof in writing to the secretary of the corporation and such other business must otherwise be a proper matter for shareholder action under these Bylaws and Pennsylvania law. To be timely, a shareholder's notice must be received by the secretary at the principal executive offices of the corporation not later than the close of business on the 60th day nor earlier than the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder must be so received not earlier than the 90th day prior to the annual meeting and not later than the close of business on the later of (i) the 60th day prior to the annual meeting, or (ii) the 10th day following the date on which public announcement of the date of the meeting is first made by the corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above. Only such persons who are nominated by a shareholder in accordance with the procedures set forth in this Section 3.02 shall be eligible to be elected as a director at any annual meeting. Notwithstanding the foregoing, if the corporation is required under Rule 14a-8 under the Securities Exchange Act of 1934 ("Exchange Act") to include a shareholder's proposal in its proxy statement, such shareholder shall be deemed to have given timely notice for purposes of this paragraph (c) of Section 3.02 with respect to such proposal.

(d) A shareholder's notice to the secretary of the corporation relating to the nomination of directors shall set forth:

(1) as to each person whom the shareholder proposes to nominate for election or reelection as a director: the name and address of such person and all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to be named as a nominee and to serve as a director if elected); and

(2) as to the shareholder giving notice (i) the name and address of such shareholder, as it appears on the corporation's share transfer books who intends to make the nomination ("Nominating Shareholder"); (ii) the name and address of the beneficial owner, if different than the Nominating Shareholder, of any of the shares owned of record by the Nominating Shareholder ("Beneficial Owner"); (iii) the number of shares of each class and series of shares of the corporation which are owned of record and beneficially by the Nominating Shareholder and the number which are owned beneficially by any Beneficial Owner; (iv) a description of any arrangements or understandings between the Nominating Shareholder and any Beneficial Owner and any other person or persons (naming such person or persons) pursuant to which the nomination is being made; and (v) a representation that the Nominating Shareholder is at the time of giving the notice, was or will be on the record date for the meeting, and will be on the meeting date a holder of record of shares of the corporation entitled to vote at the meeting, and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice.

(e) A shareholder's notice to the secretary of the corporation relating to other business shall set forth as to each matter the shareholder proposes to bring before the annual meeting: (i) the name and address of such shareholder, as it appears on the corporation's share transfer books who intends to bring the business before the annual meeting ("Proposing Shareholder"); (ii) the name and address of the beneficial owner, if different than the Proposing Shareholder, of any of the shares owned of record by the Proposing Shareholder ("Beneficial Owner"); (iii) the number of shares of each class and series of shares of the corporation which are owned of record and beneficially by the Proposing Shareholder and the number which are owned beneficially by any Beneficial Owner; (iv) any interest which the Proposing Shareholder or a Beneficial Owner has in the business being proposed by the Proposing Shareholder; (v) a description of any arrangements or understandings between the Proposing Shareholder and any Beneficial Owner and any other person or persons (naming such person or persons) pursuant to which the proposal in the notice is being made; (vi) a description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting, and if a specific action is to be proposed, the text of the resolution or resolutions which the Proposing Shareholder proposes that the corporation adopt; and (vii) a representation that the Proposing Shareholder is at the time of giving the notice, was or will be on the record date for the annual meeting, and will be on the annual meeting date a holder of record of shares of the corporation entitled to vote at the annual meeting, and intends to appear in person or by proxy at the annual meeting to bring the business specified in the notice before the annual meeting.

(f) The chairman of the annual meeting shall if the facts warrant, determine and declare to the meeting that the proposed business or nomination, as the case may be, was not properly brought before the meeting in compliance with the provisions of this Section 3.02, and if he shall so determine, he shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted, and any defective nomination shall be disregarded. Notwithstanding the foregoing provisions of

this Section, a shareholder shall also comply with the applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 3.02.

Section 3.03 Special Meetings.

(a) A special meeting of the shareholders for any purpose or purposes shall be called only by the chairman of the board of directors, the chief executive officer, or the board of directors. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the corporation's notice of meeting. Special meetings of the shareholders may also be called by the holders of at least 20% of the combined voting power of the then outstanding shares entitled to vote at the particular meeting; provided, however, that a special meeting may not be called by any shareholder or shareholders for the purpose of electing or removing any director or directors of the corporation. Upon request in writing sent by registered mail to the chairman of the board of directors or chief executive officer of the corporation by any shareholder or shareholders entitled to call a special meeting of the shareholders pursuant to this Section 3.03(a), the board of directors shall determine a place and time for such meeting, which time shall not be less than ninety (90) nor more than one hundred and twenty (120) days after the receipt of such request, and a record date for the determination of shareholders entitled to vote at such meeting in the manner set forth in Section 3.12 hereof. Following such receipt, it shall be the duty of the secretary of the corporation to cause notice to be given to the shareholders entitled to vote at such meeting, in the manner set forth in Section 2.03 hereof, that a meeting will be held at the time and place so determined.

(b) Nominations of persons for election to the board of directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the corporation's notice of meeting (1) by or at the direction of the board of directors, or (2) provided that the board of directors has determined that directors shall be elected at such meeting, by any shareholder of the corporation who is a shareholder of record at the time of giving of notice provided for in this Section 3.03, who shall be entitled to vote at the meeting, and who complies with the notice procedures set forth in this Section 3.03(b). In the event the corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the board, any such shareholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if the shareholder's notice in the form required by paragraph (d) of Section 3.02 of these Bylaws shall be received by the secretary at the principal executive offices of the corporation not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of (i) the 60th day prior to such special meeting, or (ii) the 10th day following the date on which public announcement is first made of the date of the special meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above. Only such persons who are nominated by a shareholder in accordance with the procedures set forth in this Section 3.03 shall be eligible to be elected as a director at any special meeting.

(c) The chairman of the special meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in this Section 3.03 and, if any proposed nomination is not in compliance with this Section 3.03, to declare that such defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section, a shareholder shall also comply with the applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Sections 3.03.

Section 3.04. Quorum and Adjournment.

(a) General Rule.--A meeting of shareholders of the corporation duly called shall not be organized for the transaction of business unless a quorum is present. The presence of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter to be acted upon at the meeting shall constitute a quorum for the purposes of consideration and action on the matter. Shares of the corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be counted in determining the total number of outstanding shares for quorum purposes at any given time.

(b) Withdrawal of a Quorum.--The shareholders present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(c) Adjournments Generally.--Any regular or special meeting of the shareholders, including one at which directors are to be elected and one which cannot be organized because a quorum has not attended, may be adjourned for such period and to such place as the shareholders present and entitled to vote shall direct, except that any meeting at which directors are to be elected shall be adjourned only from day to day or for such longer periods not exceeding 15 days each as the shareholders present and entitled to vote shall direct.

(d) Elective Directors at Adjourned Meeting.--Those shareholders entitled to vote who attend a meeting called for the election of directors that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of electing directors.

(e) Other Action in Absence of Quorum.--Those shareholders entitled to vote who attend a meeting of shareholders that has been previously adjourned for one or more periods aggregating at least 15 days because of an absence of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of acting upon any matter set

forth in the notice of the meeting if the notice states that those shareholders who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

Section 3.05. Action by Shareholders.--Except as otherwise provided in the Business Corporation Law or the articles or these bylaws, whenever any corporate action is to be taken by vote of the shareholders of the corporation, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon and, if any shareholders are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareholders entitled to vote as a class.

Section 3.06. Organization.--At every meeting of the shareholders, the chairman of the board, if there be one, or, in the case of vacancy in office or absence of the chairman of the board, one of the following persons present in the order stated: the vice chairman of the board, if there be one, the chief executive officer, the president, the vice presidents in their order of rank and seniority, or a person chosen by vote of the shareholders present, shall act as chairman of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of both the secretary and assistant secretaries, a person appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 3.07. Voting Rights of Shareholders.--Unless otherwise provided in the articles, every shareholder of the corporation shall be entitled to one vote for every share standing in the name of the shareholder on the books of the corporation.

Section 3.08. Voting and Other Action by Proxy.

(a) General Rule.--

(1) Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person to act for the shareholder by proxy.

(2) The presence of, or vote or other action at a meeting of shareholders, or the expression of consent or dissent to corporate action in writing, by a proxy of a shareholder shall constitute the presence of, or vote or action by, or written consent or dissent of, the shareholder.

(3) Where two or more proxies of a shareholder are present, the corporation shall, unless otherwise expressly provided in the proxy, accept as the vote of all shares represented thereby the vote cast by a majority of them and, if a majority of the proxies cannot agree whether the shares represented shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among those persons.

(b) Execution and Filing.--Every proxy shall be executed in writing by the shareholder or by the duly authorized attorney-in-fact of the shareholder and filed with the secretary of the corporation. A telegram, telex, cablegram, datagram or similar transmission from a shareholder or attorney-in-tact, or a photographic, facsimile or similar reproduction of a writing executed by a shareholder or attorney-in-fact:

(1) may be treated as properly executed for purposes of this subsection; and

(2) shall be so treated if it sets forth a confidential and unique identification number or other mark furnished by the corporation to the shareholder for the purposes of a particular meeting or transaction.

(c) Revocation.--A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the secretary of the corporation. An unrevoked proxy shall not be valid after three years from the date of its execution unless a longer time is expressly provided therein. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of the death or incapacity is given to the secretary of the corporation.

(d) Expenses.--The corporation shall pay the reasonable expenses of solicitation of votes, proxies or consents of shareholders by or on behalf of the board of directors or its nominees for election to the board, including solicitation by professional proxy solicitors and otherwise.

Section 3.09. Voting by Fiduciaries and Pledgees.--Shares of the corporation standing in the name of a trustee or other fiduciary and shares held by an assignee for the benefit of creditors or by a receiver may be voted by the trustee, fiduciary, assignee or receiver. A shareholder whose shares are pledged shall be entitled to vote the shares until the shares have been transferred into the name of the pledgee, or a nominee of the pledgee, but nothing in this section shall affect the validity of a proxy given to a pledgee or nominee.

Section 3.10. Voting by Joint Holders of Shares.

(a) General Rule.--Where shares of the corporation are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise:

(1) if only one or more of such persons is present in person or by proxy, all of the shares standing in the names of such persons shall be deemed to be represented for the purpose of determining a quorum and the corporation shall accept as the vote of all the shares the vote cast by a joint owner or a majority of them; and

(2) if the persons are equally divided upon whether the shares held by them shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among the persons without prejudice to the rights of the joint owners or the beneficial owners thereof among themselves.

(b) Exception.--If there has been filed with the secretary of the corporation a copy, certified by an attorney at law to be correct, of the relevant portions of the agreement, under which the shares are held or the instrument by which the trust or estate was created or the order of court appointing them or of an order of court directing the voting of the shares, the persons specified as having such voting power in the document latest in date of operative effect so filed, and only those persons, shall be entitled to vote the shares but only in accordance therewith.

Section 3.11. Voting by Corporations.

(a) Voting by Corporate Shareholders.--Any corporation that is a shareholder of this corporation may vote at meetings of shareholders of this corporation by any of its officers or agents, or by proxy appointed by any officer or agent, unless some other person, by resolution of the board of directors of the other corporation or a provision of its articles or bylaws, a copy of which resolution or provision certified to be correct by one of its officers has been filed with the secretary of this corporation, is appointed its general or special proxy in which case that person shall be entitled to vote the shares.

(b) Controlled Shares.--Shares of this corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares for voting purposes at any given time.

Section 3.12. Determination of Shareholders of Record.

(a) Fixing Record Date.--The board of directors may fix a time prior to the date of any meeting of shareholders as a record date for the determination of the shareholders entitled to notice of, or to vote at, the meeting, which time, except in the case of an adjourned meeting, shall be not more than 90 days prior to the date of the meeting of shareholders. Only shareholders of record on the date fixed shall be so entitled notwithstanding any transfer of shares on the books of the corporation after any record date fixed as provided in this subsection. The board of directors may similarly fix a record date for the determination of shareholders of record for any other purpose. When a determination of shareholders of record has been made as provided in this section for purposes of a meeting, the determination shall apply to any adjournment thereof unless the board fixes a new record date for the adjourned meeting.

(b) Determination When a Record Date is Not Fixed.--If a record date is not fixed:

(1) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day immediately preceding the day on which the meeting is held.

(2) The record date for determining shareholders entitled to express consent or dissent to corporate action in writing without a meeting, when prior action by the board of directors is not necessary, to call a special meeting or to propose an amendment of the articles shall be the close of business on the day on which the first written consent or dissent, request for a special meeting or petition proposing an amendment of the articles is filed with the secretary of the corporation.

(3) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

(c) Certification by Nominee.--The board of directors may adopt a procedure whereby a shareholder of the corporation may certify in writing to the corporation that all or a portion of the shares registered in the name of the shareholder are held for the account of a specified parson or persons. Upon receipt by the corporation of a certification complying with the procedure, the persons specified in the certification shall be deemed, for the purposes set forth in the certification, to be the holders of record of the number of shares specified in place of the shareholder making the certification.

Section 3.13. Voting Lists.

(a) General Rule.--The officer or agent having charge of the transfer books for shares of the corporation shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof.

(b) Effect of List.--Failure to comply with the requirements of this section shall not affect the validity of any action taken at a meeting prior to a demand at the meeting by any shareholder entitled to vote thereat to examine the list. The original share register

or transfer book, or a duplicate thereof kept in the Commonwealth of Pennsylvania, shall be prima facie evidence as to who are the shareholders entitled to examine the list or share register or transfer book or to vote at any meeting of shareholders.

Section 3.14. Judges of Election.

(a) Appointment.--In advance of any meeting of shareholders of the corporation, the board of directors may appoint judges of election, who need not be shareholders, to act at the meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of the meeting may, and on the request of any shareholder shall, appoint judges of election at the meeting. The number of judges shall be one or three. A person who is a candidate for an office to be filled at the meeting shall not act as a judge.

(b) Vacancies.--In case any person appointed as a judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board of directors in advance of the convening of the meeting or at the meeting by the presiding officer thereof.

(c) Duties.--The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with nominations by shareholders or the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The judges of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

(d) Report.--On request of the presiding officer of the meeting or of any shareholder, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

Section 3.15. Consent of Shareholders in Lieu of Meeting.

(a) Unanimous Written Consent.--Any action required or permitted to be taken at a meeting of the shareholders or of a class of shareholders may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the shareholders who would be entitled to vote at a meeting for such purpose shall be filed with the secretary of the corporation.

(b) Partial Written Consent.--Any action required or permitted to be taken at a meeting of the shareholders or of a class of shareholders may be taken without a meeting upon the written consent of shareholders who would have been entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. The consents shall be filed with the secretary of the corporation. The action shall not become effective until after at least ten days' written notice of the action has been given to each shareholder entitled to vote thereon who has not consented thereto.

Section 3.16. Minors as Securityholders.--The corporation may treat a minor who holds shares or obligations of the corporation as having capacity to receive and to empower others to receive dividends, interest, principal and other payments or distributions, to vote or express consent or dissent and to make elections and exercise rights relating to such shares or obligations unless, in the case of payments or distributions on shares, the corporate officer responsible for maintaining the list of shareholders or the transfer agent of the corporation or, in the case of payments or distributions on obligations, the treasurer or paying officer or agent has received written notice that the holder is a minor.

ARTICLE IV

Board of Directors

Section 4.01. Powers; Personal Liability.

(a) General Rule.--Unless otherwise provided by statute, all powers vested by law in the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the board of directors.

(b) Fundamental Transactions.--Where any provision of 15 Pa.C.S. Ch. 19 requires that an amendment of the articles or a plan be proposed by action of the board of directors, that requirement shall be construed to authorize and be satisfied by the written agreement of all of the shareholders of a business corporation.

(c) Personal Liability of Directors.--

(1) A director shall not be personally liable, as such, for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys fees and disbursements)) for any action taken, or any failure to take any action, unless:

(i) the director has breached or failed to perform the duties of his or her office under subchapter 17B of the Business Corporation Law (or any successor provision); and

(ii) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

(2) The provisions of paragraph (1) shall not apply to the responsibility or liability of a director pursuant to any criminal statute, or the liability of a director for the payment of taxes pursuant to local, state or federal law.

(d) Notation of Dissent.--A director who is present at a meeting of the board of directors, or of a committee of the board, at which action on any corporate matter is taken on which the director is generally competent to act, shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless the director files a written dissent to the action with the secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action. Nothing in this section shall bar a director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the director notifies the secretary, in writing, of the asserted omission or inaccuracy.

Section 4.02. Qualifications and Selection of Directors.

(a) Qualifications.--Each director of the corporation shall be a natural person of full age who need not be a resident of the Commonwealth of Pennsylvania or a shareholder of the corporation.

(b) Power to Select Directors.--Except as otherwise provided in these bylaws, directors of the corporation shall be elected by the shareholders.

(c) Nominations of Directors. Nominees for election to the board of directors at any special or annual meeting of the shareholders shall be selected by the board of directors or a committee of the board of directors to which the board of directors has delegated the authority to make such selections pursuant to Section 4.11 of these Bylaws. Nominees for election to the board of directors at any special or annual meeting of the shareholders may also be selected by shareholders, provided that such nominations are made in accordance with, and accompanied by the information required by, Section 3.02 (relating to annual meetings of shareholders) or Section 3.03 (relating to special meetings of shareholders). If the board of directors is classified with respect to the terms of directors, and if, due to a vacancy or vacancies, or otherwise, directors of more than one class are to be elected, each class of directors to be elected at the meeting shall be nominated and elected separately. Any shareholder may nominate as many persons for the office of director as there are positions to be filled.

(d) Election of Directors.--In elections for directors, voting need not be by ballot, unless required by vote of the shareholders before the voting for the election of directors begins. The candidates receiving the highest number of votes from each class or group of classes, if any, entitled to elect directors separately up to the number of directors to be elected by the class or group of classes shall be elected. If at any meeting of shareholders, directors of more than one class are to be elected, each class of directors shall be elected in a separate election.

Section 4.03. Number and Term of Office.

(a) Number.--The board of directors shall consist of not less than five members, nor more than eleven members, with the exact number within said limits to be fixed from time to time solely by resolution of the board of directors.

(b) Term of Office.

The term of office of each director shall be one year. Each director shall hold office until the expiration of the term for which he or she was selected and until a successor has been selected and qualified or until his or her earlier death, resignation or removal. A decrease in the number of directors shall not have the effect of shortening the term of any incumbent director.

(c) Resignation.--Any director may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as shall be specified in the notice of resignation.

(d) Chairman.--The board of directors shall annually elect from among the members of the board a chairman of the board who shall qualify as independent under the applicable listing standards of The Nasdaq Stock Market LLC or such other securities market on which the Company's securities are listed. Any vacancy in the position of the chairman shall be filled at such time and in such manner as the board of directors shall determine.

Section 4.04. Vacancies.

(a) General Rule.--Vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, may be filled by a majority vote of the remaining members of the board though less than a quorum, or by a sole remaining director, and each person so selected shall be a director to serve until the next selection of the class for which such director has been chosen, and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Action by Resigned Directors.--When one or more directors resign from the board effective at a future date, the directors then in office, including those who have so resigned, shall have power by the applicable vote to fill the vacancies, the vote thereon to take effect when the resignations become effective.

Section 4.05. Removal of Directors.

(a) Removal by the Shareholders.--The entire board of directors, or any class of the board, or any individual director may be removed from office by vote of the shareholders entitled to vote thereon without assigning any cause. In case the board or a class of the board or any one or more directors are so removed, new directors may be elected at the same meeting.

(b) Removal by the Board.--The board of directors may declare vacant the office of a director who has been judicially declared of unsound mind or who has been convicted of an offense punishable by imprisonment for a term of more than one year or if, within 60 days after notice of his or her selection, the director does not accept the office either in writing or by attending a meeting of the board of directors.

Section 4.06. Place of Meeting.--Meetings of the board of directors may be held at such place within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or as may be designated in the notice of the meeting.

Section 4.07. Organization of Meetings.--At every meeting of the board of directors, the chairman of the board, if there be one, or, in the case of a vacancy in the office or absence of the Chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the chief executive officer, the president, the vice presidents in their order of rank and seniority, or a person chosen by a majority of the directors present, shall act as chairman of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of the secretary and the assistant secretaries, any person appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 4.08. Regular Meetings.--Regular meetings of the board of directors shall be held at such time and place as shall be designated from time to time by resolution of the board of directors.

Section 4.09. Special Meetings.--Special meetings of the board of directors shall be held whenever called by the chairman or by two or more of the directors.

Section 4.10. Quorum of and Action by Directors.

(a) General Rule.--A majority of the directors in office of the corporation shall be necessary to constitute a quorum for the transaction of business and the acts of a majority of the directors present and voting at a meeting at which a quorum is present shall be the acts of the board of directors.

(b) Action by Written Consent.--Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the directors in office is filed with the secretary of the corporation.

Section 4.11. Executive and other Committees.

(a) Establishment and Powers.--The board of directors may, by resolution adopted by a majority of the directors in office, establish one or more committees to consist of one or more directors of the corporation. Any committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all of the powers and authority of the board of directors except that a committee shall not have any power or authority as to the following:

(1) The submission to shareholders of any action requiring approval of shareholders under the Business Corporation Law.

(2) The creation or filling of vacancies in the board of directors.

(3) The adoption, amendment or repeal of these bylaws.

(4) The amendment or repeal of any resolution of the board that by its terms is amendable or repealable only by the board.

(5) Action on matters committed by a resolution of the board of directors to another committee of the board.

(b) Alternate Committee Members.--The board may designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee or for the purposes of any written action by the committee. In the absence or disqualification of a member and alternate member or members of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another director to act at the meeting in the place of the absent or disqualified member.

(c) Term.--Each committee of the board shall serve at the pleasure of the board.

(d) Committee Procedures.--The term "board of directors" or "board," when used in any provision of these bylaws relating to the organization or procedures of or the manner of taking action by the board of directors, shall be construed to include and refer to any executive or other committee of the board.

Section 4.12. Compensation.--The board of directors shall have the authority to fix the compensation of directors for their services as directors and a director may be a salaried officer of the corporation.

ARTICLE V

Officers

Section 5.01. Officers Generally.

(a) Number, Qualifications and Designation.--The officers of the corporation shall be a chief executive officer, president, one or more vice presidents, a secretary, a treasurer, and such other officers as may be elected in accordance with the provisions of Section 5.03. Officers may but need not be directors or shareholders of the corporation. The chief executive officer, president and secretary shall be natural persons of full age. The treasurer may be a corporation, but if a natural person shall be of full age. Any number of offices may be held by the same person.

(b) Bonding.--The corporation may secure the fidelity of any or all of its officers by bond or otherwise.

(c) Standard of Care.--In lieu of the standards of conduct otherwise provided by law, officers of the corporation shall be subject to the same standards of conduct, including standards of care and loyalty and rights of justifiable reliance, as shall at the time be applicable to directors of the corporation. An officer of the corporation shall not be personally liable, as such, to the corporation or its shareholders for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless the officer has breached or failed to perform the duties of his or her office under the articles of incorporation, these bylaws, or the applicable provisions of law and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this subsection shall not apply to the responsibility or liability of an officer pursuant to any criminal statute or for the payment of taxes pursuant to local, state or federal law.

Section 5.02. Election, Term of office and Resignations.

(a) Election and Term of office.--The officers of the corporation, except those elected by delegated authority pursuant to section 5.03, shall be elected annually by the board of directors, and each such officer shall hold office for a term of one year and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Resignations.--Any officer may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as may be specified in the notice of resignation

Section 5.03. Subordinate Officers, Committees and Agents.--The board of directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the corporation may require, including one or more assistant secretaries, and one or more assistant treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws, or as the board of directors may from time to time determine. The board of directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

Section 5.04. Removal of Officers and Agents.--Any officer or agent of the corporation may be removed by the board of directors with or without cause. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 5.05. Vacancies.--A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, may be filled by the board of directors or by the officer or committee to which the power to fill such office has been delegated pursuant to section 5.03, as the case may be, and if the office is one for which these bylaws prescribe a term, shall be filled for the unexpired portion of the term.

Section 5.06. Authority.--All officers of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the board of directors or, in the absence of controlling provisions in the resolutions or orders of the board of directors, as may be determined by or pursuant to these bylaws.

Section 5.07. The Chief Executive Officer.--The chief executive officer shall have general supervision over the affairs of the corporation, shall perform such other duties as may from time to time be requested by the board of directors, and, subject to the

policies and directives of the board of directors, shall supervise and direct all officers and employees of the corporation, but may delegate in his discretion any of his powers as chief executive officer to any officer or such other executives as he may designate.

Section 5.08. The President.--The president shall be the chief operating officer of the corporation and shall perform such other duties as may, from time to time be requested by the board of directors, the chairman of the board, or the chief executive officer. As chief operating officer, he shall have general supervision over the operations of the corporation, subject however, to the supervision and control of the board of directors, and the chief executive officer, and shall supervise and direct all operating officers and employees of the corporation, but may delegate in his discretion any of his powers as chief operating officer to any officer or such other executives as he may designate.

Section 5.09. Execution of Documents. Either the chief executive officer or the president shall sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, except in cases where required or permitted by law to be otherwise signed and executed and in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these bylaws, to some other officer or agent of the corporation.

Section 5.10. The Vice President.--The vice presidents shall perform the duties of the president in the absence of the president and such other duties as may from time to time be assigned to them by the board of directors, the chief executive officer or the president.

Section 5.11. The Secretary.--The secretary or an assistant secretary shall attend all meetings of the shareholders and of the board of directors and all committees thereof and shall record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the board of directors and of committees of the board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, shall perform all duties incident to the office of secretary, and such other duties as may from time to time be assigned by the board of directors, the chief executive officer or the president.

Section 5.12. The Treasurer.--The treasurer or an assistant treasurer shall have or provide for the custody of the funds or other property of the corporation; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; shall deposit all funds in his or her custody as treasurer in such banks or other places of deposit as the board of directors may from time to time designate; shall, whenever so required by the board of directors, render an account showing all transactions as treasurer, and the financial condition of the corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the board of directors, the chief executive officer or the president.

Section 5.13. Salaries.--The salaries of the officers elected by the board of directors shall be fixed from time to time by the board of directors or by such officer as may be designated by resolution of the board. The salaries or other compensation of any other officers, employees and other agents shall be fixed from time to time by the officer or committee to which the power to elect such officers or to retain or appoint such employees or other agents has been delegated pursuant to Section 5.03. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that the officer is also a director of the corporation.

Section 5.14. Authority.--All officers of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the board of directors or, in the absence of controlling provisions in the resolutions or orders of the board of directors, as may be determined by or pursuant to these bylaws.

ARTICLE VI

Certificates of Stock, Transfer, Etc.

Section 6.01 Share Certificates.

(a) Form of Certificates. Shares of the corporation's capital stock may be represented by certificates or may be uncertificated, to the extent determined by the board of directors. To the extent they are issued, certificates of stock shall be issued in numerical order, registered in the share register or transfer books of the corporation as they are issued, and shall be signed by the chief executive officer, the President or a Vice President, and the Secretary or the Treasurer, or in such other manner as the corporation may determine, and may be sealed with the seal of the corporation or a facsimile thereof. The signatures of such officers may be facsimiles if the certificate is manually signed on behalf of a transfer agent, or registered by a registrar, other than the corporation it self or an employee of the corporation. If an officer who has signed or whose facsimile signature has been placed upon such certificate ceases to be an officer before the certificate is issued, it may be issued by the corporation with the same effect as if the person were an officer on the date of issue. Each certificate of stock shall state: (i) that the corporation is incorporated under the laws of the Commonwealth of Pennsylvania; (ii) the name of the person to whom issued; (iii) the number and class of shares and the designation of the series, if any, which such certificate represents; and (iv) the par value of each share represented by such certificate, or a statement that such shares are without par value. If the corporation is authorized to issue shares of more than one class or series, certificates for shares of the corporation, if any, shall set forth upon the face or back of the certificate (or shall state on the face or back of the certificate that the corporation will furnish to any shareholder upon request and without charge), a

full or summary statement of the designations, voting rights, preferences, limitations and special rights of the shares of each class or series authorized to be issued so far as they have been fixed and determined and the authority of the board of directors to fix and determine the designations, voting rights, preferences, limitations and special rights of the classes and series of shares of the corporation.

(b) Share Register. The share register or transfer books and blank share certificates, if any, shall be kept by the secretary or by any transfer agent or registrar designated by the board of directors for that purpose.

Section 6.02. Transfer. Transfers of shares shall be made on the share register or transfer books of the corporation. Stock certificates, if any, shall be surrendered and endorsed by the person named in the certificate or by an attorney lawfully constituted in writing. No transfer shall be made inconsistent with the provisions of the Uniform Commercial Code, 13 Pa.C.S. § 8101 et seq., and its amendments and supplements.

Section 6.03. Record Holder of Shares. The corporation shall be entitled to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

Section 6.04. Lost, Destroyed or Mutilated Certificates. The holder of any certificate of shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefore, and the board of directors may, in its discretion, direct that the shares shall be uncertificated or cause a new certificate or certificates to be issued to such holder, in case of mutilation of the certificate, upon surrender of the mutilated certificate or, in case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction and, if the board of directors shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as it may direct.

ARTICLE VII

Indemnification of Directors, Officers and Other Authorized Representatives

Section 7.01. Scope of Indemnification.

(a) General Rule.--The corporation shall indemnify an indemnified representative against any liability incurred in connection with any proceeding in which the indemnified representative may be involved as a party or otherwise by reason of the fact that such person is or was serving in an indemnified capacity, including, without limitation, liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement, negligence, gross negligence or act giving rise to strict or products liability, except:

(1) where such indemnification is expressly prohibited by applicable law:

(2) where the conduct of the indemnified representative has been finally determined pursuant to Section 7.06 or otherwise:

(i) to constitute willful misconduct or recklessness within the meaning of 15 Pa.C.S. § 1746(b) or any superseding provision of law sufficient in the circumstances to bar indemnification against liabilities arising from the conduct; or

(ii) to be based upon or attributable to the receipt by the indemnified representative from the corporation of a personal benefit to which the indemnified representative is not legally entitled; or

(3) to the extent such indemnification has been finally determined in a final adjudication pursuant to Section 7.06 to be otherwise unlawful.

(b) Partial Payment.--If an indemnified representative is entitled to indemnification in respect of a portion, but not all, of any liabilities to which such person may be subject, the corporation shall indemnify such indemnified representative to the maximum extent for such portion of the liabilities.

(c) Presumption.--The termination of a proceeding by judgment, order, settlement or conviction or upon a plea of nolo contenders or its equivalent shall not of itself create a presumption that the indemnified representative is not entitled to indemnification.

(d) Definitions.--For purposes of this Article:

(1) "indemnified capacity" means any and all past, present and future service by an indemnified representative in one or more capacities as a director, officer, employee or agent of the corporation, or, at the request of the corporation, as a

director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise;

(2) "indemnified representative" means any and all directors and officers of the corporation and any other person designated as an indemnified representative by the board of directors of the corporation (which may, but need not, include any person serving at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise);

(3) "liability" means any damage, judgment, amount paid in settlement, fine, penalty, punitive damages, excise tax assessed with respect to an employee benefit plan, or cost or expense of any nature (including, without limitation, attorneys' fees and disbursements); and

(4) "proceeding" means any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the corporation, a class of its security holders or otherwise.

Section 7.02. Proceedings Initiated by Indemnified Representatives.--Notwithstanding any other provision of this Article, the corporation shall not indemnify under this Article an indemnified representative for any liability incurred in a proceeding initiated (which shall not be deemed to include counterclaims or affirmative defenses) or participated in as an intervenor or amicus curiae by the person seeking indemnification unless such initiation of or participation in the proceeding is authorized, either before or after its commencement, by the affirmative vote of a majority of the directors in office. This section does not apply to reimbursement of expenses incurred in successfully prosecuting or defending arbitration under Section 7.06 or otherwise successfully prosecuting or defending the rights of an indemnified representative granted by or pursuant to this Article.

Section 7.03. Advancing Expenses.--The corporation shall pay the expenses (including attorneys' fees and disbursements) incurred in good faith by an indemnified representative in advance of the final disposition of a proceeding described in Section 7.01 or the initiation of or participation in which is authorized pursuant to section 7.02 upon receipt of an undertaking by or on behalf of the indemnified representative to repay the amount if it is ultimately determined pursuant to Section 7.06 that such person is not entitled to be indemnified by the corporation pursuant to this Article. The financial ability of an indemnified representative to repay an advance shall not be a prerequisite to the making of such advance.

Section 7.04. Securing of Indemnification Obligations.--To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the corporation may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the corporation, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the board of directors shall deem appropriate. Absent fraud, the determination of the board of directors with respect to such amounts, costs, terms and conditions shall be conclusive against all security holders, officers and directors and shall not be subject to voidability.

Section 7.05. Payment of Indemnification.--An indemnified representative shall be entitled to indemnification within 30 days after a written request for indemnification has been delivered to the secretary of the corporation.

Section 7.06. Arbitration.

(a) General Rule.--Any dispute related to the right to indemnification, contribution or advancement of expenses as provided under this Article, except with respect to indemnification for liabilities arising under the Securities Act of 1933 that the corporation has undertaken to submit to a court for adjudication, shall be decided only by arbitration in the metropolitan area in which the principal executive offices of the corporation are located at the time, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before a panel of three arbitrators, one of whom shall be selected by the corporation, the second of whom shall be selected by the indemnified representative and the third of whom shall be selected by the other two arbitrators. In the absence of the American Arbitration Association, or if for any reason arbitration under the arbitration rules of the American Arbitration Association cannot be initiated, and if one of the parties fails or refuses to select an arbitrator or the arbitrators selected by the corporation and the indemnified representative cannot agree on the selection of the third arbitrator within 30 days after such time as the corporation and the indemnified representative have each been notified of the selection of the other's arbitrator, the necessary arbitrator or arbitrators shall be selected by the presiding judge of the court of general jurisdiction in such metropolitan area.

(b) Burden of Proof.--The party or parties challenging the right of an indemnified representative to the benefits of this Article shall have the burden of proof.

(c) Expenses.--The corporation shall reimburse an indemnified representative for the expenses (including attorneys' fees and disbursements) incurred in successfully prosecuting or defending such arbitration.

(d) Effect.--Any award entered by the arbitrators shall be final, binding and nonappealable and judgment may be entered thereon by any party in accordance with applicable law in any court of competent jurisdiction, except that the corporation shall be entitled to interpose as a defense in any such judicial enforcement proceeding any prior final judicial determination adverse to the

indemnified representative under Section 7.01(a)(2) in a proceeding not directly involving indemnification, under this Article. This arbitration provision shall be specifically enforceable.

Section 7.07. Contribution.--If the indemnification provided for in this Article or otherwise is unavailable for any reason in respect of any liability or portion thereof, the corporation shall contribute to the liabilities to which the indemnified representative may be subject in such proportion as is appropriate to reflect the intent of this Article or otherwise.

Section 7.08. Mandatory Indemnification of Directors, Officers, etc.--To the extent that an authorized representative of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in sections 1741 or 1742 of the Business Corporation Law or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees and disbursements) actually and reasonably incurred by such person in connection therewith.

Section 7.09. Contract Rights; Amendment or Repeal.--All rights under this Article shall be deemed a contract between the corporation and the indemnified representative pursuant to which the corporation and each indemnified representative intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not affect any rights or obligations then existing.

Section 7.10. Scope of Article.--The rights granted by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification, contribution or advancement of expenses may be entitled under any statute, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an indemnified capacity and as to action in any other capacity. The indemnification, contribution and advancement of expenses provided by or granted pursuant to this Article shall continue as to a person who has ceased to be an indemnified representative in respect of matters arising prior to such time, and shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.

Section 7.11. Reliance on Provisions.--Each person who shall act as an indemnified representative of the corporation shall be deemed to be doing so in reliance upon the rights of indemnification, contribution and advancement of expenses provided by this Article.

Section 7.12. Interpretation.--The provisions of this Article are intended to constitute bylaws authorized by 15 Pa.C.S. § 1746.

ARTICLE VIII

Miscellaneous

Section 8.01. Corporate Seal.--The corporation shall have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details as may be approved by the board of directors. The affixation of the corporate seal shall not be necessary to the valid execution, assignment or endorsement by the corporation of any instrument or other document.

Section 8.02. Checks.--All checks, notes, bills of exchange or other similar orders in writing shall be signed by such one or more officers or employees of the corporation as the board of directors may from time to time designate.

Section 8.03. Contracts.--Except as otherwise provided in the Business Corporation Law in the case of transactions that require action by the shareholders, the board of directors may authorize any officer or agent to enter into any contract or to execute or deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 8.04. Interested Directors or Officers; Quorum.

(a) General Rule.--A contract or transaction between the corporation and one or more of its directors or officers or between the corporation and another corporation, partnership, joint venture, trust or other enterprise in which one or more of its directors or officers are directors or officers or have a financial or other interest, shall not be void or voidable solely for that reason, or solely because the director or officer is present at or participates in the meeting of the board of directors that authorizes the contract or transaction, or solely because his, her or their votes are counted for that purpose, if:

(1) the material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors and the board authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors even though the disinterested directors are less than a quorum;

(2) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon and the contract or transaction is specifically approved in good faith by vote of those shareholders; or

(3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors or the shareholders.

(b) Quorum.--Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board which authorizes a contract or transaction specified in subsection (a).

Section 8.05. Deposits.--All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositaries as the board of directors may approve or designate, and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees of the corporation as the board of directors shall from time to time designate.

Section 8.06. Corporate Records.

(a) Required Records.--The corporation shall keep complete and accurate books and records of account, minutes of the proceedings of the incorporators, shareholders and directors and a share register giving the names and addresses of all shareholders and the number and class of shares held by each. The share register shall be kept at either the registered office of the corporation in the Commonwealth of Pennsylvania or at its principal place of business wherever situated or at the office of its registrar or transfer agent. Any books, minutes or other records may be in written form or any other form capable of being converted into written form within a reasonable time.

(b) Right of Inspection.--Every shareholder shall, upon written verified demand stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business for any proper purpose, the share register, books and records of account, and records of the proceedings of the incorporators, shareholders and directors and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to the interest of the person as a shareholder. In every instance where an attorney or other agent is the person who seeks the right of inspection, the demand shall be accompanied by a verified power of attorney or other writing that authorizes the attorney or other agent to so act on behalf of the shareholder. The demand shall be directed to the corporation at its registered office in the Commonwealth of Pennsylvania or at its principal place of business wherever situated.

Section 8.07. Financial Reports.--Unless otherwise agreed between the corporation and a shareholder, the corporation shall furnish to its shareholders annual financial statements, including at least a balance sheet as of the end of each fiscal year and a statement of income and expenses for the fiscal year. The financial statements shall be prepared on the basis of generally accepted accounting principles, if the corporation prepares financial statements for the fiscal year on that basis for any purpose, and may be consolidated statements of the corporation and one or more of its subsidiaries. The financial statements shall be mailed by the corporation to each of its shareholders entitled thereto within 120 days after the close of each fiscal year and, after the mailing and upon written request, shall be mailed by the corporation to any shareholder or beneficial owner entitled thereto to when a copy of the most recent annual financial statements has not previously been mailed. Statements that are audited or reviewed by a public accountant shall be accompanied by the report of the accountant; in other cases, each copy shall be accompanied by a statement of the person in charge of the financial records of the corporation:

(1) Stating his or her reasonable belief as to whether or not the financial statements were prepared in accordance with generally accepted accounting principles and, if not, describing the basis of presentation.

(2) Describing any material respects in which the financial statements were not prepared on a basis consistent with those prepared for the previous year.

Section 8.08. Amendment of Bylaws.--These bylaws may be amended or repealed, or new bylaws may be adopted, either (i) by vote of the shareholders at any duly organized annual or special meeting of shareholders, or (ii) with respect to those matters that are not by statute committed expressly to the shareholders and regardless of whether the shareholders have previously adopted or approved the bylaw being amended or repealed, by vote of a majority of the board of directors of the corporation in office at any regular or special meeting of directors. Any change in these bylaws shall take effect when adopted unless otherwise provided in the resolution effecting the change. See Section 2.03(b) (relating to notice of action by shareholders on bylaws).

Dated: April 5, 2019

Exhibit 4.2

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

As of June 30, 2019, USA Technologies, 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

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 traded on The Nasdaq Stock Market LLC under the trading symbol, "USAT".

Description of Preferred Stock

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 traded on The Nasdaq Stock Market LLC under the trading symbol, "USATP".

Exhibit 10.9

EMPLOYMENT, NON-INTERFERENCE, NON-SOLICITATION, NON-COMPETITION AND INVENTION ASSIGNMENT AGREEMENT

Agreement made 9th this day of November, 2017, by and between, ANANT AGRAWAL ("Agrawal"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USAT").

Agrawal was a co-founder, President and Chief Revenue Officer of Cantaloupe Systems, Inc., a Delaware corporation (the "Company").

Pursuant to an Agreement and Plan of Merger dated of even date herewith by and between USAT, the Company, and certain other parties (the "Merger Agreement"), the Company has been acquired by USAT as of the date hereof through a merger, and the Company has become a wholly owned subsidiary of USAT.

USAT desires to employ Agrawal as Executive Vice President because of, among other matters, the valuable knowledge of the business of the Company by Agrawal, and the decreased value of the business of USAT and the Company that would result if Agrawal would divulge certain confidential information and compete in the business conducted by Company.

As more fully set forth herein, Agrawal has become Executive Vice President of USAT, and Agrawal has agreed that he will be subject to certain covenants and restrictions following the date hereof.

AGREEMENT

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

1. **Employment**.

a. USAT shall employ Agrawal as Executive Vice-President commencing on November 9, 2017 and continuing through November 8, 2018 (the "Employment Period"), and Agrawal accepts such employment. Unless terminated by either party hereto upon at least 90-days' notice prior to the end of the original Employment Period ending November 8, 2018, or prior to the end of any one-year extension of the Employment Period, the Employment Period shall not be terminated, and shall automatically continue in full force and effect for consecutive one-year periods.

b. During the Employment Period, Agrawal shall devote his full time, energy, skills, and attention to the business of USAT, and shall not be engaged or employed in any other activity whatsoever that competes with USAT's or the Company's business, nor take any action on behalf of or otherwise assist USAT's or the Company's competitors. Agrawal shall disclose to USAT Agrawal's membership on the board of directors of any entity as of the date of this Agreement, and shall obtain prior approval from USAT before serving as a board member for any other entity during the Employment Period.

c. During the Employment Period, Agrawal shall perform and discharge well and faithfully such duties for USAT as shall be necessary or as otherwise may be directed by USAT or by the Chief Executive Officer of USAT, and shall comply with the written terms, conditions, policies, and procedures made available to employees of USAT.

d. Nothing contained in this Agreement shall prohibit Agrawal from (i) participating in the "Permitted Activities," described below as long as the Permitted Activities do not involve activities or conduct which are in violation of Agrawal's duties under Sections 5 and 6 of this Agreement; (ii) investing his personal assets in businesses which do not compete with USAT or the Company, in which his participation is solely that of a passive investor; (iii) serving as a member of boards of directors, boards of trustees, or other governing bodies of any organization, provided

that USAT approves such board or governing body membership in advance; or (iv) participating in trade associations, charitable, civic and any similar activities of a not-for-profit, philanthropic or eleemosynary nature; or from attending educational events or classes.

e. "Permitted Activities" shall mean: (i) acting as an advisor and/or investor with Geegah, LLC, which is owned by Dr. Amit Lal, or its affiliates; (ii) developing and working with companies in the field of ultrasonic MEMs based biometric sensor (finger print sensor) that may be incorporated into cashless payments, credit cards, debit cards, smartphones, laptops, tablets, automobiles, IOT devices, and other consumer applications; and (iii) licensing or manufacturing such biometric sensor technology. For avoidance of doubt, Permitted Activities shall not include or refer to any activities that are in competition with any business activity conducted by USAT or the Company at any time from the date of this Agreement up until the date of Agrawal's separation from USAT's employment, including but not limited to, delivering services or products to unattended retail locations, and including any production, promotion, marketing, or sales activities relating thereto. Any participation by Agrawal in such Permitted Activities shall not interfere in any manner whatsoever with the performance of his duties as USAT shall employ Agrawal as Executive Vice President of USAT. Permitted activities are not considered to be performed in connection with Agrawal's employment with USAT.

2. **Compensation and Benefits**.

a. In consideration of his services rendered, USAT shall pay to Agrawal, effective as of November 9, 2017, an "Annual Base Salary" of $280,000 per year during the Employment Period, subject to any withholding required by law. Agrawal's Annual Base Salary may be increased (and not decreased) from time to time in the discretion of the Chief Executive Officer of USAT.

b. In addition to the Annual Base Salary, Agrawal shall be eligible to receive such bonus or bonuses as the Chief Executive Officer of USAT may, in his discretion, pay or award to Agrawal from time to time based upon his performance and/or the performance of USAT. All such bonuses in this regard may be made in cash, common stock or other equity of USAT.

c. Agrawal shall also participate in and shall be eligible for compensation under the Short-Term Cash Incentive Plan (the "STI Plan") and in the Long-Term Stock Incentive Plan (the "LTI Stock Plan") established by USAT's Chief Executive Officer for fiscal year 2018 and each fiscal year during the Employment Period for the executive officers of USAT. The target bonuses and awards for Agrawal under the STI Plan and the LTI Stock Plan shall be approved by USAT's Chief Executive Officer and shall be based upon his Annual Base Salary.

d. For fiscal year 2018, Agrawal's STI Plan and LTI Stock Plan awards would be pro-rated from November 9, 2017 through June 30, 2018. If the year-over-year percentage target goals would be achieved under the LTI Stock Plan for the 2018 fiscal year, Agrawal would earn an award of shares under the LTI Stock Plan with a value equal to 100% of his Annual Base Salary (subject to proration). If the target goals under the STI Plan would be achieved for the 2018 fiscal year, Agrawal would earn a cash bonus equal to 40% of his Annual Base Salary (subject to proration).

e. Retention Bonus. In addition to the compensation described above, Agrawal shall be eligible to receive a cash bonus in the aggregate amount of up to $420,000 (the "Retention Bonus"). The Retention Bonus shall only be earned by Agrawal as follows: one-half thereof ($210,000) if he remains employed with USAT on the first annual anniversary of the date of this Agreement; and one-half thereof ($210,000) if he remains employed with USAT on the second annual anniversary of this Agreement. There are to be no partial payments of the two Retention Bonus payments referred to in the preceding sentence. The portion of the Retention Bonus that may

be earned by Agrawal shall be paid to Agrawal by USAT at the time of the first employee payroll of USAT occurring after the applicable date on which the Retention Bonus has been earned by Agrawal. Notwithstanding the prior sentence, (i) if Agrawal is terminated by USAT without Cause, as defined below, (ii) if Agrawal terminates for Good Reason, as defined below, or (iii) if this Agreement is not renewed by USAT under Section 1(a); all of the then unearned Retention Bonus, if any, shall be deemed to have been earned by Agrawal, and shall be paid by USAT to Agrawal within ten (10) days following the date of such termination. It is understood and agreed that the Retention Bonus shall be subject to and reduced by any withholding required under applicable laws.

f. Agrawal shall be entitled to be reimbursed by USAT for all necessary expenses reasonably incurred by Agrawal in connection with the discharge of his employment duties hereunder, consistent with California Labor Code Section 2802. Agrawal shall reasonably document all requests for expense reimbursements.

g. During the Employment Period, Agrawal shall be entitled to participate in and be covered by all standard fringe and employee benefits made available to other employees of USAT. During the Employment Period, Agrawal shall be entitled to 20 days paid time off ("PTO") each full calendar year consistent with other employees of USAT. Agrawal is not entitled to any accrued or unused vacation pay from his employment with the Company prior to the date of this Agreement. Any PTO shall be taken at the reasonable and mutual convenience of USAT and Agrawal. Holidays shall be provided in accordance with USAT policy, as in effect from time to time.

h. Agrawal acknowledges that the above compensation and the purchase of his stock of the Company pursuant to the Merger Agreement are sufficient consideration for his entering into this Agreement.

3. **Termination**.

a. Agrawal's employment hereunder may be terminated by USAT or Agrawal, as applicable, only under the following circumstances:

i. Agrawal's employment hereunder shall terminate upon Agrawal's death.

ii. Disability. Agrawal's employment hereunder shall terminate if Agrawal is no longer able to competently and effectively perform his job duties due to disability (consistent with any and all applicable federal and state disability and leave laws). If Agrawal incurs a Disability, USAT may give Agrawal written notice of its intention to terminate Agrawal's employment. In that event, Agrawal's employment with USAT shall terminate, effective on the later of the thirtieth (30th) day after receipt of such notice by Agrawal or the date specified in such notice; provided that within the thirty (30) day period following receipt of such notice, Agrawal shall not have returned to full-time performance of Agrawal's duties hereunder. "Disability" shall mean Agrawal's inability to engage in his job duties existing pursuant to this Agreement by reason of a medically determinable physical or mental impairment that can be expected to result in death or that can be expected to last for a continuous period of not less than six (6) months.

iii. Termination for Cause. USAT may terminate Agrawal's employment for "Cause," as defined below.

iv. Termination without Cause. USAT may terminate Agrawal's employment without Cause.

v. Agrawal may resign from Agrawal's employment for "Good Reason," as defined below.

vi. Agrawal may resign from Agrawal's employment without Good Reason.

b. Notice of Termination. Any termination of Agrawal's employment by USAT or by Agrawal under this Section 3 (other than a termination pursuant to Section 3(a)(i) or (ii) above)

shall be communicated by a written notice to the other party hereto (a "Notice of Termination"): (i) indicating the specific termination provision in this Agreement relied upon, and (ii) except with respect to a termination pursuant to Sections 3(a)(iv) or (vi), setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Agrawal's employment under the provision so indicated, and (iii) specifying a Date of Termination which, if submitted by Agrawal, shall be at least thirty (30) days following the date of such notice; provided, however, that a Notice of Termination delivered by USAT pursuant to Section 3(a)(ii) shall not be required to specify a Date of Termination, in which case the Date of Termination shall be determined pursuant to Section 3(a)(ii); and provided, further, that in the event that Agrawal delivers a Notice of Termination to USAT, USAT may, in its sole discretion, accelerate the Date of Termination to any date that occurs following the date of USAT's receipt of such Notice of Termination (even if such date is prior to the date specified in such Notice of Termination). A Notice of Termination submitted by USAT (other than a Notice of Termination under Section 3(a)(ii) above) may provide for a Date of Termination on the date Agrawal receives the Notice of Termination, or any date thereafter elected by USAT in its sole discretion. The failure by USAT or Agrawal to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of USAT or Agrawal hereunder or preclude USAT or Agrawal from asserting such fact or circumstance in enforcing USAT's or Agrawal's rights hereunder.

c. USAT shall have "Cause" to terminate Agrawal's employment hereunder upon: (i) Agrawal's conviction or Agrawal's entry of a guilty plea or plea of no contest to any felony or to any other crime involving moral turpitude; or (ii) Agrawal materially breaches any term, condition, representation, or warranty of this Agreement; or (iii) Agrawal willfully abandons his duties hereunder, unless arising from Agrawal's Disability; or (iv) Agrawal's fraud, gross malfeasance or

willful misconduct with respect to USAT's business; or (v) any willful violation by Agrawal of any law, rule or regulation, which violation results or could reasonably be expected to result in material harm to the business or reputation of USAT; or (vi) any intentional misapplication by Agrawal of USAT's funds; or (vii) any willful failure by Agrawal to obey the reasonable and lawful instructions from USAT's Chief Executive Officer or the Board made within the scope of the Chief Executive Officer's or Board's respective authority in a manner that is both material in nature and detrimental to USAT; and which, in the case of clauses (ii) and (vii), continues beyond thirty (30) days after USAT has provided Agrawal written notice of such failure or breach. Upon such termination, neither party hereto shall have any further duties or obligations except as provided in this Section; however, that Agrawal's obligations under Sections 5 and 6 hereof shall survive any such termination.

d. Agrawal shall have "Good Reason" to terminate Agrawal's employment hereunder within ninety (90) days after the initial occurrence of one or more of the following conditions: (i) a material diminution in Agrawal's authority, duties, or responsibilities, as described herein; (ii) a material diminution in Agrawal's Annual Base Salary Agrawal's performance level bonus is decreased and the percentage of decrease is materially higher than the decrease for other USAT employees at a similar level to Agrawal; (iii) any other action or inaction that constitutes a material breach of this Agreement by USAT; (iv) a relocation of Agrawal's principal office and place of business to a location more than thirty (30) miles from Agrawal's current residence in San Francisco, California and which, in the case of any of the foregoing, continues beyond thirty (30) days after Agrawal has provided USAT written notice that Agrawal believes in good faith that such condition giving rise to such claim of Good Reason has occurred, so long as such notice is provided within ninety (90) days after the initial existence of such condition.

e. "Date of Termination" shall mean (i) if Agrawal's employment is terminated due to Agrawal's death, the date of Agrawal's death; (ii) if Agrawal's employment is terminated due to Agrawal's Disability, the date determined pursuant to Section 3(a)(ii); or (iii) if Agrawal's employment is terminated pursuant to Section 3(a)(iii)-(vi) either the date indicated in the Notice of Termination or the date specified by USAT pursuant to Section 3(b), whichever is earlier.

4. <u>USAT Obligations Upon Termination of Employment</u>

a. In General. Upon a termination of Agrawal's employment for any reason, Agrawal (or Agrawal's estate) shall be entitled to receive: (i) any portion of Agrawal's Annual Base Salary through the Date of Termination not theretofore paid, (ii) any expenses owed to Agrawal under Section 2(f), (iii) any accrued but unused PTO pay owed to Agrawal pursuant to Section 2(g), and (iv) any amount arising from Agrawal's participation in, or benefits under, any employee benefit plans, programs or arrangements under Section 2(g), which amounts shall be payable or vested in accordance with the terms and conditions of such employee benefit plans, programs or arrangements.

b. In the event of Agrawal's termination of employment by USAT without Cause pursuant to Section 3(a)(iv) or by Agrawal's resignation for Good Reason pursuant to Section 3(a)(v), USAT shall pay Agrawal any STI or LTI award that was earned prior to Termination, and any portion of any STI or LTI award for the year in which Termination occurs with the award and targets adjusted pro rata for the partial year. For the purposes of this Subsection 4(b), the term earned shall mean the pro rata target for the STI or LTI as of the date of Agrawal's termination without Cause, regardless whether Agrawal is employed for USAT's full fiscal year. Except as otherwise set forth in Section 4(c) below, the payments and benefits described in Section 4(a) and this Section 4(b) shall be the only payments and benefits payable in the event of Agrawal's termination of employment for any reason.

c. Severance Payments. In the event of (1) Agrawal's termination of employment by USAT without Cause pursuant to Section 3(a)(iv), (2) by Agrawal's resignation for Good Reason pursuant to Section 3(a)(v), or (3) nonrenewal of this Agreement under Section 1(a) by USAT; in addition to the payments and benefits described in Sections 4(a) and 4(b) above, USAT shall, subject to Section 15 and Section 4(d) and subject to Agrawal's execution of a release of any and all claims, suits, or causes of action (except for any USAT post termination obligations under this Agreement) against USAT and its affiliates in form reasonably acceptable to USAT:

i. Continue to pay to Agrawal Annual Base Salary (as it exists on the Date of Termination), during the period beginning on the Date of Termination and ending on the first anniversary of the Date of Termination (the "Severance Period") in accordance with USAT's regular payroll practice as of the Date of Termination; and

ii. Continue during the Severance Period coverage for Agrawal and any eligible dependents under all USAT group health benefit plans in which Agrawal and any dependents were entitled to participate immediately prior to the Date of Termination, to the extent permitted ("Continued Coverage"); provided that if such Continued Coverage would result in penalties under Section 4980D of the Code, then USAT may in its sole discretion provide that (i) Agrawal shall pay to USAT, on an after-tax basis, a monthly amount equal to the full premium cost of the Continued Coverage (determined in accordance with the methodology under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended,) for such month and (ii) within 30 days of such premium payment, USAT shall reimburse Agrawal in cash (less required withholding) an amount equal to the sum of (A) the full premium cost of the Continued Coverage for such month and (B) an additional tax "gross up" payment to cover all estimated applicable local, state and federal income and payroll taxes imposed on Agrawal with respect to the Continued Coverage.

d. Notwithstanding any other provision of this Agreement, no payment shall be made or benefit provided pursuant to Sections 4(b) or 4(c) if Agrawal has violated any of the restrictive covenants set forth in Sections 5 and 6. The provisions of this Section 4 shall supersede in their entirety any severance payment provisions in any severance plan, policy, program or other arrangement maintained by USAT.

5. **Business Secrets, Disclosure of Inventions, and Invention Assignment**.

a. The term "Invention" includes all inventions, improvements, modifications and enhancements, whether or not patentable and whether or not reduced to practice, together with each work of such owner, whether or not copyrightable, as well as ideas, concepts, designs, and processes, whether or not patentable.

b. Except in connection with Agrawal's duties hereunder and as set forth in Section 7 below, Agrawal shall not, directly or indirectly, at any time from and after the date hereof, and whether or not the Employment Period has terminated, or whether or not Agrawal's employment has terminated for any reason whatsoever, make any use of, exploit, disclose, or divulge to any other person, firm or corporation, any confidential information including, but not limited to, proprietary information, trade secret, business secret, document, practice, process procedure, know-how, data, sales information, marketing information, marketing method, marketing means, software information, intellectual property, special arrangement, internal organization, employment list, customer list, or any other confidential information concerning the business or policies of the Company or USAT or concerning the Company or USAT's customers, clients, accounts, or suppliers, that Agrawal learned as a result of, in connection with, through his employment with, or through his affiliation with, the Company or USAT, whether or not pursuant to this Agreement, and whether prior to or after the date hereof, but not information that can be shown through documentary evidence

to be in the public domain, or information that falls in to the public domain, unless such information falls into the public domain by Agrawal's direct or indirect disclosure or other improper acts. Agrawal agrees to use his best endeavors to prevent the unauthorized disclosure or publication of confidential information and not to copy nor remove confidential information from the Company or USAT's premises, whether physically or electronically, unless it is maintained on USAT issued equipment, without the express written permission of USAT management.

c. All documents, data, know-how, designs, Inventions, names, marketing information, marketing method, marketing means, materials, software programs, hardware, configurations, information, data processing reports, lists and sales analyses, price lists or information, or any other materials or data of any kind furnished to Agrawal by the Company or USAT, or by the Company or USAT's customers, clients, accounts, and suppliers, or developed by Agrawal on behalf of the Company or USAT or at the Company or USAT's direction or for the Company or USAT's use, or otherwise devised, developed, created, or invented in connection with Agrawal's employment hereunder or his affiliation with the Company or USAT(whether or not during normal working hours), are, and shall remain, the sole and exclusive property of the Company or USAT, and Agrawal shall have no right or interest whatsoever thereto, including but not limited to, any copyright or patent interest whatsoever. If USAT requests the return of any such items (including all copies) at any time whatsoever, Agrawal shall immediately deliver the same to USAT.

d. Agrawal shall promptly disclose in writing to USAT’s Chief Executive Officer all Inventions made by Agrawal during the term of Agrawal’s employment with either the Company or USAT, including all Inventions made prior to the date of this Agreement, or subsequent to the date of this Agreement, whether made solely or jointly with others, and regardless of whether Agrawal contends the Invention is Agrawal’s own Invention including the inventions listed on

Exhibit A attached hereto and incorporated by reference("Excluded Invention"), or the Company or USAT's Invention ("Subject Invention"). Agrawal shall promptly disclose to USAT a general description of the Invention made or conceived by Agrawal during the term of Agrawal's employment with either the Company or USAT, so that USAT can determine whether the Invention is properly classified as a Subject Invention or Excluded Invention.

e. Agrawal hereby assigns to USAT, without additional consideration to Agrawal, the entire right, title and interest in and to all Subject Inventions (including Subject Inventions made prior to the execution hereof) and all confidential information writings, apparatus, and other matter related to the Subject Inventions and in and to all proprietary rights therein or based thereon. Agrawal understands and agrees that all material included in any Subject Invention which is eligible for protection under the United States, or any other country's or jurisdiction's copyright laws shall be deemed created in the ordinary course and scope of Agrawal's employment by the Company and shall be "Works for Hire" under the copyright laws of the United States. Agrawal and USAT acknowledge the terms of California Labor Code Section 2870 and Agrawal is hereby notified that the obligation to assign or offer to assign any of Agrawal's rights in any Invention to USAT do not apply to any Invention which qualifies as an Excluded Invention and which complies fully with the provisions of California Labor Code Section 2870(a).

f. Except for Excluded Inventions, all documents, data, know-how, designs, products, ideas, equipment, Inventions, names, devices, marketing information, marketing methods, marketing means, materials, software programs, hardware, configurations, information, or any other materials or data of any kind developed by Agrawal on behalf of the Company or USAT or at their direction or for the Company or USAT's use, or otherwise devised, developed, created, or invented in connection with Agrawal's employment with the Company or USAT or Agrawal's affiliation with

the Company or USAT (whether or not during normal working hours), whether before or after the date of this Agreement, are and shall remain the sole and exclusive property of USAT, and Agrawal agrees to apprise USAT of the existence of such, and Agrawal does not and shall not have any right, title or interest whatsoever thereto. Agrawal hereby acknowledges that all such rights to such intellectual property shall belong exclusively to USAT and not to Agrawal. Any and all rights of ownership in connection with any of the foregoing shall belong solely to USAT, and all copyright, patent, trademark, or similar rights or interests shall be the sole and exclusive property of USAT. Agrawal hereby assigns, transfers, and conveys to USAT all of his right, title and interest in and to any and all such Inventions, discoveries, improvements, modifications, and other intellectual property rights, and agrees to take all such actions as may be required by USAT at any time and with respect to any such Invention, discovery, improvement, modification, or other intellectual property rights to effectuate, confirm, or evidence such assignment, transfer, and conveyance, including, but not limited to, executing and delivering any and all applicable forms, documents, or applications required under any applicable copyright, patent, trademark, or other law, rule, or regulation.

g. Agrawal may respond to a lawful and valid subpoena or other legal process but shall give USAT the earliest possible notice thereof, and shall, as much in advance of the return date as possible, make available to USAT and its counsel the documents and other information sought, and shall assist such counsel in resisting or otherwise responding to such process.

6. **Non-Compete, Non-Solicitation and Non-Interference**.

a. Non-Compete. For a three (3) year period following the date of this Agreement, Agrawal shall be prohibited from competing within any geographic area in which the Company's business was conducted as of the date this Agreement, with the business of USAT or the Company,

as presently or as hereinafter conducted as of the termination of the Employment Period; including but not limited to, delivering services or products to unattended retail locations, and including any production, promotion, marketing, or sales activities relating thereto. For the purposes hereof, the term "competing" shall mean acting, directly or indirectly, as a partner, principal, stockholder, joint venturer, associate, independent contractor, creditor of, consultant, trustee, lessor to, sub-lessor to, employee or agent of, or to have any other involvement with, any person, firm, corporation, or other business organization which is engaged in the businesses described in this Section.

b. Non-Interference with Employees. For a three (3) year period following the date of this Agreement, or one year following the termination of the Employment Period, whichever is later (the "Non-Interference Period"), Agrawal shall not (a) directly or indirectly, solicit for hire for any business entity other than USAT or the Company, any person employed by the Company as of the date of termination of this Agreement or at any time through the duration of the Non-Interference Period; or (b) directly or indirectly interfere with USAT's relations with any person employed by the Company as of the date of termination of this Agreement or at any time through the duration of the Non-Interference Period. Such restriction shall not limit any employee or candidate responding to a general job posting.

c. **Non-Solicitation of Customers**. For a three (3) year period following the date of this Agreement, or one year following the termination of the Employment Period, whichever is later, Agrawal shall be prohibited from soliciting any customer of the Company in connection with Agrawal's engaging in a business competing with or similar to that of the Company as conducted as of the date this Agreement, including but not limited to, delivering services or products to unattended retail locations, and including any production, promotion, marketing, or sales activities

relating thereto, and including any production, promotion, marketing, or sales activities relating thereto.

d. Exempt Businesses. Notwithstanding such restrictions or any other USAT policy or provision in this Agreement; Agrawal shall not be prohibited after the Employment Period from investing in, or advising Permitted Activities.

e. If any of the provisions contained in this Section shall, for any reason, be held by a court of competent jurisdiction to be excessively broad as to duration, scope, activity, or subject, those provisions shall be construed by limiting and reducing them so as to be valid and enforceable to the extent compatible with the applicable law.

7. **Government Agencies and Legal Proceedings Brought By Others; No disparagement**.

a. Nothing in this Agreement prohibits or prevents Agrawal from filing a charge with or participating, testifying, or assisting in any investigation, hearing, or other proceeding before any federal, state, or local government agency. Agrawal further understands that this Agreement does not limit his ability to make any disclosures that are protected under the whistleblower provisions of federal law or regulation. This Agreement does not limit Agrawal's right to receive an award for information provided to any Government Agencies.

b. Agrawal and USAT agree not to disparage each other, any of USAT's products or practices, or any of its directors, officers, agents, representatives, equity holders or affiliates, either orally or in writing, at any time; provided that the parties may confer in confidence with their legal representatives and make truthful statements as required by law, rule or regulation.

8. **Remedies**. Agrawal acknowledges that any breach by Agrawal of the obligations set forth in Sections 5 or 6 hereof would substantially and materially impair and irreparably harm

USAT's business and goodwill; that such impairment and harm would be difficult to measure; and, therefore, total compensation in solely monetary terms would be inadequate. Consequently, Agrawal agrees that in the event of any breach or any threatened breach by Agrawal of any of the provisions of Section 5 or 6 hereof, USAT shall be entitled, in addition to monetary damages or other remedies, and without posting bond, to equitable relief, including injunctive relief, and to the payment by Agrawal of all costs and expenses incurred by USAT in enforcing the provisions thereof, including attorneys' fees. The remedies granted to USAT in this Agreement are cumulative and are in addition to remedies otherwise available to USAT at law or in equity.

9. **Non-Waiver**. The waiver by either party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other or subsequent breach by such party of such or any other provision.

10. **Notices**. All notices required or permitted hereunder shall be in writing and shall be sent by overnight delivery service, as follows:

To USAT:

USA Technologies, Inc.
100 Deerfield Lane, Suite 300
Malvern, Pennsylvania 19355
Attn: Stephen P. Herbert, Chief Executive Officer

To Agrawal:

Anant Agrawal
289 Chestnut Street, Unit #3
San Francisco, CA 94133

or to such other address as either of them may designate in a written notice served upon the other party in the manner provided herein. All notices required or permitted hereunder shall be deemed duly given and received on the first day next succeeding the date of mailing.

11. **Severability**. If any term or provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of any such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12. **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 hereof, may be assigned by USAT without the consent of Agrawal. This Agreement, or any part thereof, may not be assigned by Agrawal.

13. **Entire Agreement and Prior Agreements**. As of the date of this Agreement; Agrawal's Employment Agreement with the Company dated April 1, 2010, and signed by Agrawal on March 11, 2011 ("April 1, 2010 Agreement"), is superseded and replaced by this Agreement, except for Agrawal's duties and obligations set forth in Sections 6 and 7(a) of the April 1, 2010 Agreement. Agrawal shall have no right to any of the Cash and Incentive Compensation provided for in the April 1, 2010 Agreement. Agrawal's duties and obligations set forth in the Employee Nondisclosure, Non-Compete, Non-Solicitation and Invention Assignment Agreement as of 2004 ("2004 NDA Agreement") shall remain in full force and effect, and are not abrogated by this Agreement. To the extent Sections 6 and 7(a) of the April 1, 2010 Agreement and the provisions of the 2004 NDA Agreement conflict with the terms of this Agreement, the terms of this Agreement

shall govern. Except as set forth above in this Section, this Agreement constitutes the entire agreement with respect to the subject matter hereof between the parties hereto and, except as provided herein, there are no other agreements between the parties relating to the subject matter hereof. This Agreement may only be modified by an agreement in writing executed by both USAT and Agrawal. USAT hereby agrees that all actions taken by Agrawal consistent with the terms of this Agreement shall not be a violation of the April 1, 2010 Agreement or 2004 NDA Agreement.

14. **Understanding of Agreement**. Agrawal hereby represents and warrants each of the following: (i) he has carefully read all of the terms and conditions of this Agreement; (ii) he fully understands the meaning and effect of this Agreement; (iii) the entry into, and execution of, this Agreement by him is his own free and voluntary act and deed; and (iv) he has received (or had the opportunity to receive) the advice of his own attorney, accountant, or other advisors, concerning this Agreement and its meaning and legal effect, and has fully and completely discussed and reviewed (or has had the opportunity to fully and completely discuss and review) the Agreement and its meaning and legal effect, with his own attorney, accountant or other advisors.

15. **Section 409A**.

a. General. "Section 409A" shall mean Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date.

The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A. Notwithstanding any provision of this Agreement to the contrary, in the event that USAT determines that any amounts payable hereunder will be immediately taxable to Agrawal under Section 409A, USAT reserves the right (without any obligation to do so or to indemnify

Agrawal for failure to do so) to (i) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that USAT determines to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement and to avoid less favorable accounting or tax consequences for USAT and/or (ii) take such other actions as USAT determines to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A or to comply with the requirements of Section 409A and thereby avoid the application of penalty taxes thereunder. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from Agrawal or any other individual to USAT or any of its Affiliates, employees or agents and in no event shall USAT or any of its affiliates, employees or agents be responsible for reimbursing or indemnifying Agrawal for any violation of Section 409A.

b. Separation from Service under Section 409A. Notwithstanding any provision to the contrary in this Agreement: (i) no amount shall be payable pursuant to Section 4(b) unless the termination of Agrawal's employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) for purposes of Section 409A, Agrawal's right to receive installment payments pursuant to Section 4(b) shall be treated as a right to receive a series of separate and distinct payments; and (iii) to the extent that any reimbursement of expenses or in-kind benefits constitutes "deferred compensation" under Section 409A, such reimbursement or benefit shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided

in any other year. Notwithstanding any provision to the contrary in this Agreement, if Agrawal is deemed at the time of his separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the termination benefits to which Agrawal is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Agrawal's termination benefits shall not be provided to Agrawal prior to the earlier of (x) the expiration of the six-month period measured from the date of Agrawal's "separation from service" with USAT (as such term is defined in the Treasury Regulations issued under Section 409A of the Code) or (y) the date of Agrawal's death; upon the earlier of such dates, all payments deferred pursuant to this sentence shall be paid in a lump sum to Agrawal, and any remaining payments due under the Agreement shall be paid as otherwise provided herein.

16. **Choice of Law, Venue and Arbitration**. This Agreement will be governed by California law, without application of that state's conflict of laws principles. Except for a claimed breach of Sections 5 and 6 of this Agreement, USAT and Agrawal agree that any dispute between the Parties will be referred to final and binding arbitration, in accordance with the then-current Employment Arbitration Rules (the "Rules") of the American Arbitration Association ("AAA") with the hearing venue to be located in California. To the extent any dispute between the Parties is not subject to AAA arbitration, then the Parties hereby consent to the exclusive jurisdiction of the state and federal courts of the State of California. USAT and Agrawal, upon prior mutual written agreement, may agree to have any Dispute referred to and conducted in accordance with the rules (as same may be modified by such written mutual agreement) of another private arbitration institution, such as by way of example only, Judicial Arbitration & Mediations Services, Inc.

17. **Merger Agreement Beneficiary.** USAT and Agrawal acknowledge that Agrawal is an intended beneficiary of Section 5.6 of the Merger Agreement, and he shall be a third party beneficiary thereof.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

USA TECHNOLOGIES, INC.

By: /s/ Stephen P. Herbert_____
Stephen P. Herbert,
Chief Executive Officer

/s/ Anant Agrawal_____
Anant Agrawal

EXHIBIT A
EXCLUDED INVENTIONS AND CONCEPTS

NONE

FIRST AMENDMENT
TO EMPLOYMENT, NON-INTERFERENCE, NON-SOLICITATION, NON-COMPETITION AND INVENTION ASSIGNMENT AGREEMENT

This First Amendment to Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement is made this 25 day of February 2018, ("First Amendment") by and between ANANT AGRAWAL ("Agrawal"), and USAT TECHNOLOGIES, INC., a Pennsylvania corporation ("USAT").

BACKGROUND

USAT and Agrawal (collectively "the Parties") entered into an Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement dated November 9, 2017 (the "Employment Agreement"). As more fully set forth herein, the parties desire to amend the Employment Agreement in certain respects. The Parties are entering into this Amendment by reason of the change of Agrawal's principal place of employment to USAT's offices in Malvern, Pennsylvania.

AGREEMENT

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

1. **Amendments.**

A. Subsection (d) of Section 3 of the Employment Agreement is hereby deleted and the following new subsection (d) is hereby substituted in its place:

(d) Agrawal shall have "Good Reason" to terminate Agrawal's employment hereunder within ninety (90) days after the initial occurrence of one or more of the following conditions: (i) a material diminution in Agrawal's authority, duties, or responsibilities, as described herein; (ii) a material diminution in Agrawal's Annual Base Salary or Agrawal's performance level bonus is decreased and the percentage of decrease is materially higher than the decrease for other USAT employees at a similar level to Agrawal; (iii) any other action or inaction that constitutes a material breach of this Agreement by USAT, or (iv) a relocation of Agrawal's principal office and place of business to a location more than thirty (30) miles from USAT's current office in Malvern, Pennsylvania, and which, in the case of any of the foregoing, continues beyond thirty (30) days after Agrawal has provided USAT written notice that Agrawal believes in good faith that such condition giving rise to such claim of Good Reason has occurred, so long as such notice is provided within ninety (90) days after the initial existence of such condition.

B. Section 16 is hereby deleted and the following new Section 16 is hereby substituted in its place:

16. Choice of Law, Venue and Arbitration.

This Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to its conflict of law rules. Except for a claimed breach of Sections 5 and 6 of this Agreement, USAT and Agrawal agree that any dispute between the Parties will be referred to final and binding arbitration, in accordance with the then-current Employment Arbitration Rules (the "Rules") of the American Arbitration Association ("AAA") with the hearing venue to be located in Philadelphia, Pennsylvania. USAT and Agrawal, upon prior mutual written agreement, may agree to have any Dispute referred to and conducted in accordance with the rules (as same may be modified by such written mutual agreement) of another private arbitration institution, such as by way of example only, Judicial Arbitration & Mediations Services, Inc. To the extent any dispute between the Parties is not subject to AAA arbitration, then the Parties hereby consent to the exclusive jurisdiction of the state or federal court in the Eastern District of Pennsylvania.

C. **The following new Section 18 is hereby added:**

18. Relocation Expenses.

USAT will reimburse Agrawal for the following expenses incurred by Agrawal related to Agrawal's move to the Philadelphia metropolitan area in connection with Agrawal's principal office to be located at USAT's offices in Malvern, Pennsylvania, which move shall occur no later than March 31, 2018:

(a) Necessary and reasonable expenses for two round trips between California and the Philadelphia metropolitan area for Agrawal and Agrawal's spouse and child prior to March 31, 2018 in connection with Agrawal's search for housing in the Philadelphia metropolitan area;

(b) Necessary and reasonable moving expenses for Agrawal and Agrawal's spouse and child to move from California to the Philadelphia metropolitan area no later than March 31, 2018, and for a return move for them to California at the end of the Employment Period provided that the termination of employment is not For Cause or Without Good Reason;

(c) Housing allowance of $6,000 per month for twenty (20) months for housing in the Philadelphia metropolitan area provided and while Agrawal remains an employee of USAT based out of its offices in Pennsylvania; and

(d) Car allowance of $500 per month for twenty (20) months provided and while Agrawal remains an employee of USAT based out of its offices in Pennsylvania.

(e) The automobile and housing reimbursement payments due to Agrawal by USAT shall be made on an after-tax basis, and shall include an additional tax "gross up" payment to cover any applicable local, state and federal income and/or payroll taxes imposed on Agrawal with respect to such reimbursement payments.

2. **Modification.** Except as otherwise specifically set forth in Paragraph 1, the Employment Agreement shall not be amended or modified in any respect whatsoever and shall continue in full force and effect.

3. **Effective Time.** The amendments to the Employment Agreement made in Paragraph 1 hereof shall be effective from and after the date hereof.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment on the day and year first above written.

USA TECHNOLOGIES, INC.

By: /s/ Stephen P. Herbert
Stephen P. Herbert,
Chief Executive Officer

By: /s/ Anant Agrawal
ANANT AGRAWAL

Exhibit 10.9.2

SECOND AMENDMENT
TO EMPLOYMENT, NON-INTERFERENCE, NON_SOLICITATION, NON-COMPETITION AND INVENTION ASSIGNMENT AGREEMENT

This Second Amendment to Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement is made this ___ day of August 2019, by and between ANANT AGRAWAL ("Agrawal"), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("USAT").

Background

USAT and Agrawal entered into an Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement dated November 9, 2017, as amended by a First Amendment thereto dated February 25, 2019 (collectively, the "Agreement"). As more fully set forth herein, the parties desire to amend the Agreement in certain respects.

Agreement

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

1. Amendments.

A. The first sentence of subparagraph (a) of Section 2. Compensation and Benefits of the Agreement is hereby deleted, and the following new sentence is hereby substituted in its place:

"In consideration of his services rendered, effective as of August 1, 2019, USAT shall pay to Agrawal an "Annual Base Salary" of $340,000 per year during the Employment Period, subject to any withholding required by law."

B. The following new sentence shall be added to the end of subparagraph (c) of Section 2. Compensation and Benefits of the Employment Agreement:

"Agrawal agrees that any incentive compensation awarded to or received by him under the STI Plan or LTI Plan shall be subject to USAT's Incentive Compensation Clawback Policy that was adopted on July 31, 2019 as if he were an executive officer of USAT."

C. The following shall be added to the end of subparagraph (d) of Section 2. Compensation and Benefits of the Employment Agreement:

"If the target goals under the STI Plan would be achieved for the 2020 fiscal year, Agrawal would earn a cash bonus equal to 48% of his Annual Base Salary. If the year-over-year percentage target goals would be achieved under the LTI Stock Plan for the 2020 fiscal year, Agrawal would earn an award of shares under the LTI Stock Plan with a value equal to 100% of his Annual Base Salary. For the 2020 fiscal year, 50% of Agrawal's target goals under each of the STI Plan and the LTI Stock Plan shall be agreed upon between the Chief Executive Officer and Agrawal by no later than September 30, 2019, and 50% of the target goals shall be the target goals under each of the STI Plan and the LTI Stock Plan which apply to the executive officers of USAT."

D. The following new subsection (f) shall be added to Section 1. Compensation of the Agreement:

"(f) Agrawal and the Company acknowledge that effective July 1, 2019, Agrawal is no longer working out of the Company's Malvern, Pennsylvania offices, and has moved back to San Francisco, California. During the Employment Period, Agrawal shall be permitted to work from and be based out of the San Francisco, California area, and shall not be required to have his principal place of employment at any of the Company's offices."

E. The following language shall be deleted from subsection (d) of Section 3. Termination of the Agreement:

"or (iv) a relocation of Agrawal's principal office and place of business to a location more than thirty (30) miles from USAT's current office in Malvern, Pennsylvania,"

F. The word “or” shall be inserted before subparagraph (iii) of subsection (d) of Section 3. Termination of the Agreement.

G. Effective July 1, 2019, the housing allowance referred to in subsection (c) and the car allowance referred to in subsection (d) of Section 18. Relocation Expenses of the Agreement shall be discontinued, and the Company shall have no further obligation thereunder or under subsection (e) of such Section.

2. Modification. Except as otherwise specifically set forth in Paragraph 1, the Agreement shall not be amended or modified in any respect whatsoever and shall continue in full force and effect.

3. Effective Time. The amendments to the Agreement made in Paragraph 1 hereof shall be effective from and after the date hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the day and year first above written.

USA TECHNOLOGIES, INC.

By: /s/ Stephen P. Herbert
Stephen P. Herbert,
Chief Executive Officer

By: /s/ Anant Agrawal
ANANT AGRAWAL

Exhibit 10.14.2

SECOND AMENDMENT TO
MASTERCARD ACCEPTANCE AGREEMENT

THIS SECOND AMENDMENT TO THE MASTERCARD ACCEPTANCE AGREEMENT (this "Second Amendment") is effective as of June 22, 2015 (the "Amendment Effective Date") and is entered into by and between MasterCard International Incorporated, with its principal offices at 2000 Purchase Street, Purchase, New York 10577 ("MasterCard"), and USA Technologies, Inc., with its principal offices at 100 Deerfield Lane, Malvern, PA 19355, for itself and its Affiliates ("Merchant"), and it amends that certain MasterCard Acceptance Agreement between MasterCard and Merchant, as amended by that certain First Amendment to the MasterCard Acceptance Agreement between MasterCard and Merchant, dated as of February 19, 2015 (the "Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Agreement.

WHEREAS, MasterCard and Merchant desire to modify certain of the terms set forth in the Agreement as provided for in this Second Amendment.

NOW, THEREFORE, in consideration of the promises, mutual covenants and agreements herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree, as follows:

1. Amendment.

(a) Section 5 of Exhibit B is hereby deleted in its entirety and replaced with the following:

5. Reports. Merchant agrees that it shall provide written reports to MasterCard on a quarterly basis throughout the Term which such reports shall be true and accurate and shall include the following information (in the case of (i) and (ii), both for the just-completed quarter and for the corresponding quarter during the immediately preceding calendar year): (i) Qualified Volume generated during the applicable quarters; (ii) MasterCard share of all Volume generated during the applicable quarters; and (iii) the following information completed in the table below for the just-completed quarter:

MCC	**Total # of Customers**	**Total Number of Card Readers Units**	**Total Number of Cash Only Machines**

(b) Exhibit C of the Agreement shall, as of the Amendment Effective Date, be modified by deleting the definition of "Applicable Transactions" in its entirety and replacing it with the following:

"(b) "Applicable Transactions" means payments processed using the Company Products and authorized, cleared and settled by MasterCard under one of the codes set forth in Exhibit D."

(c) Exhibit D is hereby added to the Agreement as follows:

EXHIBIT D
MCC CODES FOR APPLICABLE TRANSACTIONS

MCC	Industry	Unattended Equipment
7399	Business Services—not elsewhere classified	Copiers
7996	Amusement Parks, Carnivals, Circuses, Fortune Tellers	Kiddie rides
7994	Video Game Arcades/Establishments	Video Game
7211	Laundry Services—Family and Commercial	Laundry
7523	Automobile Parking Lots and Garages	EV charging (Electronic Vehicle Charging)
7523	Automobile Parking Lots and Garages	Parking &Ticketing
5921	Package Stores, Beer, Wine, and Liquor	Alcohol — Beer Machines
7994	Video Game Arcades/Establishments	Gaming
7299	Other Services—not elsewhere classified	Air/VAC
7299	Other Services—not elsewhere classified	Recycle

7542	Car Washes	Car Wash
5814	Fast Food Restaurant	Food & Beverage Vending
7994	Video Game Arcades/Establishments	Photo Booth
5992	Florists	Flowers
5999	Specialty Stores	Misc Kiosks
7299	Other Services—not elsewhere classified	PPE - Personal protected equipment
7299	Other Services—not elsewhere classified	stroller rental, bike rental, locker rental, and luggage card rental
7297	Massage Parlors	massage chairs fall
7992	Golf Courses, Public	range ball golf machines fall

2. Miscellaneous.

(a) Representation as to Authority. Each of Merchant and MasterCard hereby represents and warrants that it has all requisite corporate power and authority to enter into this Second Amendment.

(b) Counterparts. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute a single instrument.

(c) Effectiveness, This Second Amendment shall become effective, in accordance with its terms, as of the Amendment Effective Date. Except as expressly modified herein, all terms of the Agreement shall remain in full force and effect as stated in the Agreement and, in the event of a conflict between the terms of this Second Amendment and the Agreement, the terms of this Second Amendment shall govern.

(d) No Other Amendments; Confirmation. Except as expressly amended, modified and supplemented hereby, the provisions of the Agreement are and shall remain in full force and effect.

(e) Governing Law. This Second Amendment shall be governed by and construed in accordance with the substantive laws of the State of New York, without regard to its conflicts of laws principles,

***

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to the Agreement.

MASTERCARD INTERNATIONAL INCORPORATED

By: /s/ Michael D. Cyr

Title: EVP, U.S. Market Development

Date: July 13, 2015

USA TECHNOLOGIES, INC.

By: /s/ David M. DeMedio

Title: Chief Financial Officer

Date: June 29, 2015

Exhibit 10.14.3

THIRD AMENDMENT TO THE
MASTERCARD ACCEPTANCE AGREEMENT

This Third Amendment to the Mastercard Acceptance Agreement (this "Third Amendment"), effective as of the last date of its mutual execution by the parties hereto, and is entered into between **Mastercard International Incorporated** ("Mastercard") and **USA Technologies, Inc.** ("USAT").

WHEREAS, Mastercard and USAT are parties to that certain Mastercard Acceptance Agreement, last executed on January 8, 2015 (as amended, the "Agreement"); and

WHEREAS, the Parties desire to amend the Agreement to modify the terms as stated herein; and

NOW, **THEREFORE**, in consideration of the promises, mutual covenants and agreements herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree, as follows:

1. **Amendments**.

(a) The definition of "Term" will be deleted in its entirety and replaced with the following:

"The period from the Effective Date until March 1, 2019 (the "**Initial Term**"). The Initial Term will automatically renew for successive one year renewal terms (each, a "**Renewal Term**" and, together with the Initial Term, the "**Term**"), unless either Party provides the other Party with written notice at least 60 days prior to the end of a Term."

(b) Section 5 of Exhibit B is deleted in its entirety and replaced with the following:

"**Reports**. Merchant agrees that it will provide written reports to Mastercard on a quarterly basis which such reports will be true and accurate and will include the following: (1) a listing of all participating merchants (Merchant Name and MID) in this program and (2) the number of all active cashless (physical card & contactless capable) Company Products residing in the Territory."

(c) The following Sections 6, 7 and 8 will be added after Section 5:

"6. **2-BIN.** Merchant will accept all Mastercard Cards with 2-series BINs for all transactions.

"7. **Contactless Transactions**. Merchant will ensure a minimum of 98% acceptance rate for all contactless transactions, including, without limitation, all digital wallets, physical cards, and contactless dual-interface chip cards.

"8. **Condition**. If Merchant does not comply with all of its commitments in this Agreement, then Mastercard has the right to adjust the Mastercard Interchange Rates to the Published Rate for the remainder of the Term. Mastercard will provide Merchant with at least 30 days' prior written notice of any such rate change."

(d) The definition of "Company Products" will be deleted in its entirety and replaced with the following:

"**Company Products**" means coffee machines, vending machines, kiosks, laundry equipment and other self-service hardware, machines and equipment owned, licensed, developed or operated by Merchant or its customers in the Territory. For the avoidance of doubt, Company Products includes the assets of Cantaloupe Systems, Inc., which was acquired by the Merchant on November 9, 2017.

(e) The definition of "Published Rate" will be added to Exhibit C in alphabetical order:

"**Published Rate**" means the interchange rate published by Mastercard from time-to-time in the publication titled: "U.S. Region Interchange Programs and Rates."

2. **Agreement.** Except as amended hereby, the Agreement will remain in full force and effect according to its terms and will be read and construed as if the terms of this Third Amendment were included therein.

3. **Counterparts.** This Third Amendment may be executed in counterparts, each of which will constitute an original and all of which when taken together will constitute one and the same instrument. This Third Amendment may be executed and delivered by facsimile or PDF transmission.

IN WITNESS WHEREOF, Mastercard and USAT have caused this Third Amendment to the Mastercard Acceptance Agreement to be executed and delivered by their duly authorized officers as of the latest date written below:

MASTERCARD INTERNATIONAL INCORPORATED	**USA TECHNOLOGIES, INC.**
By: /s/ Linda Kirkpatrick	By: /s/ Michael Lawlor
Name: Linda Kirkpatrick	Name: Michael Lawlor
Title: Executive Vice President, US Market Development	Title: Chief Services Officer
Date: July 16, 2018	Date: July 17, 2018

Exhibit 10.15.1

INTEGRATOR AMENDMENT (2018)
TO
THIRD PARTY PAYMENT PROCESSOR AGREEMENT

INTEGRATOR/TP3 NAME: USA Technologies, Inc.

This Integrator Amendment to the Third Party Payment Processor Agreement (the "Amendment") amends and attaches to the Third Party Payment Processor Agreement, dated on or about April 24, 2015, as may have been amended (the "Agreement), between Paymentech, LLC ("Paymentech"), for itself and on behalf of JPMorgan Chase Bank, N.A. a national banking association ("Member"), and USA Technologies, Inc. ("USA Technologies" or "TP3"). This Amendment is dated as of the date last signed below (the "Effective Date"). Except as otherwise defined herein, capitalized terms used herein shall have the meaning assigned to them in the Agreement. All references to section numbers herein shall refer to the corresponding section of the Agreement. To the extent that any conflict or inconsistency exists between the terms of this Amendment and the Agreement, the terms of this Amendment will control.

WHEREAS, USA Technologies entered into the Agreement in order to submit Transaction Records to Paymentech for payment processing for itself and on behalf of certain of its business customers ("Program Merchants") as a third-party payment provider.

WHEREAS, certain customers utilizing the payment processing services of Paymentech ("Chase Merchants"), which are not Program Merchants, will, from time to time, use the services, payment solutions, and/or software (collectively, the "Integrator Services") provided by USA Technologies, in connection with the transmission, but not settlement, of certain payment information originating at points of sale owned or operated by the Chase Merchants, which may include, without limitation, credit and/or debit account numbers, expiration dates, and zip codes (collectively, "Cardholder Data").

1. ADDITIONAL INTEGRATOR OBLIGATIONS:

(a) **Client List.** USA Technologies will provide Paymentech annually, as well as upon Paymentech's request from time to time, a current, complete and accurate list of active Chase merchants for which USA Technologies provides Integrator Services or software subject to the Security Standards (a "Client List"); and
(b) C**ompany-Specific Unique Identifier.** USA Technologies agrees that it will obtain from Paymentech (during the certification process), and thereafter include in every file submitted to Paymentech by USA Technologies, its payment solutions or its software, a unique identifier associated with USA Technologies and/or its payment solution or software; and
(c) **Duty to Protect Cardholder Data.** In addition to its obligations under the Agreement to secure and protect Cardholder Data, USA Technologies shall bear responsibility, and shall reimburse Paymentech for the payment of any assessments, fines, fees, penalties or other amounts which may relate to any Data Compromise Event, violation of the Security Standards, or any acts or omissions of USA Technologies which arise solely from the Integrator Services and/or its payment solution or software.

2. TERMINATION OF INTEGRATOR SERVICES.

This Amendment shall remain in effect from the Effective Date until: (i) it is terminated by Paymentech upon 30 days prior written notice to USA Technologies, or (ii) in the event that no Chase Merchants, which are not Program Merchants, are currently utilizing the Integrator Services and USA Technologies does not reasonably anticipate providing Integrator Services to any Chase Merchant in the foreseeable future, the Amendment may be terminated by USA Technologies upon 30 days prior written notice to Paymentech; provided, however, that in the event the Amendment is terminated, USA Technologies shall continue to bear responsibility for the payment of any fines, fees, penalties or other amounts due hereunder which relate to any Data Compromise Event, violation of the Security Standards, or any acts or omissions of USA Technologies which arise from the Integrator Services and/or its payment solution or software and which may have occurred prior to the date of such termination. In the event that this Amendment is terminated by either party, the Agreement shall remain in full force and effect, until and unless otherwise terminated in accordance with its terms.

3. CONTINUED EFFECT:

(a) Any and all provisions of the Agreement which, by their terms and implication, apply to settlement of transactions by USA Technologies, including but not limited to Section 3. Refunds and Adjustment, Section 4. Settlement, Section 7. Chargebacks, and Section 9. Fees, shall not be applicable to the Integrator Services provided by USA Technologies pursuant to this Integrator Amendment.

(b) Except to the extent amended hereby, and except as set forth in sub-section (a) of this Section 3, all terms, provisions and conditions of the Agreement are hereby ratified and shall continue in full force and effect and the Agreement shall remain enforceable and binding in accordance with its terms**.**

This Amendment shall be effective on the Effective Date.

Agreed and Accepted by:

USA TECHNOLOGIES, INC.
100 Deerfield Lane, Suite 300 Malvern, PA 19301
Legal Address (Print or Type)
/s/ Michael Lawlor
By (authorized signature)
Michael Lawlor – Chief Services Officer
By, Name, Title (Print or Type)
September 27, 2018
Date

Agreed and Accepted by:

PAYMENTECH, LLC, for itself and on behalf of
JPMorgan Chase Bank, N.A.

By: /s/ Thomas J. Arellano

Print Name: Thomas J. Arellano

Title: Vice President, Credit Operations

Date: October 22, 2018

Address: 8181 Communications Pkwy, Plano, TX 75024

Merchant Processing Agreement

The following are the Terms & Conditions of the Merchant Processing Agreement ("Agreement"):

1. Services

1.1 Merchant agrees that during the Term of this Agreement, HPS shall be the exclusive provider of the types of services received hereunder, including for all electronic payments processing, for Merchant and each of its Locations, it will not use the services of any bank, corporation, entity or any other person other than HPS for the processing of bankcard Transactions, unless otherwise approved by HPS.

1.2 Merchant acknowledges and agrees that HPS may provide payment processing services hereunder through the Card Schemes and contracts or subcontracts with third parties engaged in the business of processing and Authorization, and specifically authorizes such third parties, including the Card Schemes, to exercise all of the rights of HPS hereunder, including but not limited to, the rights under 4.20 to debit Merchant's Account for all fees, costs, charges, and other liabilities. Upon request in writing by Merchant, HPS will identify the third parties involved in Merchant's processing.

1.3 Merchant agrees that it:
(a) shall comply with the Rules and this Agreement;
(b) shall cause, to the extent applicable, each of its Locations and Third Party Agents to comply with the Rules and this Agreement; and
(c) is responsible for any non-compliance by its Locations and/or Third Party Agents.

2. Definitions

2.1 **"Account"** means a commercial checking account maintained by Merchant for the crediting of collected funds and the debiting of fees and charges pursuant to the terms of this Agreement.

2.2 **"ACH"** means the Automated Clearing House service offered by the Federal Reserve.

2.3 **"Agreement"** means this Merchant Processing Agreement and the Merchant Application as may be amended from time to time and any product-specific addendum executed by the parties for additional Heartland Services. It includes the application submitted and executed by the Merchant and HPS.

2.4 **"Authorization"** means the act of obtaining approval from the Card Issuer for an individual Transaction.

2.5 **"Card"** means:
(a) a valid credit, debit, charge or payment card in the form issued under license from the Card Schemes; or
(b) any other valid credit, debit, charge or payment card accepted by Merchant under this Agreement with HPS.

2.6 **"Card Schemes" used interchangeably with Card Brands** means VISA U.S.A., Inc., VISA International, Inc., MasterCard International, Inc., Discover Financial Services, American Express Travel Related Services Company, Inc., PayPal or any other Card Issuer that provides Cards that are accepted by Merchant under this Agreement with HPS and, with respect to on-line debit Card Transactions the on-line Debit Networks.

2.7 **"Card Issuer"** means the financial institution or company that has provided a Card to the Cardholder.

2.8 **"Cardholder" used interchangeably with Card Member** means the person or Card Member whose name is embossed upon the face of the Card.

2.9 **"Card-Not-Present Transaction"** means any Transaction for which required data is not electronically captured by reading information encoded in or on the Card and includes mail order, telephone order and Internet Transactions.

2.10 **"Card Swipe"** means the electronic capture of a Card's magnetic stripe data by point of sale equipment or other electronic payment device at the time of Sale, and the inclusion of that data with the electronic submission of the Sale. Only a "Card Swipe," "EMV Transaction" or its manual equivalent, an "Imprint," is acceptable by the Card Scheme as proof that the Card was present at the time of the Sale.

2.11 **"Chargeback"** means the procedure by which:
(a) a sales Transaction (or disputed portion thereof) is returned to HPS by a Card Issuer because such item does not comply with the Rules, the Card Issuer's operating regulations or for any other reason as provided in this Agreement; and (b) the Merchant's Account is debited for such return.

2.12 **"Credit Voucher"** means a document or Transaction executed by Merchant evidencing any refund or price adjustment relating to Products or services to be credited to a Cardholder account.

2.13 **"Debit Networks"** means the Authorization networks utilized by Merchant for PIN Debit Transactions.

2.14 **"Discount"** means the fee paid by Merchant to HPS expressed as a percentage of Card Scheme sales processed by HPS.

2.15 **"EBT Provider"** means any merchant which participates in programs for debit card access to electronically distributed government benefits.

2.16 **"EBT Transaction"** means any retail sale of Products, from a Merchant for which the customer makes payment using an EBT Card presented to HPS for payment.

2.17 **"EMV Card"** refers to a form of smart payment card with technical standards originally created by Europay, MasterCard and Visa (EMV) embedded with a chip containing encrypted Cardholder account information, which is readable by an EMV-enabled device. An EMV Card may be used by: (1) inserting it into a card reader that is integrated with a point of sale system; or (2) by tapping it against a point of sale device's contactless reader. Visit http://www.emv-connection.com/ for more information on EMV.

2.18 **"EMV Transaction"** means the electronic acceptance of an EMV Card's chip data by point of sale equipment or other electronic payment device at the time of Sale, and the inclusion of that data with the electronic submission of the Sale. Only a "Card Swipe", "EMV Transaction" or its manual equivalent, an "Imprint", is acceptable by the Card Scheme as proof that the Card was present at the time of the Sale.

2.19 **"HPS"** means collectively Heartland Payment Systems, Inc., a registered ISO of Member Sponsor Banks.

2.20 **"Imprint"** means:
(a) a physical impression of a Card on a Sales Draft manually obtained through the use of an imprinter; or
(b) the electronic equivalent obtained by swiping, inserting or tapping a Card using equipment and electronically printing a Sales Draft. Only an "Imprint" or its electronic equivalents, a "Card Swipe" or "EMV Transaction," is acceptable by the Card Scheme as proof that the Card was present at the time of Sale.

2.21 **"Internet Merchant"** means a Merchant that accepts Transactions electronically via the World Wide Web (www).

2.22 **"Locations"** means an entity that receives Authorization and Settlement Services from or through Merchant pursuant to a contractual arrangement with Merchant; including Merchant-owned Locations and Locations owned by third parties for whom Merchant assumes complete responsibility, including but not limited to licensees, franchisees, jobbers, and dealers.

2.23 **"Merchant"** generally means the party identified as the recipient of this Agreement and its principals and owners and, as applicable each separate Location of Merchant.

2.24 **"MCC" also known as "Merchant Category Code"** is a 4 digit number used to describe the Merchants primary business.

2.25 **"Member Sponsor Bank"** is a bank that has obtained a membership with the Card Brands to allow processor access to the Card Brand Networks.

2.26 **"Merchant Servicer"** means a Third Party Agent that:
(a) is engaged by a Merchant;
(b) is not a Member of the Card Schemes;
(c) is not directly connected to VISANet;
(d) is party to the Authorization and/or clearing message; and

(e) has access to Cardholder data, or processes, stores, or transmits Transaction data.

2.27 **"Merchant Service Providers (MSP)"** means nonmembers that are registered by MasterCard International Incorporated as Merchant Service Providers (MSP) to provide processing services to a member, or any member that is registered by MasterCard International Incorporated as an MSP to provide Third Party Processor (TPP) Program Services to another member.

2.28 **"Non-Qualified"** means a Transaction that did not meet the Card Schemes Authorization and/or settlement requirements and is not eligible for the best rate possible. Some of these Transactions may be prevented while other Non-Qualified Card type Transactions are assessed higher rates than preferred rates by the Card Schemes and may not be prevented.

2.29 **"Outbound Telemarketing Transaction"** means a Transaction in which a sale of Products or services results from a Merchant initiated contact with a Cardholder via a telephone call, or a mailing (other than a catalog) that instructs the Cardholder to call the Merchant.

2.30 **Pass Through** means charging the Merchant the precise amount of monies designated as Interchange, Costs, Dues, Assessments and Fees as per the Card Schemes. Pass Thru or Pass Through means no mark-ups are taken by the Payment Processor or any other party when Interchange, Dues, Fees, Costs and Assessments are collected from the Merchant.

2.31 **Payment Facilitator** is a merchant of record who facilitates transactions on behalf of a sub-merchant whose volume is less than USD 100,000 in MasterCard and Maestro volume combined.

2.32 **Payment Service Provider (PSP)** is an entity contracting with a Visa, Discover or American Express member to provide payment services to sponsored merchants. The new term PSP replaces the old terminology IPSP which now includes all commerce type aggregation, including face-to-face in addition to ecommerce merchant aggregation.

2.33 **"PCI DSS"** means the technical and operational requirements of each of the data security compliance programs of the founding members of the Payment Card Industry Security Standards Counsel to protect cardholder data.

2.34 **"Products"** means all goods and services that are sold or provided by Merchant.

2.35 **"Reserve Account"** means amount of monies held in a non-interest bearing account established by HPS based upon the Merchant's processing history and anticipated risk of loss to HPS.

2.36 **"Rules"** means the operating rules and regulations, requirements, and terms and conditions of the Card Schemes or Debit Networks presently in effect and as they may be amended from time to time.

2.37 **"Sales Draft"** means the paper form, whether electronically or manually imprinted, evidencing a sales Transaction.

2.38 **"Sub-merchant"** is a customer conducting business through a Third Party relationship acting as a Payment Facilitator (PF) or Payment Service Provider (PSP).

2.39 **"Third Party Agent (TPA)"** means entities that have been engaged by a Merchant or a member to perform contracted services on behalf of that Merchant or member, including value add resellers (VARs) and payment gateway providers.

2.40 **"Transaction"** means any retail sale of Products, or credit therefore, from a Merchant for which the customer makes payment using any Card presented to HPS for payment.

2.41 **"Virtual Terminal"** means a credit Card processing equipment on a secure server on the Internet whereby Merchant can key enter credit Card Transactions manually.

2.42 **"Voice Authorization"** means an Authorization obtained by a direct-dialed telephone call.

3. Data Security Requirements

3.1 The PCI Security Standards Council ("PCI SSC") was founded by American Express, Discover Financial Services, JCB, MasterCard Worldwide and Visa, Inc. All five founders agreed to incorporate PCI Data Security Standards ("PCI DSS") as the technical requirements of each of their data security compliance programs. The PCI SSC is responsible for the Payment Application Data Security Standard ("PA-DSS") and PIN Transaction Security Requirements for PIN-Entry Devices ("PED").

PCI DSS applies Heartland and to any Merchant or Merchant Servicer that stores, processes or transmits Cardholder information. Heartland acknowledges that it has an obligation to comply with PCI DSS for Cardholder information is possesses.

All eligible Merchants, regardless of size, must comply with these standards. Following are standards that, at a minimum, Merchant must comply with:
(a)Install and maintain a firewall configuration to protect Cardholder data.
(b)Do not use vendor-supplied defaults for system passwords and other security parameters.
(c)Protect stored Cardholder data.
(d)Encrypt transmission of Cardholder data across open, public networks.
(e)Use and regularly update anti-virus software or programs.
(f)Develop and maintain secure systems and applications.
(g)Restrict access to Cardholder data by business need-to-know.
(h)Assign a unique ID to each person with computer access.
(i)Restrict physical access to Cardholder data.
(j)Track and monitor all access to network resources and Cardholder data.
(k)Regularly test security systems and processes.
(l)Maintain a policy that addresses information security for all personnel.

More information, including the complete PCI DSS specifications can be found at: https://www.pcisecuritystandards.org/approved companies providers/vpa agreement.php

Each of the Card Schemes has requirements based on PCI DSS that define a standard of due care and enforcement for protecting sensitive information. Merchant must meet the compliance validation requirements defined by the Card Schemes available at:
www.visa.com/cisp
www.mastercard.com/sdp
www.discovernetwork.com/fraudsecurity/disc.html
www.americanexpress.com/datasecurity - For American Express Direct Merchants Only

In cases where payment application software is used as a part of Authorization or settlement of Cardholder data, Merchant must use a PA-DSS compliant payment application or have current proof of PCI DSS compliance validation. The List of Validated Payment Applications may be found at: https://www.pcisecuritystandards.org/approvedcompaniesproviders/vpaagreement.php

In cases where PIN-based debit Transactions are processed, Merchant must use a compliant PIN Entry Device ("PED"). The List of PCI SSC Approved PIN Transaction Security Devices may be found at:
https://www.pcisecuritystandards.org/securitystandards/ped/pedapprovallist.html

Transactions should be Triple Data Encryption Standard (TDES) protected.

In addition, Merchant must immediately notify HPS of its use of any agent or Merchant Servicer that will have any access to Cardholder data and provide the full name and business address of such agent or Merchant Servicer and change thereto.

The Card Schemes or HPS may levy fines, suspend or terminate services, or impose other restrictions if it is determined that Merchant is not compliant with applicable security standards. Merchant is responsible for all

fines and fees assessed by any Card Scheme in connection with violation of data security standards and will indemnify and hold harmless HPS from and against any and all damages suffered as a result of such noncompliance.

3.2 A Card Scheme may require Merchant to conduct an independent forensics review due to its data security procedures. Upon notice of such request, Merchant shall provide, at its sole cost and expense, through an approved forensic review process, information as may be required by the Card Scheme.

4. Rights, Duties, and Responsibilities of Merchants

4.1 Merchant shall make a selection on Card acceptance as follows: All Cards Accepted, Credit/Business Cards Only and Consumer Prepaid/Debit (Check Cards) Only. At the time of signing of the Agreement, Merchant will select one of the options, which will be indicated on the Agreement. Merchant shall honor the card types selected provided that the Card is valid and is presented to Merchant at the time of the sale by the Cardholder or an authorized user of the Card. A Card is valid only if it is presented on or after the valid date, if any, and before the expiration date shown on its face and the Card is used as payment for Products that are sold or rendered by Merchant under the terms of this Agreement. Merchant may elect to opt out of accepting a particular Card without affecting Merchant's ability to accept other Cards subject to Section 6.2.

4.2 In accordance with applicable law and the Rules:

(a) Merchant may establish a minimum sale amount as a condition for honoring credit Card Transactions, so long as such minimum amount does not exceed $10.00. This amount shall be subject to automatic increase as provided by applicable law. In accordance with applicable law and the Rules, a maximum sale amount for Card Transactions may only be set by Merchants which are federal agencies or institutions of higher learning;

(b) Except as specifically set forth in this Section 4.2, Merchant shall not establish a minimum or maximum sale amount as a condition for honoring PIN Debit, Signature Debit (non-PIN Debit) and/or prepaid Cards.

Merchant shall not request or require that a Cardholder provide any personal information as a condition for honoring PIN Debit, Signature Debit (non-PIN Debit) and/or prepaid Cards Transactions unless such information is required to provide delivery of goods and services or Merchant has reason to believe the identity of the person presenting the Card may be different from that of the Cardholder.

4.3 Merchant shall complete a Sales Draft or Credit Voucher, in a form approved by HPS and in compliance with the Rules, which shall be legible and contain the following:

(a) The Merchant and Cardholder's electronically printed copy shall not contain the expiration date and should only display in legible print the last four digits of the Card number. Any other portion of the Card number must be represented by fill characters such as "x", "*", or "#";
(b) the information embossed on the Card being presented;
(c) the date of the Transaction;
(d) a brief description of the Products involved in detail sufficient to identify the Transaction;
(e) the total amount of the sale or credit (including any applicable taxes) or the words "deposit" or "balance" if full payment is to be made at different times on different Sales Drafts;
(f) the city and state where such Transaction occurred; and
(g) the signature of the Cardholder of the Card.

In cases where prompted by the equipment to do so, Merchant shall key enter the last four digits of the Card to verify the contents of the magnetic stripe and shall deliver a completed copy of the Sales Draft to the Cardholder.

This provision shall not apply to those Transactions specifically excluded from these requirements by the Rules.

4.4 For all mail or telephone orders, Merchant shall type or legibly print on the signature line of the Sales Draft the letters or words indicated: "Mail Order," "MO," or "Telephone Order," " TO."

4.5 In the event a Transaction is to be completed without a (legible) Card imprint, Merchant shall print legibly the following information on the Sales Draft:

(a) Merchant's name and address;
(b) the Card Issuer's name;
(c) the account number of the Card;
(d) the expiration date of the Card and any effective date on the Card; and
(e) the Cardholder's name. In a non-imprint Transaction, regardless of whether an Authorization is obtained, Merchant shall be deemed to warrant to HPS the Cardholder's identity as an authorized user of the Card.

Merchant shall:

(a) compare the signature on the Sales Draft with the signature on the Card presented to ascertain that they appear to be the same;
(b) check the effective date, if any, and expiration date on the Card;
(c) examine any security features on the Card; and

(d) compare the actual Card number against the information contained in the electronic equipment by review of the equipment screen or by verification of the printed receipt. In the event the two signatures do not bear a reasonable resemblance or there exists any other discrepancy in these verification requirements or there exists any other reasonably presumed indication of fraud or of prohibited or improper usage, Merchant shall not honor the Card tendered. This provision shall not apply to those Transactions specifically excluded from these requirements by the Rules.

4.6 Merchant's policy for the exchange or return of goods sold and adjustment for services rendered shall be established and posted in accordance with applicable regulations of the applicable Card Scheme and laws. Merchant agrees to disclose, if applicable, to a Cardholder before a Card sale is made, that if merchandise is returned:

(a) no Refund, or less than full refund, will be given;
(b) returned merchandise will only be exchanged for similar merchandise of comparable value;
(c) only a credit toward purchases will be given;
(d) a restocking fee will be charged; or
(e) special conditions or circumstances apply to the sale (e.g. late delivery, delivery charges or other non-credit terms).

If Merchant does not make these disclosures, a full refund in the form of a credit to the Cardholder's Card account must be given. In no circumstances shall any cash refunds be given on any item originally charged to a Card.

The foregoing disclosures must be made on all copies of Sales Drafts across all Card Schemes issued at the time of the sale in letters approximately 1/4 inch high in close proximity to the space provided for the Cardholder's signature. In circumstances where credits or adjustments are due, Merchant shall prepare and deliver to the Cardholder a properly completed Credit Voucher. Merchant will input Credit Vouchers into the equipment on the day of the credit Transaction for inclusion in Merchant's daily transmission of Transactions.

4.7 Merchant shall not transmit for processing and payment any Transaction(s) representing the refinancing of an existing obligation of a Cardholder including, but not limited to, obligations:

(a) previously owed to Merchant;
(b) arising from the dishonor of a Cardholder's personal check; or
(c) representing the collection of any other pre-existing debt.

4.8 Merchant shall not, under any circumstances, disclose, sell, purchase, provide or exchange any Cardholder's account number or any credit information relating to any Cardholder's account or any Sales Drafts or Credit Vouchers that may have been obtained or imprinted with any Card to any person other than HPS, except as expressly authorized in writing by the Cardholder, HPS, or as required by law.

4.9 Unless expressly permitted by the Rules and applicable law, Merchant shall not require any Cardholder making a credit or debit Transaction to pay any part of any Discount or charge imposed upon Merchant by this Agreement, whether through increase in price or otherwise. Subject to the Rules and applicable law, the terms of this Section 4.9 shall not be construed as prohibiting discounts to customers for any form of payment so long as such discount is not based on the Card Issuer and/or Card Scheme.

4.10 On the date of the Transaction and prior to honoring any Card, Merchant agrees to obtain an Authorization on all Transactions for the total amount of the Transaction by physically sliding or inserting the Card through the Card reader of the equipment (or tapping the EMV Card in the case of an EMV Transaction) thereby causing the equipment to electronically read a magnetically encoded stripe or EMV chip on the reverse side of each Card, except for Card-Not-Present Transactions, which are governed by Section 4.15 hereof.

Any Transaction that cannot be authorized electronically through the equipment or manually key entered is subject to a Voice Authorization call. Merchant shall obtain an Authorization prior to completing a Card-Not-Present Transaction.

Any Transaction that is not properly authorized is made with full recourse and may be charged back to Merchant; furthermore, any Card-Not-Present Transaction will be subject to additional charges for a Mid-Qualifying or Non-Qualifying Transaction. An Authorization does not constitute a guarantee of payment, only an indication of available credit, and may be subject to dispute or Chargeback.

Except at such times as the equipment may be inoperable, Merchant shall not engage in soliciting or accepting Card-Not-Present Transactions without the prior written permission of HPS, and then only for such Products and in such amounts as stated in such written permission. Merchant shall not utilize the service of any third party (e.g. telemarketer) to solicit or accept orders or engage in Outbound Telemarketing Transactions.

4.11 MERCHANT ACKNOWLEDGES THAT AN AUTHORIZATION DOES NOT CONSTITUTE:
(A) A WARRANTY THAT THE PERSON PRESENTING THE CARD IS THE RIGHTFUL CARDHOLDER; OR
(B) A PROMISE OR GUARANTEE BY HPS THAT IT WILL PAY OR ARRANGE FOR PAYMENT TO MERCHANT FOR THE AUTHORIZED TRANSACTION. AN AUTHORIZATION DOES NOT PREVENT A SUBSEQUENT CHARGEBACK OF AN AUTHORIZED TRANSACTION PURSUANT TO THIS AGREEMENT.

4.12 When possible to do so, Merchant shall utilize the equipment as the exclusive method for obtaining Authorization codes. Voice Authorization service is for use during equipment downtime periods only. Use of Voice Authorization systems will result in additional charges for such use being assessed to Merchant based on HPS then-current rates. Merchant will record for every Transaction applicable Authorization and reference numbers on each Sales Draft to facilitate the timely and accurate retrieval of information as requested by HPS.

4.13 Merchant shall use its best efforts, by reasonable and peaceful means, to recover the Card when:
(a) Merchant is advised to recover the Card in response to an Authorization request; or
(b) Merchant has reasonable grounds to believe that the Card is counterfeit, fraudulent or stolen. Merchant shall take no action to recover a Card that may result in a breach of the peace.

4.14 Merchant may utilize the equipment's keypad to input Card number(s) in the following instances:
(a) Card-Not-Present Transactions; or
(b) the magnetic stripe on a Card is damaged and therefore unreadable by the equipment; or
(c) the equipment's Card reader is inoperative, in which case Merchant shall immediately advise HPS.

4.15 If a Merchant is approved as an Internet, Mail Order or Telephone Order Merchant, the following sections of this Agreement shall not apply: 4.3 (b) and (g), 4.5, 4.10, 4.13, 4.14, 4.25 (h) and (I) and 7.2 (b)(ii) and such sections shall be replaced by the following:
(a) Merchant shall obtain an Authorization for all Transactions. Any Transaction that cannot be authorized electronically is subject to a Voice Authorization call. Any Transaction that is not properly authorized is made with full recourse and may be charged back to the Merchant. An Authorization does not constitute a guarantee of payment, but may be subject to dispute or Chargeback;
(b) Merchant shall print legibly the following information on the Sales Draft; Merchant's name and address;
(i) the Card Issuer's name;
(ii) the account number of the Card;
(iii) the expiration date of the Card and any effective date on the Card; and
(iv) the Cardholder's name. Merchant shall be deemed to warrant to HPS the Cardholder's identity as an authorized user of the Card;
(c) Merchant is required to use a real-time Internet payment gateway authorized in advance by HPS to obtain Authorization codes and process Transactions;
(d) Internet Transactions are Card-Not-Present Transactions and must be performed on the Internet by the customer; or
(e) In the case of a Virtual Terminal, the Internet Merchant Store Front (the customer interface) must be Web Hosted so that the credit Card transactions are received over a secure socket layer (SSL) by the Merchant;
(f) In any Card-Not-Present Transaction, as a material part of the consideration for HPS to enter into this Agreement, Merchant accepts such Transactions solely at its own risk, and further assumes all risks of loss attendant to non-imprint Card-Not-Present Transactions.
(g) **Internet Merchant Website Requirements**. Internet Merchant shall use the eCommerce Gateway solely for Merchant's internal business purposes and shall not allow any third party use of or access to the eCommerce Gateway. An Internet Merchant agrees to adhere to those Rules governing electronic commerce as well as HPS requirements as set forth herein; which include, but are not limited to ensuring the following information is included or properly referenced on the Internet Merchant website:
(i) Contact information including: customer service telephone number, email and URL addresses, Legal name and permanent corporate address including the country of domicile which should be located on the check-out screen, along with the final purchase amount or those pages accessed by a Cardholder during the checkout process;
(ii) a complete **description of the Products** offered for sale and related prices, form of currency, as well as how to complete a purchase and the point at which the purchase is complete;
(iii) Include a method by which the cardholder **can affirmatively consent to the card sale** (i.e., an "order now" or "purchase now" option).

(iv) Provide clear disclosure of all material terms of the transaction: (i.e., all sales are final, applicable restocking fees, returns, etc.); and

(v) shipping and delivery policies will be clearly and accurately stated;

1) if providing age restricted products/services, Merchant shall clearly state the age restrictions on the website and implement an age verification process;

(vi) refund and returned merchandise policies and terms of use;

(vii) privacy policy clearly and accurately in accordance with all applicable laws and the Rules, including, but not limited to, the content, location and accessibility of its privacy policy,

(viii) security policy stated for the transmission of payment and will adhere to the Payment Card Industry (PCI) Data Security Standard for storing and transmitting cardholder data;

1) Remain fully responsible and liable for the security of transaction and personal data submitted to and/or processed through your website or as may otherwise be in Merchant's control, including implementing fraud prevention measures as required by law or industry regulation;
2) Use Cardholder Data for the sole purpose of supporting payment for and delivery of Merchant's goods and services and consistent with Merchant's Privacy Policy;
3) Maintain security of any and all passwords, ID number or other access control methods to use the e-Commerce Payment Gateway; and

(viiii) any other legal policies, including export control, privacy and terms of use.

4.16 The following additional terms apply to Card-Not-Present Transactions:

(a) Merchant shall use and retain for not less than one year proof of a traceable delivery system utilized for the delivery of Products to customers.
(b) Merchant shall use an address verification service to verify each Transaction.
(c) Merchant must utilize if available through their gateway a Payer Authentication Program. This program identifies the Cardholder by authenticating their personal PIN entry. Specific programs could include Verified by VISA and MasterCard Secure Code.
(d) Except where Merchant has specified future delivery on the Application, a customer's Card shall not be debited until the Product purchased has been shipped.
(e) Upon request by HPS, Merchant shall provide copies of all advertisements, catalogues, brochures or other materials used to solicit mail or telephone orders and any forms used in recording or transmitting orders.

4.17 In all cases, unless stipulated in the Merchant Processing Agreement, the shipment of goods to a Cardholder will be no later than the business day following the date on which that Transaction was transmitted to HPS for processing.

4.18 Card-Not-Present Transactions will be subject to the applicable interchange rates as defined by the Card Schemes.

4.19 Merchant agrees to electronically deposit Sales Drafts and Credit Vouchers no later than the day of the Transaction. The time of receipt by HPS will affect the timing of payment to Merchant. If Merchant fails to submit Transactions on a timely basis as provided herein, Merchant will be charged and agrees to pay the additional fees assessed to HPS by the Card Schemes.

4.20 Merchant shall at all times maintain a direct deposit Account (the "Account" or "DDA") in good standing at a bank that is a Receiving Depository Financial Institution (RDFI) of the Federal Reserve Bank ACH System or other ACH settlement network. Merchant agrees that all credits for collected funds and debits for fines, fees, Chargebacks, Credit Vouchers, payments and adjustments and other amounts due under the terms of this Agreement (including but not limited to attorney fees and early termination charges) shall be made to the Account. Merchant shall not close, restrict or change the Account without prior written approval from HPS. Merchant agrees to pay HPS a twenty-five dollar ($25.00) handling fee to change the DDA information and a twenty-five dollar ($25.00) fee on all returned ACH items. Merchant is solely liable for all fees and all overdrafts, regardless of cause. HPS shall have the unlimited right to debit, without prior notice, any DDA Account containing funds for the purpose of satisfying any liability incurred on behalf of Merchant.

4.21 Merchant agrees to retain original Card Scheme Sales Drafts and Credit Vouchers for a period of not less than two (2) years from the date of the sale or credit. All other Card receipts should be maintained at the length set by the issuers of those Cards.

Such documents shall be stored in a secure manner permitting retrieval and submission of legible copies on the same day that Merchant receives a request from HPS. Since a Card Issuer may over a period of time request duplicate copies of the same Sales Draft, Merchant must retain at least one legible copy of each Card Transaction.

Failure to provide HPS with requested documentation within five (5) business days after receipt of such request may result in the Transaction being charged back to the Merchant and HPS shall have the right to debit the Account for the full amount of the Transaction. Merchant agrees that it shall destroy material containing Cardholder account information in a manner that renders the data unreadable.

4.22 Merchant shall not submit any Transaction for processing for the purpose of obtaining or providing a cash advance, or make a cash disbursement to any other Cardholder (including Merchant when acting as a Cardholder), or receive monies from a Cardholder and subsequently prepare a credit to Cardholder's account.

4.23 As partial consideration for this Agreement, Merchant expressly authorizes HPS to change the financial institution providing settlement services to Merchant. Merchant will execute all necessary documents enabling HPS to effect such change.

4.24 Merchant shall provide HPS with immediate notice of its intent to:

(a) transfer, sell or liquidate any substantial part of its assets;
(b) change the basic nature of its business, including selling any Products or services not related to its current business;
(c) change ownership or transfer control of business; or
(d) enter into any joint venture, partnership or similar business arrangement whereby any person or entity not a party to this Agreement assumes more than a ten percent (10%) interest in Merchant's business.

Merchant also shall provide HPS with prompt written notice of any material changes regarding any information provided in the Application, including Merchant's address, ticket size or monthly volume. HPS determination of materiality shall be conclusive and binding. Failure to provide notice as required above may be deemed a material breach of this Agreement and shall be grounds for termination.

If any of the changes listed above should occur, HPS shall have the option to either amend the terms of this Agreement or to immediately terminate this Agreement based upon the nature of the changes reported by Merchant. Merchant and principal owner(s) identified on an approved Application and any new owner of Merchant or successor Merchant shall be jointly and severally liable to HPS and remain liable for any and all losses, costs and expenses suffered or incurred by HPS in accordance herewith, unless the original Merchant or successor thereof is released in writing by HPS.

4.25 Merchant agrees to pay HPS the face amount of any Transaction processed by HPS pursuant to this Agreement whenever any Card Transaction is reversed in accordance with the Rules, any state or federal statute, regulation, court or administrative order or terms of this Agreement.

By way of example, but not limitation, the following will result in Chargebacks:

(a) Products are returned or an order for Products is cancelled whether or not a Credit Voucher is delivered to HPS;
(b) the sale Transaction was not specifically authorized;
(c) any Transaction is alleged by the Cardholder to have been executed improperly or without authority;
(d) the documentation prepared by Merchant evidencing the Transaction is illegible or incomplete;
(e) the Cardholder disputes the sale, quality or delivery of goods or the quality of performance of services covered by the Sales Draft;
(f) the Cardholder asserts against HPS any claim, dispute, defense, offset or counterclaim that the Cardholder may have as a buyer against Merchant (and HPS does not have any obligation to inquire into or determine the validity of any such claim, dispute, defense, offset or counterclaim);
(g) the extension of credit for goods sold or services performed was in violation of law, Rules or regulations of any federal, state or local government agency or in violation of this Agreement;
(h) the Sales Draft lacks a Card imprint or Cardholder's signature;
(i) the Cardholder claims the dollar amount was altered after the Sales Draft was completed;
(j) two or more Sales Drafts were prepared by Merchant for the same Transaction except as otherwise permitted;
(k) the Card had expired before the Transaction date or the Transaction arises from the use of counterfeit or otherwise ineffective Card;
(l) the embossed name on the Card differs from or is dissimilar to the name signed on the signature panel of the Card; or the signature on the signature panel of the Card differs from or is dissimilar to the signature on the Sales Draft;
(m) the information contained in the Sales Draft was received by HPS more than ten (10) business days after the Transaction date shown thereon;
(n) the Sales Draft is a duplicate of one previously processed or includes a charge previously paid by the Cardholder;

(o) the Sales Draft is fraudulent or the Transaction was not a bona fide Transaction in Merchant's ordinary course of business;
(p) the Card Issuer has information that Merchant fraud occurred at the time of the Transaction, regardless of whether such Transaction was properly authorized by the Card Issuer or the Card Issuer certifies that there was no Card outstanding with the account number used;
(q) in any other situation where a Sales Draft was executed or depository credit given in circumstances constituting a breach of any duty, term, condition, representation or warranty by Merchant hereunder; or where any action or lack of action by Merchant in violation of the Rules has resulted in the Sales Draft being charged back to HPS by an issuing member of a Card Scheme pursuant to the Rules; or the Sales Draft is charged back to HPS for any other reason.

4.26 Merchant agrees to pay HPS any fees or fines imposed on HPS by a Card Scheme resulting from Chargebacks and any other fees or fines imposed by a Card Scheme with respect to or resulting from acts or omissions of Merchant.

4.27 HPS agrees to mail or electronically transmit all Chargeback documentation to Merchant promptly at Merchant's address shown in the Application; however, HPS may at any time without prior notice may debit Merchant's DDA or any other Merchant Account for Chargebacks without prior notice in accordance with this Agreement. Merchant is responsible for verifying its monthly statement and its daily deposit for Chargebacks, Chargeback handling fees, Discount and other charges pursuant to this Agreement. Merchant shall notify HPS in writing within forty-five (45) days after any debit or credit is or should have been affected.

If Merchant notifies HPS after such time, HPS may, in its discretion, assist Merchant, at Merchant's expense, in investigating whether any adjustments are appropriate and whether any amounts are due to or from other parties; however, HPS shall not have any absolute obligation to investigate or effect any such adjustments. Any voluntary efforts by HPS to assist Merchant in investigating such matters shall not create an obligation to continue such investigation or any future investigation. Merchant must provide all information requested by HPS by the time specified in a request for information. Failure to respond within the specified time shall constitute a waiver by Merchant of its ability to dispute or reverse a Chargeback or other debit, and Merchant shall be solely responsible where it fails to timely provide information concerning any Chargeback. If HPS elects, in its sole discretion, to take action on a Chargeback or other debit after the time specified to respond has expired, Merchant agrees to pay all costs incurred by HPS. Merchant agrees to pay HPS a processing fee for Sales Draft retrieval requests at HPS' discretion.

4.28 Merchant agrees to reimburse HPS for the amount of the Sales Draft in the event of a Chargeback together with a handling fee for each Chargeback, which fee may be amended from time to time. Merchant hereby irrevocably authorizes HPS to debit without notice Chargebacks and Chargeback handling fees and all other amounts due hereunder from Merchant's daily deposit and if such collection is inadequate, agrees to reimburse HPS immediately for any shortage that occurs as a result of such charges.

4.29 Merchant will be subject to a Chargeback on Card Transactions in accordance with the Rules in effect at the time of the Chargeback. The basis for Chargebacks and the rules for their processing are governed by the Rules. However, all disputes that are not resolved through established Chargeback procedures shall be settled between Merchant and the Cardholder, and Merchant will indemnify HPS for all expenses, including reasonable attorneys' fees, that may be incurred as the result of any Cardholder claim that is pursued outside the Rules.

4.30 Merchant shall not accept or deposit any fraudulent Transaction, or any Transaction about which Merchant has knowledge or notice of circumstances that would impair the validity of the Transaction or the indebtedness thereunder or its collectability.

4.31 Merchant unconditionally represents and warrants to HPS that all Sales Drafts submitted to HPS hereunder will represent the indebtedness of the Cardholder with whom Merchant has completed a Transaction in amounts set forth therein for Products only and shall not involve any element of credit for any other purposes, and shall not be subject to a defense, dispute, offset or counterclaim that may be raised by Cardholder under the Card Schemes Rules, the Consumer Credit Protection Act (15 USC § 1601) or other relevant state or federal statute or regulation. Further, Merchant warrants that any Credit Voucher that it issues represents a bona fide refund or adjustment on a Transaction by Merchant with respect to which a Sales Draft has been accepted by HPS.

4.32 Merchant shall not, under any circumstances, present for processing or credit, directly or indirectly, a Transaction that originates with any other Merchant or any other source.

4.33 Merchant shall not deposit duplicate Transactions. Merchant shall be debited for any adjustments for duplicate Transactions and shall be liable for any Chargebacks which may result therefrom.

Any such deposit shall be grounds for immediate termination and HPS may hold funds sufficient to compensate HPS for the amount of the duplicate Transaction.

4.34 Merchant shall not initiate a Sales Transaction in an attempt to collect a Chargeback.

4.35 Merchant shall give HPS immediate written notice of any complaint, subpoena, Civil Investigative Demand or other process issued by any state or federal governmental entity that alleges, refers or relates to any illegal or improper conduct of Merchant, its owner(s) or other entity under common ownership or control. Failure to give such notice shall be deemed to be a material breach of this Agreement.

4.36 Merchant must obtain final approval by HPS of Debit Network sponsorship prior to submitting any debit Transaction.

4.37 Merchant shall not be assessed a Chargeback Fee for the first three (3) Chargeback requests processed in any twelve month period beginning with the Merchant's anniversary date. Once three Chargeback requests have been submitted by the Card Scheme or Bank in any such 12 month period, HPS shall bill the Chargeback Fee applicable at that time. For purposes of this Section 4.37, the anniversary date shall be the date of Merchant's first deposit with HPS unless otherwise designated by HPS.

4.38 HPS shall have no liability for customer data that is lost or stolen from the Merchant's POS system or equipment and Merchant shall indemnify HPS from any claim or loss arising out of or relating to such lost or stolen data.

4.39 Merchant shall ensure HPS has the correct business taxpayer ID ("TIN") and legal name on file for Form 1099-K tax reporting purposes. Any Merchant reporting an invalid TIN and legal name combination is subject to backup withholding of amount as defined by IRS and state regulations.

4.40 Merchant shall at all times comply with the Rules and American Express, as well as all applicable federal, state and local rules and regulations.

4.41 Merchant, at its own expense, will have installed and will maintain the equipment, unless otherwise agreed to by the parties in writing. Each equipment type installed at a Location must be compatible with HPS' System and HPS has the right to test the equipment to assure compatibility. Merchant will submit each equipment type and all new core hardware, and any releases of modifications to the implementation software, to HPS for quality assurance testing at least thirty (30) days prior to the equipment, hardware or software's first use at a Location; provided however, both parties acknowledge that the quality assurance test may take less than thirty (30) days and HPS will use commercially reasonable efforts to accomplish the testing as soon as practicable. Quality assurance testing is applicable to each implementation software release for each equipment type. If Merchant changes the method used to communicate with HPS' System from one form of technology to another, e.g. dial to frame relay, once any necessary quality assurance testing has been completed, Customer will arrange for, with the assistance of HPS, if necessary, the equipment to be connected to HPS and then tested to ensure that the new method of communication works properly, which test will be conducted in accordance with Merchant's and HPS' procedures and paid by each party, respectively. Once the new technology has been tested and approved, it will not be necessary for each Location that adopts the new technology to perform the testing referred to in this paragraph.

4.42 Merchant agrees that it will not introduce into HPS' System any virus, "time bomb," or any other contaminant, including but not limited to, codes, commands, or instructions that could damage or disable HPS' system or property.

4.43 Merchant shall assume responsibility for managing the repair of problems associated with Merchant's own telecommunications and processing system (both hardware and software), including terminals.

4.44 Special pricing through Agreement between HPS and a Merchant association shall apply to Merchant members in good standing of such Merchant association; any special pricing may be discontinued without notice.

4.45 If Merchant is a Covered Entity, HealthCare Provider, or Business Associate under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA Rules"), Merchant represents and warrants that it shall not transmit to HPS any Protected Health Information ("PHI"), as defined in 45 C.F. R. §164.501. HPS operates

under an exemption in the HIPAA Rules for financial institutions performing consumer conducted payment Transactions.

Furthermore, any exposure to PHI shall be random, infrequent and incidental to the provision of services by HPS, as allowed under the HIPAA Rules, and is not meant for the purpose of accessing, managing the PHI or creating or manipulating the PHI. Any transmission of PHI by Merchant to HPS shall be the responsibility of Merchant and Merchant agrees to pay HPS any fees or fines imposed on HPS by any agency of the U.S. Government with respect to or resulting from acts or omissions of Merchant regarding PHI.

4.46 MSP/TPA/PSP/PF must comply with all Rules as set forth in this Agreement and the following websites:

- http://usa.visa.com/merchants/riskmanagement/thirdpartyagents.html
- http://www.mastercard.com/us/merchant/pdf/BMEntire Manual public.pdf

4.47 Payment Service Provider (PSP)/ Payment Facilitator (PF) agrees to promptly disclose to their Sub-merchant any new or increased Card Scheme related Dues, Assessments and Fees, including but not limited to Convenience fees, in accordance to the contracted services performed by the Merchant.

4.48 Merchant must meet requirements as defined by the Card Schemes. Information is available at:

- www.visa.com
- www.mastercard.com
- www.discovernetwork.com
- www.americanexpress.com/merchantopguide - For American Express OptBlue Program Merchants Only.
- www.americanexpress.com - For American Express Direct Merchants Only.

5. Debit Card Processing; EBT Services

5.1 Merchant understands and agrees that HPS and Bay Bank, FSB or any other bank to which this Agreement is assigned is a sponsored affiliate or member of each Debit Network and HPS is a service provider for processing Merchant's debit Card Transactions pursuant to the terms herein.

5.2 Until and unless otherwise authorized by HPS, Merchant agrees to utilize compliant and compatible equipment/pinpads or systems capable of processing all ACH debit Card Transactions as well as online-Debit Card Transactions at its Locations. All HPS applications software residing on the equipment or systems is the sole property of HPS. Any software residing in Merchant owned equipment or systems must be HPS compatible. Merchant's placement of the equipment or system at its Merchant Locations shall constitute acceptance of all terms and conditions set forth in this section. Merchant understands and agrees that HPS has no responsibility whatsoever for inoperative equipment or systems (or software if applicable).

In the case of inoperative equipment or system, Merchant shall consult Merchant's warranty or equipment maintenance Agreement as applicable. Merchant also acknowledges that all equipment/pin-pads or systems capable of processing all debit Card Transactions at its Locations must remain compliant with the data security requirements of Section 3 of this Agreement.

5.3 Merchant shall utilize HPS compatible equipment/pinpad or system to process all debit Card Transactions and to abide by all applicable Rules of the applicable debit Card on-line network selected by HPS. HPS has no responsibility or liability for any of the debit Card Networks.

5.4 Merchant agrees to indemnify and hold HPS harmless from any and all claims, actions, proceeding and other liability, which may arise pertaining to such debit Transactions.

5.5 Any claims Merchant may have regarding Debit services may not be offset against bankcard sales.

5.6 Merchant assumes all responsibility for retention of paper copies of debit Card Transactions; pursuant to the appropriate debit Card network Rules.

5.7 Within one (1) business day of the original Transaction, Merchant must balance each Location to the system for each business day that each Location is open. If Merchant determines that any Transaction(s) have been processed in error, Merchant will initiate the appropriate Transaction for adjustment. Merchant is responsible for all applicable adjustment fees assessed by the Debit Network Rules.

5.8 Merchant shall be responsible for all telephone message unit costs, if any, as they are incurred by Merchant for any of the services provided.

5.9 HPS will provide installation, training, service and support for all purchased and rented equipment provided by HPS. Equipment purchased and provided by a third party vendor should be supported and maintained by the vendor.

5.10 Merchant shall be responsible for the following debit related fees:
(a)HPS Debit Fee (does not include Debit Network Fee);
(b)Debit Network Set-up Fee;
(c)Service & Regulatory Mandate Fee.

Any or all of the above referenced fees are subject to change at any time upon fifteen (15) days prior written notice by HPS.

5.11 Debit Transactions are governed by network regulations as well as federal and state laws and regulations, including but not limited to the Electronic Funds Transfer Act, and Regulation E, pursuant to which consumers may have up to sixty (60) days to dispute a Transaction. Merchant shall comply with all applicable federal, state and local laws and regulations.

5.12 Non-Request for PIN Disclosure Procedures. Merchant agrees to ensure that no employee or agent requests a Cardholder to divulge their PIN number.

5.13 Prevention of PIN Entry Observation. Merchant agrees to reasonably prevent others from observing the entered PIN number. Some prevention examples could be, but not limited to:
(a)Placement of security cameras in relation to PIN Entry Device (PED);
(b)PED shielding; or
(c)PED placement on POS counter.

5.14 EBT Transactions

If Merchant elects to accept Electronics Benefit Transactions (“EBT”), the additional following terms and conditions will apply:

5.14.1 EBT Services.

Merchant will participate in and HPS will provide access to the programs for debit card access to electronically distributed government benefits as agreed to between the parties from time to time. ("EBT Programs"). Each EBT Program shall be treated as a "Network" for purposes of the Agreement and each EBT card issued for access to government benefits issued under such EBT Programs shall be treated as a "debit card" under the Agreement.

5.14.2 Rights, Duties and Responsibilities of Merchant.

(a)At all times during the term, including any renewal thereof, Merchant shall remain a participant in good standing in each EBT Program selected hereunder.

(b)Merchant shall submit to HPS EBT as amended from time to time, for each Merchant Location where EBT will be offered. HPS must receive EBT request a minimum of fourteen (14) days prior to the desired activation date.

(c)Merchant shall notify HPS at least thirty (30) days prior to the termination or withdrawal of its participation in any such EBT Program, or if such participation is terminated involuntarily and without prior notice to Merchant, immediately following such notice.

(d)Merchant shall pay to HPS the fees set forth in the original Agreement hereto in consideration of the Services provided hereunder. HPS may modify the Agreement to provide for additional fees and charges for the support services for an EBT Program that imposes additional cost on HPS.

(e)Merchant will comply with all applicable laws, regulations, Rules, or administrative guidelines related to its participation in each EBT Program and acceptance of EBT Cards, including any Network Rules. Without limiting the foregoing, Merchant shall not resubmit any EBT Transactions except as specifically permitted by Rules related to such EBT Program. In addition, if Merchant accepts EBT under the Food Stamp Program, Merchant shall deploy and identify its equipment consistent with Department of Agriculture requirements. Merchant will not take any action that would cause HPS to be in violation of any law, regulation, regulation, rule or administrative guideline applicable to an EBT Program, including any Network Rules.

(f)With respect to each EBT Program in which Merchant participates, Merchant shall comply with any obligations or duties imposed on Merchants participating in such EBT Program under an Agreement ("Processor Agreement") between HPS and the administrator of the EBT Program ("EBT Provider") pursuant to which HPS is authorized to process Transactions for the EBT Program, and the EBT Provider shall have the right to directly enforce the terms and conditions of the Processor Agreement against Merchant in the event that Merchant breaches its obligations hereunder.

(g)Merchant agrees that HPS may release information regarding Merchant's use of the EBT Program upon request by any Federal or State agency, and that Merchant shall not have a claim or cause of action for such release of information.
(h)Merchant will accept EBT Cards only for Transactions and purchases permitted under the applicable EBT Program.
(i)Regardless of Merchant's standard operating procedure for handling refunds, it shall provide refunds with respect to EBT Transactions only in accordance with applicable laws, regulations, Rules, or administrative guidelines related to its participation in each EBT Program, including Network Rules.
(j)If required by an EBT Program, Merchant shall seek to obtain telephone Authorization of each EBT Transaction in situations in which it is unable to obtain electronic response from the Card Authorization system for the EBT Program. If HPS processes manual Sales Drafts for Merchant; Merchant shall complete any such manual Sales Draft for an EBT Transaction in accordance with the requirements of the EBT Program.
(k)Merchant shall maintain records of EBT Transactions as required by applicable laws, regulations, Rules or administrative guidelines related to its participation in each EBT Program, including Network Rules.
(l)Merchant shall not use or disclose any information concerning a Recipient for any purpose not directly connected with the performance of Merchant's duties under an EBT Program.
(m)Merchant shall not discriminate in the provision or denial of any EBT Transactions on the basis of a Recipient's disability or handicap (if any), age, race, color, religion, sex, sexual preference, political belief, national origin, creed, marital status or veteran's status.

(n)Merchant shall provide to HPS and any EBT Provider any information reasonably required by HPS or the EBT Provider to assist HPS or the EBT Provider in ensuring the integrity, security and successful performance of the EBT Network.
(o)Merchant shall, at its own expense, ensure that its employees receive appropriate training in the use of equipment and procedures with respect to each EBT Program in which Merchant participates. If Merchant so requests, HPS shall provide such training to Merchant's employees, provided that Merchant shall pay HPS the usual and customary fees charged by HPS for its employees time in conducting such training and shall reimburse HPS for employee travel, lodging and other reasonable out-of-pocket expenses incurred in conducting onsite training.

5.14.3 HPS Representations and Warranties.
HPS hereby represents and warrants that it is a qualified processor in each EBT Program identified and that it has obtained any and all Authorizations, certifications or other evidence of authority and has properly executed and delivered any and all applications, Agreements or other documents necessary to participate in each such EBT Program.

5.14.4 Rights, Duties and Responsibilities of HPS.
(a) HPS shall provide the EBT services identified in accordance with the terms of EBT, the Agreement and applicable laws, regulations, Rules and administrative guidelines applicable to each selected EBT Program, including any Network Rules.
(b) HPS shall have the authority, without any liability, to terminate or suspend the provision of services hereunder with respect to each and every EBT Program, at the direction of any federal, state or other authority with responsibility for oversight or implementation of such EBT Program, or upon HPS determination to terminate support for such EBT Program for all customers. If HPS is directed to terminate or suspend the provision of services hereunder with respect to an EBT Program, HPS may also terminate or suspend provision of services hereunder for any other EBT Program without liability.

5.14.5 Indemnity.
In addition to any indemnification obligations of Merchant set forth in the Agreement, Merchant agrees to indemnify and hold harmless HPS from and against any and all claims or losses arising out of:
(a) any act or omission by Merchant in violation of any applicable federal, state or local law or regulation, or rule or administrative guideline related to an EBT Program, including a Network Rule;
(b) any negligent or fraudulent act or omission or intentional misconduct by Merchant;
(c) any failure by Merchant to comply with any obligation or duty imposed on Merchants participating in an EBT Program under a Processor Agreement; or
(d) any act or omission of Merchant that causes HPS to breach any undertaking under a Processor Agreement, including any performance standards hereunder.

5.14.6 Limitation of Liability.

In addition to the limitation of liability set forth in the Agreement, Merchant agrees and acknowledges that HPS shall have no liability to Merchant arising out of any act or omission by an EBT Provider. Without limiting the foregoing, HPS and its EBT provider shall have no liability to Merchant for an EBT Provider's rejection, Chargeback or other failure to fully process in the ordinary course and without penalty any adjustment based upon a restriction on EBT Provider's ability to process such adjustment to the Account of a recipient of government benefits, regardless of whether the error being adjusted was caused, in whole or in part, by HPS.

5.14.7 Deluxe EBT Program.

If Merchant is a participant in an EBT Program in the State of Kansas, Louisiana, (or any other state where Deluxe Data Systems, Inc. ["Deluxe"] is the prime contractor for the state), Merchant agrees that Deluxe, which is the EBT Provider for those states, shall have no liability to Merchant arising out of Deluxe's management of the EBT Program or processing of Transactions except for Merchant's direct damages caused by fraud or intentional misconduct committed by Deluxe's employees. In no event shall Deluxe be liable to Merchant for indirect, incidental or consequential damages. Merchant agrees and acknowledges that Deluxe is a third party beneficiary of EBT for purposes of this limitation liability.

6. Fees

6.1 This Agreement creates a contract for the extension of financial accommodations to Merchant within the meaning of Section 365 of the Bankruptcy Code. As consideration for the services to be provided by HPS, Merchant shall pay HPS various fees in the manner and pursuant to the Schedule of Fees set forth herein and in the Application.

6.2 HPS, from time to time, may amend the Schedule of Fees and the charges set forth in such amended Schedule shall be effective on the date specified in a written notice thereof, which date shall not be fewer than fifteen (15) days after the date of notice. Merchant shall attach each such revised Schedule of Fees or written notice to the Merchant's copy of this Agreement. As certain pricing to Merchant is based upon annual volume, average ticket and method of doing business stated in the Application, HPS may adjust Merchant's Discount and/or Transaction fees without prior written notice in the event actual volume and/or average ticket are not as stated or if in the sole opinion of HPS, Merchant has significantly altered its stated method of doing business.

6.3 Merchant shall pay fees charged to Merchant by third parties for telephone equipment, the preparation of the site(s) prior to installation of electronic data capture equipment and/or peripheral equipment, installation, maintenance, line charges, and utility costs. In addition, Merchant shall be liable for any increase in long-distance communication costs, internet access, gateway costs, IP, SSL, DSL, lease, frame, and processing charges from third party vendors that may be reflected in an increase in the Discount rate or fee schedule upon fifteen (15) days, prior written notice to Merchant.

6.4 Merchant shall pay all applicable sales taxes for services and Products provided by HPS.

6.5 Merchant shall pay:

(a) the adjusted fees provided in the then current Schedule of Fees in the event of any of the following:
   (i) any Transaction that is a Card-Not-Present Transaction or is deposited more than one (1) business day following the Transaction date;
   (ii) "Non-Qualifying Transactions" for any Transaction that is not Authorized or is deposited more than two (2) business days following the Transaction date;
   (iii) any non-qualifying fees for any Transaction where a Card is presented and qualifies at higher interchange fees than the qualification that is marked on the application. This may include Corporate, Business, Purchasing and signature Cards and any other Cards issued by the Card Schemes.
   (iv) any non-qualifying fees for any Transaction where a Card Scheme Card is presented and qualifies at higher interchange fees than is marked on the application due to Merchant-owned, third party supplied or maintained POS System.

(b) an amount equal to any increase in interchange rates from the Card Schemes effective upon fifteen (15) days written notice to Merchant; and

(c) Voice Authorization fee $0.65 per Transaction or HPS' then current rate for Voice Authorizations.

6.6 Merchant shall pay such fees and charges as may be set by HPS for any requested system enhancements or services in addition to those specified herein or in the application or as my be requested by applicable law or changes in Card Scheme Rules.

7. **Rights, Duties and Responsibilities of HPS**

7.1 HPS is the only entity approved to extend acceptance of Card Scheme Products directly to the Merchant.
(a) HPS is the principal (signer) to the Agreement.
(b) HPS will make reasonable efforts to educate the Merchant on pertinent Card Scheme Rules with which Merchants must comply.
(c) HPS is responsible for and will settle funds with the Merchant.
(d) HPS is responsible for all funds held in reserve that are derived from settlement.

7.2 HPS will accept all Sales Drafts deposited by Merchant that comply with the terms of this Agreement. HPS will pay to Merchant the total face amount of each Sales Draft, less any Credit Vouchers, Discounts, fees or adjustments determined daily, weekly or monthly. All payments, credits and charges are subject to audit and final review by HPS and prompt adjustment shall be made as required. Notwithstanding any other provision in this Agreement, HPS may refuse to accept any Sales Draft, revoke its prior acceptance, or delay processing of any Sales Draft for any reasonable period of time, as HPS deems necessary and appropriate. HPS shall have no liability to Merchant for additional charges, higher rates, or any other loss, expense or damage Merchant may incur directly or indirectly due to any such refusal, revocation or delay. Circumstances in which acceptance may be refused, delayed or revoked include, but are not limited to the following:
(a) the sale giving rise to such Sales Draft was not made in compliance with all of the terms and conditions of this Agreement, including the Rules, as well as applicable laws and regulations of any governmental authority; or
(b) the Cardholder disputes his or her liability for any of the following reasons:
  (i) the Products covered by such Sales Draft were returned, rejected or defective in some respect or Merchant failed to perform any obligation on its part in connection with such Products, and Merchant has refused to issue a Credit Voucher in the proper amount;
  (ii) the signature on the Sales Draft was not that of an authorized user; or
  (iii) the Cardholder claims that he/she did not authorize the Transaction;
(c) misrepresentation of or material variation in annual bankcard volume, average ticket amount, or nature of Merchant's business from that stated in the Application;
(d) Merchant fraud or reasonable grounds for belief that fraud may have occurred;
(e) unauthorized Transactions;
(f) excessive Retrieval requests; or
(g) excessive Chargebacks.

7.3 HPS will accept all customer service calls and other communications from Merchant relating to the services provided under this Agreement including, but not limited to, equipment service, disbursement of funds, Account charges, Merchant statements and Chargebacks.

7.4 HPS will process all requests for Sales Drafts from Card Issuers and all Chargebacks and will provide Merchant with prompt notice of requests and Chargebacks.

7.5 HPS will provide terminals, printers and peripheral equipment at Merchant's request and expense. HPS will obtain repair and replacements on purchased and rented equipment. Merchant shall be liable for all non-warranty repairs, shipping and handling costs.

7.6 HPS may provide online data management information concerning Merchant to Member Sponsor Banks, Card Schemes, etc. This information includes but is not limited to Merchant detail, deposits, ACH, batches, equipment, Chargebacks, retrievals, online statements and monthly affiliate reports.

7.7 HPS will provide Merchant with all necessary supplies to complete and document Transactions at Merchant's request and expense as set forth in HPS product price list in effect at the time of such request.

7.8 From time to time HPS may make available to Merchant Products or services provided by independent third party providers. Any Agreement relating to the provision of such Products or services shall be solely between the provider and Merchant. Under no circumstance shall HPS have any liability arising out of or related to the performance or non-performance of any product or service to be provided by any such third party provider.

7.9 HPS reserves the right, without notification, to change or modify all or part of the network configuration used to

provide the services. Selection of equipment, hardware, etc. to be used by HPS or HPS' system shall be left solely to HPS' discretion. HPS shall not change its equipment protocol or HPS compatibility requirements without prior notice to Merchant.

8. Reserve and Payment Obligations

8.1 Merchant authorizes HPS to establish a non-interest bearing Reserve Account (as defined in this Agreement) pursuant to the terms and conditions set forth herein. The amount of such Reserve Account shall be set and may be revised by HPS in its sole discretion at any time, based upon Merchant's processing history and the anticipated risk of loss to HPS.

8.2 In instances of fraud, an Event of Default (as defined in this Agreement), or suspected or known financial loss to HPS, Reserve Account funding may be immediate; otherwise the Merchant shall be notified within three business days of funding the Reserve. HPS may require that such Reserve Account be funded by all or any combination of the following:

(a) debits to Merchant's Account or any other Accounts owned by Merchant;
(b) deductions or offsets to any payments otherwise due to Merchant;
(c) Merchant's delivery of a letter of credit; or
(d) Merchant's pledge to HPS of a freely transferable negotiable certificate of deposit. Any such letter of credit or certificate of deposit shall be issued or established by a financial institution acceptable to HPS.

In the event of termination of this Agreement by either Merchant or HPS, an immediate Reserve Account, if not already established, will be established by HPS and the Reserve Account will be held by HPS for six-months after termination of this Agreement or for such longer time as HPS may, in its discretion, deem necessary based upon Merchant's liability to HPS arising prior to or after termination of this Agreement and HPS may deposit into and retain in the Reserve Account any and all amounts otherwise payable to Merchant.

Merchant's funds held in a Reserve Account may be held in a commingled Reserve Account for the reserve funds of HPS' Merchants, without involvement by an independent escrow agent. Merchant agrees that it shall have no right, title or interest in or to the commingled Account.

However, Merchant shall have an unsecured contractual claim against HPS with respect to any amount due to Merchant after the expiration of the period described herein. Alternatively in the sole discretion of HPS, HPS may place the funds in a Reserve Account in Merchant's name, and such funds shall be payable to Merchant therefrom only as provided in this Agreement. Any amount remaining in the Reserve Account when HPS determines that the Reserve Account may be closed shall be released to Merchant.

8.3 To secure the Merchant's obligations to HPS under this Agreement, and any other Agreement for the provision of related equipment or related services ("Obligations"), Merchant grants to HPS a lien and security interest in and to any of Merchant's funds now or hereafter in the possession of HPS, whether now or hereafter due or to become due to Merchant from HPS. HPS is hereby authorized (any related notice and demand are hereby expressly waived), to set off, recoup, appropriate, and apply any and all such funds against and on account of Merchant's obligations under this Agreement, whether such obligations are liquidated, un-liquidated, fixed, contingent, matured or un-matured. Merchant agrees to duly execute and deliver to HPS such instruments and documents as HPS may reasonably request to perfect and confirm the lien, security interest, right of set off, recoupment and appropriation set forth in this Agreement.

8.4 Merchant agrees that HPS may withdraw funds from the Reserve Account at any time without notice to Merchant in the amount of any obligation of liability of Merchant to HPS hereunder, arising prior to or after termination, including any applicable Early Termination Fees pursuant to Section 11.4.

If Merchant's funds in the Reserve Account are not sufficient to cover the Chargebacks, adjustments, fees and other charges due from Merchant, or if the funds in the Reserve Account have been released, Merchant agrees to promptly pay HPS the amount of such deficiency upon request.

9. Limitation of Liability; Indemnification; Due Care

9.1 Merchant shall indemnify and hold harmless HPS from all claims, liability, loss and damage, including reasonable attorney's fees and costs, whether direct or indirect, arising out of any breach by Merchant of the terms of this Agreement, or arising from any act, omission or failure, or for the breach of any representation or warranty by Merchant pursuant to the terms of this Agreement and the Card Schemes Rules and violations of any federal or state law, rule or regulation. Merchant shall pay all fees, costs associated with any action brought by HPS to collect amounts owed by Merchant to HPS under this Agreement.

9.2 Merchant shall indemnify and hold harmless HPS from and against all liability, loss and damage, including reasonable attorney's fees and costs, arising out of a claim of any third party arising out of
(a) any agreement to permit Merchant to access other financial services through point of sale equipment provided by HPS or
(b) the services provided to Merchant from a Merchant Servicer or Third Party Agent, including any and all claims related to the performance or non-performance of Merchant Servicer or Third Party Agent pursuant to such agreement or non-compliance thereof.

9.3 HPS shall have no liability whatsoever and for any reason for
(a) increased fees or other charges resulting from Merchant's use of equipment or other software not provided and installed by HPS or
(b) for any act, omission or damages arising from services provided to Merchant from a Merchant Servicer or Third Party Agent.

9.4 Except as provided in section 9.6 below and subject to Section 4.27, HPS' sole liability to Merchant hereunder shall be to correct, to the extent reasonably practicable, errors that have been caused by HPS.

9.5 No claim for damages for any performance or failure of performance by HPS under this Agreement shall exceed the Discount fee amount and any other fees or charges paid to HPS in connection with the Card Transaction that is the subject of the alleged failure of performance.

9.6 IN NO EVENT SHALL HPS BE LIABLE FOR SPECIAL, CONSEQUENTIAL, INDIRECT OR EXEMPLARY DAMAGES, INCLUDING LOST PROFITS, REVENUES AND BUSINESS OPPORTUNITIES. MERCHANT AGREES TO REIMBURSE HPS FOR ALL COSTS AND EXPENSES, INCLUDING WITHOUT LIMITATION, REASONABLE ATTORNEY'S FEES INCURRED AS A RESULT OF ANY SUCH ACTION, PROCEEDING OR LIABILITY. THE PROVISIONS OF THIS PARAGRAPH SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT. Without limitation of the foregoing, HPS shall not be liable to Merchant for delays in data transmission. Merchant acknowledges that any losses hereunder are commercial in nature.

9.7 HPS MAKES NO WARRANTY WHATSOEVER REGARDING CARD AUTHORIZATIONS, DECLINES OR REFERRAL CODES, RESPONSES TO REQUESTS FOR AUTHORIZATION, PROCESSING, SETTLEMENT, OR ANY OTHER SERVICES PROVIDED BY OR ON BEHALF OF HPS HEREUNDER, AND HPS HEREBY DISCLAIMS ANY AND ALL SUCH WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY TITLE, OR NON-INFRINGEMENT, OR FITNESS FOR A PARTICULAR PURPOSE and HPS shall have no liability to Merchant or any other person for any loss, liability or damage arising directly or indirectly in connection herewith. Without limitation of the foregoing, Merchant acknowledges that HPS has no liability or responsibility for the actions or failures of any Card Scheme, Card Issuer or Cardholder.

9.8 HPS shall be excused for timely performance of the Services including processing or other non-performance caused by such events as fires, telecommunications failures, equipment failures, strikes, riots, war; nonperformance of vendors, suppliers, processors or transmitters of information; acts of God or any other causes over which HPS has no control.

10. Display of Materials: Trademarks

10.1 Merchant agrees to prominently display the promotional materials provided by HPS in its place(s) of business. Use of promotional materials and use of any trade name, trademark, service mark or logo type ("Marks") associated with Card Scheme) shall fully comply with specifications contained in applicable Card Schemes Rules and shall be limited to informing the public that Card(s) will be accepted at Merchant's place(s) of business.

10.2 **Merchant shall only use the Mark in a way to indicate that the Card Scheme is accepted at Merchant and that Merchant is customer of HPS. Marks may not be edited or combined with other Marks.** Merchant shall not use any promotional materials or Marks in any way that suggests or implies that a Card Scheme endorses Merchant's Products or services.

10.3 Merchant may use promotional materials and Marks subject to the approval HPS.

10.4 Merchant agrees that it will discontinue use of any Mark wherever such Marks are displayed, including on the Merchant's website(s), once
(a) the Agreement is terminated or expires or

(b) Merchant discontinues acceptance of a Card or participation in a Card Scheme **Program. 11. Term: Termination**

11.1 This Agreement shall become effective upon acceptance of the first Merchant deposit by HPS and shall continue in effect for a term of thirty-six (36) months therefrom ("Term"). Thereafter, the Agreement will automatically renew for additional twelve (12) month periods unless terminated by any party by giving sixty (60) days written notice prior to the end of any Term, except that in case of an Event of Default by Merchant or as required by a Card Scheme, this Agreement may be terminated by HPS immediately and HPS shall give Merchant written notice within ten (10) days thereafter.

11.2 Upon the occurrence of any event of Default, all amounts payable hereunder by Merchant to HPS shall be immediately due and payable in full without demand or other notice of any kind, all of which are expressly waived by Merchant. For the purposes of this Section 11.2 an "Event of Default" occurs when:

(a) Merchant shall default in any material respect in the performance or observance of any term, covenant, condition contained in this Agreement, including, but not limited to, the establishment of or maintenance of funds in a Reserve Account in accordance with the provision of Section 8.1 and 8.2; or any noncompliance with the Rules or the operating regulations of a Card Issuer or a reasonable belief by HPS that Merchant will constitute a risk to HPS by failing to meet the terms of this Agreement; or
(b) Material adverse change in the business, financial condition, business procedure, prospects, Products or services of Merchant; or
(c) any information contained in the Application was or is incorrect in any material respect, is incomplete or omits any information necessary to make such information and statements not misleading to HPS; or
(d) any assignment or transfer of voting control of Merchant or its parent; or
(e) a sale of all or a substantial portion of Merchant's assets; or
(f) irregular Card sales or credits by Merchant, Card sales substantially greater than the annual volume or average ticket amount stated on Merchant's Application, excessive Chargebacks or any other circumstances which, in the sole discretion of HPS, may increase the risk of Merchant Chargebacks or otherwise present a financial or security risk to HPS; or
(g) reasonable belief by HPS that Merchant is engaged in practices that involve elements of fraud or conduct deemed to be injurious to Cardholders, including, but not limited to fraudulent, prohibited or restricted Transaction(s); or
(h) any voluntary or involuntary bankruptcy or insolvency proceedings involving Merchant, its parent or an affiliated entity, or any other condition that would cause HPS to deem Merchant to be financially insecure; or
(i) Merchant engages in any Outbound Telemarketing Transactions; or
(j) Merchant or any other person owning or controlling Merchant's business is or becomes listed in any Card Schemes security reporting; or
(k) Early termination of the Agreement by Merchant without cause. Then, upon occurrence of any Event of Default, all amounts payable hereunder by Merchant to HPS, including any applicable Early Termination Fees (payable as set forth in Section 11.4), shall be immediately due and payable in full without demand or other notice of any kind, all of which are expressly waived by Merchant.

11.3 In the event of termination, regardless of cause, Merchant agrees that

(a) all obligations and liabilities of Merchant including all Chargebacks, fees, credits and adjustments with respect to any Sales Draft or Credit Voucher presented prior to the effective date of termination shall survive such termination and expressly authorizes HPS to withhold and discontinue the deposit to Merchant's Account for all Card and other payment Transactions of Merchant in the process of being collected and deposited; and
(b) it will discontinue all use of Marks of a Card Scheme or HPS.

11.4 At HPS' discretion, Merchant agrees to pay HPS a fee of $295 per Location ("Early Termination Fee" or "ETF") if Merchant terminates the Agreement prior to the expiration of the term set forth herein (except if as a result of HPS' material uncured breach of the Agreement). The ETF shall be deducted in a single payment for the full amount via ACH debit to the Account, at HPS' option, upon or at any time after HPS' receipt of Merchant's notice of termination.

11.5 Neither the expiration nor termination of this Agreement shall terminate the obligations or rights of the parties pursuant to provisions of the Agreement, which by their terms are intended to survive or be perpetual or irrevocable.

11.6 The provisions governing processing and settlement of Card Transactions, all related adjustments, fees and other amounts due from Merchant and the resolution of any related Chargebacks, will continue to apply after termination of this Application or as subsequently adjusted by HPS.

11.7 Supply orders are shipped via ground and any additional shipping fees such as overnight, second day, third day and Saturday delivery will be charged to the Merchant. HPS will collect all charges for supplies and shipping via ACH.

12.Terminated Merchant File

12.1 If Merchant is terminated for cause by a Card Scheme, including but not limited to fraud, counterfeit, duplicate or unauthorized Transactions, excessive Chargebacks or suspect activity, HPS may report Merchant's business name and the names and other identification of its principals to the Terminated Merchant File.

Merchant expressly agrees and consents to such reporting, and HPS shall have no liability to Merchant for any loss, expense or damage Merchant may sustain directly or indirectly due to such reporting. Merchant shall indemnify and hold harmless HPS against any loss, damage or expense, including reasonable attorneys' fees, arising from any claim against HPS by any other party that results from a claim by Merchant against such other party as a result of such reporting.

13.Additional Locations & Services

13.1 Merchant may wish to utilize services provided by HPS under this Agreement at its other business Locations ("Additional Locations"). Merchant may apply to add such Additional Locations provided that such Locations conduct the same type of business and sell the same type of Products. Additional Locations submitted to receive Services under this Agreement shall be subject to approval by HPS, and Merchant shall submit a new Application for any such Additional Location(s).

13.2 Merchant also desires to have the ability to easily access additional systems and services ("Additional Services") from HPS beyond those originally requested in the Application. In order to expedite the establishment of Additional Services, Merchant hereby authorizes HPS to take whatever measures necessary to promptly establish any Additional Service that Merchant might request in writing and to execute necessary authorization(s) on Merchant's behalf on the warranty hereby given that Merchant's signature on the Agreement shall be valid for all Additional Services. Delivery of any requested Additional Services shall be deemed to have occurred upon Merchant's first use of any such Additional Services. Merchant acknowledges that all Additional Services shall be governed by this Agreement and the Rules.

14.Notices

14.1 All notices and other communication required or permitted under this Agreement shall be deemed delivered when mailed first-class mail, postage prepaid, addressed to the Merchant at the address stated in the Application and to HPS at the address set forth below, or at such other address as the receiving party may have provided by written notice to the other:

Heartland Payment Systems, Inc.
Attn: Customer Care
One Heartland Way
Jeffersonville, IN. 47130
Phone: (888) 963-3600

Member Sponsor Banks

Issues Regarding Credit Cards
Barclays Bank
125 South West Street
Wilmington, DE 19801
Phone: (302) 622-8990

The Bancorp Bank
409 Silverside Road, Suite 105
Wilmington, DE 19809
Phone: (302) 385-5000

Wells Fargo Bank, N.A.
1200 Montego
Walnut Creek, CA 94598
Phone: (925) 746-4167

Issues Regarding Debit Cards
Bay Bank, FSB
7151 Columbia Gateway Drive
Suite A
Columbia, MD 21046

15. Additional Terms

15.1 Truth of Statements: Merchant represents to HPS that all information and all statements contained in the Application are true and complete and do not omit any information necessary to make such information and statements not misleading to HPS.

15.2 Personal Guarantees & Guarantor(s): Any individual(s) by execution of the application as guarantor, hereby unconditionally and irrevocably guarantees to HPS the full and faithful performance or payment by Merchant of each and all of its duties and obligations herein set forth, including payment of all sums due and owing and any attorney's fees and cost associated with the enforcement of terms hereof, whether prior or subsequent to termination or expiration of this Agreement. HPS shall not be required to proceed against Merchant or enforce any other remedy before proceeding against the guarantor(s). This is a continuing guaranty and shall not be discharged or affected by the sale or assignment of the merchant's business or death of the guarantor(s) unless such release is in writing signed by an authorized HPS representative. It shall bind the heirs, administrators, representatives and assigns of the guarantor(s) and may be enforced by or for the benefit of any successor of HPS.

15.3 Entire Agreement: This Agreement constitutes the entire understanding of HPS and Merchant and supersedes all prior agreements, understanding, representations, and negotiations, whether oral or written between them.

15.4 Amendments: Except as otherwise provided herein, no provision of this Agreement may be waived, amended or modified except in writing by an officer of HPS.

15.5 No Waiver of Rights: Any failure of HPS to enforce any of the terms, conditions or covenants of this Agreement shall not constitute a waiver of any rights under this Agreement.

15.6 Section Headings: All section headings contained herein are for descriptive purposes only, and the language of such section shall control.

15.7 Assignability: Merchant may not assign this Agreement directly or by operation of law, without the prior written consent of HPS. HPS may assign this Agreement without Merchant's consent. This Agreement shall be binding upon the parties hereto, their successors and permitted assigns. Any assignment by Merchant without the prior written consent of HPS shall be void.

15.8 Damages: In any judicial or arbitration proceedings arising out of or relating to this Agreement, including but not limited to these actions or proceedings related to the collection of amounts due from merchant, the prevailing party shall recover, in addition to all damages awarded, all court costs, fees and expenses of experts and reasonable attorney's fees.

15.9 Relationship of the Parties: Nothing contained herein shall be deemed to create a partnership, joint venture or, except as expressly set forth herein, any agency relationship between HPS and Merchant.

15.10 Severability: If any term or provision of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable, the same shall not affect the other terms or provisions hereof or the whole of this Agreement, but such terms or provisions shall be deemed modified to the extent necessary in the court's opinion to render such term or provision enforceable, and the rights and obligations of the parties shall be construed and enforced accordingly, preserving to the fullest permissible extent the intent and agreements of the parties herein set forth.

15.11 Confidential Information:

(a) HPS will take reasonable steps to protect Merchant's confidential information as defined below ("Confidential Information"). The types of Confidential Information that HPS may collect and share will depend on the product or service provided to the Merchant hereunder. Confidential Information may include, but is not limited to, financial information, such as transaction data and financial account information, of Merchant and/or its customers. Confidential Information further includes the first name and last name or the first initial and last name of a person ("Individual") in combination with any of the following elements that relate to such Individual:

(i) a social security number;
(ii) a credit card or debit card number with or without any required security access code;
(iii) a personal identification number or password that would permit access to a financial account held by the Individual;
(iv) a driver's license number;
(v) a personal bank account number;
(vi) a passport or visa number; or
(vii) an e-mail address;

Confidential Information shall not include information that is lawfully obtained and publicly available or that is derived from federal, state or local government records lawfully made available to the public.

(b) Merchant hereby acknowledges that HPS may share Confidential Information with third parties, service providers, and/or business partners that assist in the provision of HPS' services and/or third party payment-related services, including, but not limited to:

(i) financial institutions;
(ii) card brands and/or card issuers;
(iii) entities that assist with fraud prevention or collections;
(iv) merchants that sell gift cards via HPS' websites;
(v) HPS' partners that offer payment, gift or loyalty card services; and
(vi) HPS' partners that provide analytics and/or marketing services.

HPS may otherwise share or disclose Confidential Information if it determines, in its sole discretion, that it is required to do so pursuant to any applicable law, regulatory requirement, and/or contractual obligation.

15.12 Governing Law: This Agreement shall be construed and governed by the laws of the State of New Jersey without regard to legal principles related to conflict of laws.

15.13 Jurisdiction & Venue: Any suit, action or proceeding (collectively "action") arising out of or relating to this Agreement shall be brought only in the Superior Court of the State of New Jersey in the County of Mercer, New Jersey, or the United States District Court for the district of New Jersey and Merchant hereby agrees and consents to the personal and exclusive jurisdiction of said courts over it as to all such actions, and Merchant further waives any claim that such action is brought in an improper or inconvenient forum. In any such action, the parties waive trial by jury.

15.14 No Third Party Beneficiary: Under no circumstance, shall any third party be considered a third party beneficiary of Merchant's rights or remedies under this Agreement or otherwise be entitled to any rights or remedies of Merchant under this Agreement.

15.15 Changes: HPS may change the terms of or add new terms to this Agreement at any time in accordance with applicable law. Any such changes or new terms shall be effective when notice thereof is given by HPS either through written communication or on its Merchant website located at: https://infocentral.heartlandpaymentsystems.com.

15.16 Public Statements: Merchant shall obtain the prior written consent of HPS prior to making any written or oral public disclosure or announcement, whether in the form of a press release or otherwise, which directly or indirectly refers to HPS.

16. Optional Card Brand Fees

CONVENIENCE FEE: A fee charged to the Cardholder by the Merchant for a true convenience for accepting a credit or debit card. Examples of a “true convenience” are payment through the internet, mail order or phone order. All Card Schemes allow Merchants to charge a convenience fee. All Card Schemes must be charged equally. The Merchant is required to disclose the fee to the Cardholder and provide the Cardholder with the opportunity to cancel the Transaction, if the Cardholder does not want to pay the convenience fee. In addition to the foregoing, (i) Visa requires Merchants to have a brick and mortar location in order to be allowed to charge a convenience fee; (ii) MasterCard requires processors to register any Government or Education merchant.

SURCHARGE: A charge in addition to the initial amount of the sale on a credit card to cover the Merchant’s cost of acceptance. All Card Schemes allow surcharging. Visa, MasterCard and Discover require Merchants to register with the Card Schemes. The Merchant is required to disclose the fee at the entry of their establishment and at the point of sale. The cardholder must be given the opportunity to cancel the Transaction if they do not want to pay the surcharge fee. The amount of the charge cannot exceed the amount of the Merchant’s discount fee on Visa, MasterCard and Discover and is capped at 4%. The surcharge must appear on the sales receipt separately from the sales amount. All Card Schemes must be charged equally. Currently there are several states that prohibit surcharging. Merchants should check their state and local laws prior to initiating a surcharge.

SERVICE FEE: Visa allows government and education Merchants to charge a different type of fee called a “service fee”. This fee is assessed for accepting payments for taxes, fees and fines for government MCCs and for tuition, room and board, lunch programs, etc. for education MCC Merchants. The service fee can be charged on credit and debit Transactions, in a face-to-face or card not present environment. The service fee must appear separate from the sales amount on the receipt. Merchants must be registered through Visa. Service fee must be disclosed prior to completion of the transaction, allowing the cardholder to cancel the Transaction if they do not wish to accept the service fee. MasterCard allows government and education merchants to charge “convenience fees” and has no separate “service fee” for these MCCs.

OTHER FEES: Handling fees and payment fees are allowed on all Card Schemes as long as these fees are charged on all payment channels; cash, checks, ACH, etc. These are not governed by the Card Schemes specifically. State and local laws may apply and merchants should ensure the fees are allowed in their area of business.

Equipment Purchase, Rental & Customer Owned Equipment Agreement
("Equipment Agreement")

Revised: 03/16/16

I. Equipment Options:

Equipment means the terminals, printers, readers, and accessories or hardware necessary to operate Merchant's chosen Heartland Payment Systems, Inc. (Heartland) solution. Merchant may choose to provide its own equipment, to purchase equipment from or through Heartland, to rent equipment, or any combination of these options. This Equipment Agreement provides the terms that apply to and govern each of these options, with the terms of Section II applying to all options. This Equipment Agreement is part of and shall be governed by the terms and conditions of the Merchant Processing Agreement (the "Agreement") between the parties and is incorporated therein by reference.

(a) Providing Your Own Equipment: Merchant may choose to purchase or lease Equipment from parties other than Heartland. In such case, Heartland makes no promise that Equipment acquired through third parties ("Third Party Equipment") will work correctly with and for Heartland's proprietary terminal software application (the "Software"), Services and/or Equipment. Except as specifically stated in this Equipment Agreement, Heartland will not be responsible for any failure, malfunction, speed or adequacy of Third Party Equipment, for performance of Heartland Software or Services on Third Party Equipment or for repair or replacement of any Third Party Equipment except as specifically stated in this Equipment Agreement. Heartland may elect to support certain Third Party Equipment in its sole discretion, and if it so elects Heartland will replace and repair Merchant's Third Party Equipment should the equipment become inoperative, in which event Merchant will receive replacement equipment and the repaired Third Party Equipment will be placed in Heartland inventory. Merchant will be billed for all replacements and repairs of Merchant's Third Party Equipment. Returned Merchant Third Party Equipment that cannot be repaired will be replaced and billed as a new purchase at then current rates. Notwithstanding the foregoing, Heartland does not provide repair or replacement service for third party equipment provided by third party Point of Sale (POS) System providers.

(b) Purchasing Equipment from Heartland: Merchant may choose to buy some or all of the necessary Equipment from or through Heartland. Equipment pricing will be quoted, and must be agreed upon by Merchant (via written order form or phone) before an order will be processed. Equipment fees will be collected via an ACH debit to Merchant's designated DDA account (the "Account"). Unless otherwise specifically stated in the documentation provided with

the Equipment, Heartland provides a one year warranty beginning on the date of shipment on all Heartland supplied Equipment (including its internal Software) that such Equipment shall be free from faulty workmanship and defects in materials ("Heartland Hardware Warranty"). Equipment covered by the Heartland Hardware Warranty will be replaced at no cost to the Merchant during the applicable warranty period. However, Equipment sold to Merchant by or through Heartland and sent back to Heartland, but not covered under the Heartland Hardware Warranty (including, but not limited to, Heartland supplied and sold equipment damaged by fire, lightning, water damage) will be replaced and billed to Merchant as a new purchase at then current rates. After the warranty period, Heartland will replace such Equipment and repair damaged Equipment at Merchant's expense. If Equipment is damaged by the negligence or the willful acts or omissions of Merchant, its employees, agents or customers during the applicable warranty period, Merchant will be charged for Equipment repairs or replacements. If Equipment purchased from Heartland is returned within sixty (60) days of purchase in Original Condition, Heartland will refund the difference less a restocking fee of $30 for new or used repair/replacement equipment. "Original Condition" means Equipment that has not been used to process transactions, other than to test the Equipment prior to deployment for general use. Heartland will not accept returned Equipment after 60 days of purchase or Equipment not in Original Condition.

(c) Renting Equipment from Heartland: Merchant may choose to rent Equipment from Heartland. Merchant is liable for all rental payments due hereunder. Rental privileges shall last as long as Merchant continues to remit timely rental payments and complies with its agreements with Heartland. Rented Equipment is the personal property of Heartland and will not be deemed for any purpose to be fixtures. Heartland shall have the right to affix or attach to all rented Equipment a tag or label indicating its ownership of, or interest in, said Equipment. Merchant will not remove, or permit the removal of, any such tag or label. Merchant will not sell, lease, encumber, or otherwise dispose of any interest in any rented Equipment and will keep it free of all liens, claims or encumbrances whatsoever. Rental Equipment is the sole property of Heartland and will be replaced at no expense to Merchant if the Equipment becomes inoperable through no fault of Merchant, its employees, agents or customers. However, if the repair of rental Equipment is due to damage caused by the negligence or the willful acts or omissions of Merchants, its employees, agents or customers, Merchant will be charged for the repairs. Merchant will not be liable for ordinary wear and tear of Equipment. However, Merchant will be liable for the full cost of the Equipment in the event the Equipment is lost, destroyed or made inoperative. Merchant will indemnify Heartland against any loss or destruction of any Equipment for any cause whatsoever, excepting the negligence of Heartland. The Equipment deposit is refundable subject to the condition of the returned Equipment.

Upon Merchant's written request, Heartland will return the rental deposit upon the return of Equipment with no more than ordinary wear and tear. Heartland shall not be obligated to refund Merchant's rental deposit unless written request for such refund is made by the Merchant within forty-five (45) days following termination of the Equipment Agreement. Merchant shall pay the monthly rental price indicated on the order form. Rental fees will be collected monthly via an automatic ACH debit to Merchant's designated DDA Account and will be billed monthly including the last month in which Merchant processes transactions. All Heartland owned Equipment must be returned to Heartland at the expense of the Merchant and rental billing will continue until Equipment is received by Heartland. Should Merchant discontinue processing bankcard Transactions with Heartland prior to the expiration of the term of the Agreement, it shall pay to Heartland an Equipment Agreement cancellation fee of $100.00. If rented Equipment malfunctions and Heartland issues a replacement for said Equipment, Merchant shall, within ten (10) days of receipt of the replacement equipment, ship the malfunctioning Equipment to Heartland at Merchant's expense. If Merchant fails to so return the malfunctioning Equipment to Heartland, Merchant shall be liable for the full replacement value of said Equipment and for any legal cost incurred by Heartland in connection with recovery of the malfunctioning Equipment. Merchant's designated DDA Account will be debited for all amounts due Heartland for unreturned Equipment.

II. Universal Terms:

(a) Installation and Training: Heartland will program equipment for Authorization and appropriate draft capture. Heartland will ship the Equipment at Merchant's expense to Merchant's designated business Location ("Location") as set forth in the Merchant Application and Agreement. Heartland will provide Merchant with a reasonable number of Quick Reference Guides and/or User Guides, as applicable, to help Merchant install the Equipment. Heartland may amend the Quick Reference Guides and/or User Guides as applicable to the equipment functionality. Merchant agrees to comply with all applicable instructions as set forth in the Quick Reference Guides and/or User Guides when installing Equipment at the Location. Heartland shall provide additional training as Heartland may deem necessary or appropriate. When additional training is deemed to be necessary by Heartland, Merchant will cooperate with Heartland in scheduling its employees for training at mutually convenient times and in making its employees available at the time scheduled. Promptly after the completion of such training at any Location or immediately upon receipt of the Quick Reference Guides and/or User Guides when training is not deemed necessary by Heartland, Heartland shall commence providing the Services through the Equipment installed and connected at such Location, subject to the further terms and conditions of this Equipment Agreement. The obligations of Heartland under this Section II (a) shall not apply to Third Party Equipment except for Third Party Equipment that Heartland, in its sole discretion, elects to support.

(b) Software: All Heartland Software is licensed (not sold) to Merchant on a limited, non-transferable, non-exclusive basis for use by Merchant on the designated Equipment. This will be for Merchant's internal purposes only in conjunction with Heartland Services. Heartland Software is the sole and exclusive property of Heartland, including all applicable rights to patents, copyrights, trademarks and trade secrets and shall be held in confidence by Merchant. Merchant will not remove any Heartland designation mark from any supplied material.

Merchant agrees not to disassemble, decompile, reverse engineer or otherwise reduce the software to perceptible form. Merchant may not rent, lease, sub-license or transfer the software. Merchant may not use Heartland software for any purpose or in any manner outside this license. Heartland warrants that the software shall perform substantially in the manner set forth in the applicable Quick Reference Guide and/or User Guide ("Heartland Software Warranty"). Third party software is licensed or sub-licensed to Merchant under the terms, including without limitation the warranty terms, of the manufacturer's license and of this Equipment Agreement.

Software licensed on a subscription basis is warranted during the period the subscription is in full force and effect. Software licensed on a standalone basis that is not part of Equipment acquired from Heartland and for which a different warranty period is not expressly provided for in the documentation accompanying such software is warranted for ninety (90) days beginning on the date of shipment or download. Heartland does not offer refunds on Heartland software or software licensed or sublicensed by Heartland on behalf of a third party.

Should Heartland determine during the applicable warranty period that the software does not operate as warranted, Heartland will, at its option, replace or repair the software. In the case of third party software, the determination whether to replace or repair shall be made by the applicable third party software licensor.

Export Regulation. Merchant acknowledges that the Software acquired hereunder may include technical data subject to U.S. export control laws and regulations. Merchant shall not itself, or permit any other person or entity, to export, re-export or release, directly or indirectly, any Software or related documentation provided hereunder to any country, jurisdiction or person to which the export, re-export or release of same is prohibited by applicable law.
U.S. GOVERNMENT RESTRICTED RIGHTS. The software and documentation are provided with RESTRICTED RIGHTS. Use, duplication, or disclosure by the Government is subject to restrictions as set forth in applicable federal law.

(c) ***Heartland Secure Breach Warranty:** Heartland agrees to provide this limited warranty for the HEARTLAND SECURE devices.

If the warrantied HEARTLAND SECURE device fails to encrypt or prevent the unauthorized decryption of cardholder data on that particular device and that failure is proven to be a direct result of a defect or error in Heartland's proprietary software or hardware, Heartland will pay:
(i) the amount of compliance fines, fees and/or assessments charged by the card brands, issuing bank or acquiring bank, and
(ii) the amount charged for a directly related forensic audit conducted by a PCI-Certified Qualified Incident Response Assessor (QIRA) of Heartland's choice.

This warranty applies only if the Merchant is:
(i) using a HEARTLAND SECURE device as identified on the HEARTLAND SECURE website: http://www.heartlandpaymentsystems.com/secure and the theft, conversion or unauthorized decryption is proven to be directly caused by the failure of the HEARTLAND SECURE device;
(ii) a party to Heartland's Agreement;
(iii) processing transactions through Heartland at the time the failure occurs; and
(iv) in compliance with the terms of the Agreement. The Merchant must comply with all terms and conditions of any equipment agreement or warranty, and the merchant must implement all required updates and upgrades on the HEARTLAND SECURE device and allow access to the device immediately upon Heartland's request. The Merchant must provide access and information to Heartland and others regarding any claims made by Merchant under the warranty, including but not limited to, financial and/or forensic audits, inspections of facilities, equipment, infrastructure and/or documents. Payment obligations under this warranty will be entirely contingent upon a final finding by the QIRA that the HEARTLAND SECURE device failed to encrypt or prevent the unauthorized decryption of the Merchant's cardholder data on the HEARTLAND SECURE device.

(d) Additional Warranties and Limitations:
EXCEPT AS EXPRESSLY PROVIDED HEREIN HEARTLAND MAKES NO ADDITIONAL REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, BEYOND THOSE EXPRESSLY STATED HEREIN. HEARTLAND SPECIFICALLY DISCLAIMS WARRANTIES AS TO THE MERCHANTABILITY, CONDITION, DESIGN, OR COMPLIANCE WITH SPECIFICATIONS OR STANDARDS, AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR USE, OR NONINFRINGEMENT OF THIRD PARTY RIGHTS, WITH RESPECT TO ANY EQUIPMENT, SOFTWARE OR SERVICE. HEARTLAND DOES NOT WARRANT THAT THE EQUIPMENT, SERVICE OR SOFTWARE WILL OPERATE WITHOUT INTERRUPTION OR ON AN ERROR-FREE BASIS, AND EXCEPT AS OTHERWISE PROVIDED IN THE EXPRESS WARRANTIES MADE BY HEARTLAND IN THIS EQUIPMENT AGREEMENT THE EQUIPMENT AND SOFTWARE ARE PROVIDED "AS
IS". HEARTLAND SHALL HAVE NO LIABILITY TO MERCHANT FOR INCIDENTAL, SPECIAL,

CONSEQUENTIAL, INDIRECT OR EXEMPLARY DAMAGES, INCLUDING WITHOUT LIMITATION LOST PROFITS, REVENUES AND BUSINESS OPPORTUNITIES, OR DAMAGES FOR INJURY TO PERSON OR PROPERTY, ARISING OUT OF OR IN CONNECTION WITH THE USE BY MERCHANT OF ANY EQUIPMENT OR SERVICE.

For the avoidance of any doubt, any damages under the Secure Warranty Breach shall be subject to the limitation set out immediately above; provided, however, in accordance with the Agreement, there shall be no direct damages limitation on Merchant's recovery in relation to the Secure Warranty Breach as described and subject to the warranty language in II(c) above. Heartland's sole obligation with respect to a warranty claim received by Heartland during the applicable warranty period shall be to replace any malfunctioning equipment or software under warranty, provided however, that Merchant has first utilized Heartland's telephone assistance services and such assistance has not resolved the Equipment or Software problem. Equipment returned to Heartland as a Repair / Replacement must be in repairable order. Product warranties are not available for used PinPads or PinPad swaps. In addition any PinPad swap must be of like equipment. Heartland will provide, or cause to be provided, telephone assistance in response to telephone inquiries, twenty-four (24) hours a day, seven (7) days a week, including holidays. These hours may be changed at any time, at Heartland's sole discretion.

Authorization Services typically will be available through installed or connected equipment continuously twenty-four (24) hours a day, seven (7) days a week, except that Services may be interrupted for usually no more than thirty (30) minutes in the aggregate between the hours of 12 midnight and 8 a.m. (CST) for the purpose of system maintenance. Provision of the Services may also be interrupted for reasons beyond the control of Heartland or any independent contractor utilized by Heartland in providing Services. Any extended warranty programs which may be offered by Heartland with respect to equipment or software, if any, shall be governed by the terms and conditions applicable to such extended warranty programs.

(e) Third Party Payment Services: Use of third party payment services is subject to the terms and conditions imposed by the third party service providers sponsoring or otherwise supporting such services ("Third Party Services Terms and Conditions"). Merchant agrees to comply with all applicable Third Party Services Terms and Conditions and should refer to the website of the applicable service provider and other documents provided by such service provider from time to time for the current terms and conditions. Merchant agrees to indemnify Heartland for any losses or liabilities arising from Merchant's breach of any Third Party Services Terms and Conditions. Also, in Heartland's reasonable discretion, such a breach by Merchant may be deemed by Heartland to be a breach of the Equipment Agreement and the Merchant Processing Agreement.

STOCK PURCHASE AGREEMENT

by and between

USA TECHNOLOGIES, INC.

and

ANTARA CAPITAL MASTER FUND LP

Dated as of October 9, 2019

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STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT, dated as of October 9, 2019 (this "Agreement"), is by and between USA Technologies, Inc., a Pennsylvania corporation (the "Company"), and Antara Capital Master Fund LP, a Cayman Islands exempted limited partnership (the "Investor").

WHEREAS, the Company desires to sell to the Investor, and the Investor desires to purchase from the Company, 3,800,000 shares of Common Stock (the "Shares") in accordance with the provisions of this Agreement; and

WHEREAS, at the Closing (as defined below), the Company and the Investor will concurrently enter into a registration rights agreement in the form attached hereto as Exhibit A (the "Registration Rights Agreement"), pursuant to which the Company will provide the Investor with certain registration rights with respect to the Shares (as defined below) acquired pursuant hereto.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Investor, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms have the meanings indicated:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Aggregate Purchase Price" means the product of (i) Purchase Price multiplied by (ii) the aggregate number of Shares.

"Agreement" has the meaning set forth in the introductory paragraph.

"Anti-Money Laundering Laws" has the meaning specified in Section 3.8(b).

"Approved Sale" shall mean a sale of the Company to any Person (whether by merger, consolidation, sale of all or substantially all of its assets or sale of all or a majority of the outstanding capital stock) that is approved by the board of directors of the Company.

"Business Day" means a day other than (a) a Saturday or Sunday or (b) any day on which banks located in New York, New York are authorized or obligated to close.

"Bylaws" has the meaning specified in Section 2.3(f).

"Charter" means the Amended and Restated Articles of Incorporation of the Company, as amended.

"Code" means the Internal Revenue Code of 1986, as amended.

"Closing" has the meaning specified in Section 2.2.

"Closing Date" has the meaning specified in Section 2.2.

"Commission" means the United States Securities and Exchange Commission.

"Commitment Letter" has the meaning specified in Section 2.5(e).

"Common Stock" means the common stock, without par value, of the Company.

"Company" has the meaning set forth in the introductory paragraph.

"Company SEC Documents" has the meaning specified in Section 3.11.

"Dispose of" means any (i) offer, pledge, sale, contract to sell, sale of any option or contract to purchase, purchase of any option or contract to sell, grant of any option, right or warrant for the sale of, or other disposition of or transfer of any, including any "Short Sale" or similar arrangement, or (ii) swap, hedge, derivative instrument, or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of shares of Common Stock, whether any such swap or transaction is to be settled by delivery of securities, in cash or otherwise.

"Draft Filings" means the Company's (i) Form 10-K filing for the fiscal year ended June 30, 2019, (ii) Form 10-Q for the quarterly period ended December 31, 2018, (iii) Form 10-Q for the quarterly period ended March 31, 2019, and (iv) Form 10-Q for the quarterly period ended September 30, 2018, in each case, in the form provided to the Investor on or about October 2, 2019.

"Employee Benefit Plan" means any "employee benefit plan" within the meaning of Section 3(3) of ERISA, including, without limitation, all stock purchase, stock option, stock-based severance, employment, change-in-control, medical, disability, fringe benefit, bonus, incentive, deferred compensation, employee loan and all other employee benefit plans, agreements, programs, policies or other arrangements, whether or not subject to ERISA, under which (x) any current or former employee, director or independent contractor of the Company or its subsidiaries has any present or future right to benefits and which are contributed to, sponsored by or maintained by the Company or any of its respective subsidiaries or (y) the Company or any of its subsidiaries has had or has any present or future obligation or liability

"Environmental Laws" has the meaning specified in Section 3.26.

"Equity Interests" has the meaning specified in Section 3.2(b).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means any member of the Company's controlled group as defined in Code Section 414(b), (c), (m) or (o).

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations of the Commission promulgated thereunder.

"Foreign Benefit Plan" means any Employee Benefit Plan established, maintained or contributed to outside of the United States of America or which covers any employee working or residing outside of the United States.

"GAAP" means U.S. generally accepted accounting principles.

"Governmental Authority" means, with respect to a particular Person, any country, state, county, city and political subdivision in which such Person or such Person's property is located or that exercises valid jurisdiction over any such Person or such Person's property, and any court, agency, department, commission, board, bureau or instrumentality of any of them and any monetary authority that exercises valid jurisdiction over any such Person or such Person's property. Unless otherwise specified, all references to Governmental Authority herein with respect to the Company mean a Governmental Authority having jurisdiction over the Company, its Subsidiaries or any of their respective properties.

"Indemnified Parties" has the meaning specified in Section 6.1.

"Indemnifying Party" has the meaning specified in Section 6.2.

"Intellectual Property" shall mean all patents, patent applications, trade and service marks, trade and service mark registrations, trade names, copyrights, licenses, inventions, trade secrets, domain names, technology, know-how and other intellectual property.

"Investor" has the meaning set forth in the introductory paragraph.

"Law" means any federal, state, local or foreign order, writ, injunction, judgment, settlement, award, decree, statute, law, rule or regulation.

"Lien" means any interest in property securing an obligation owed to, or a claim by, a Person other than the owner of the property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. For the purpose of this Agreement, a Person shall be deemed to be the owner of any property that it has acquired or holds subject to a conditional sale agreement, or leases under a financing lease or other arrangement pursuant to which title to the property has been retained by or vested in some other Person in a transaction intended to create a financing.

"Lock-Up Period" has the meaning specified in Section 5.2.

"Material Adverse Effect" has the meaning specified in Section 3.1.

"Nasdaq" means the Nasdaq Stock Market.

"Occupational Laws" has the meaning specified in Section 3.27.

"Operative Documents" means, collectively, this Agreement, the Registration Rights Agreement, and any amendments, supplements, continuations or modifications thereto.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other form of entity.

"Press Release" has the meaning specified in Section 5.3.

"Purchase Price" has the meaning specified in Section 2.1(b).

"Purchase Price Payment" has the meaning specified in Section 2.6(a).

"Registration Rights Agreement" has the meaning set forth in the recitals hereto.

"Representatives" of any Person means the Affiliates of such Person and the officers, directors, managers, employees, agents, counsel, accountants, investment bankers and other representatives of such Person and its Affiliates.

"Sanctions" has the meaning specified Section 3.8(c).

"Sanctioned Country" has the meaning specified in Section 3.8(c).

"Sarbanes-Oxley Act" has the meaning specified in Section 3.24.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations of the Commission promulgated thereunder.

"Shares" has the meaning set forth in the recitals hereto.

"Short Sales" means, without limitation, all "short sales" as defined in Rule 200 promulgated under Regulation SHO under the Exchange Act, whether or not against the box, and forward sale contracts, options, puts, calls, short sales, "put equivalent positions" (as defined in Rule 16a-1(h) under the Exchange Act) and similar arrangements, and sales and other transactions through non-U.S. broker dealers or foreign regulated brokers.

"Subsidiary" has the meaning set forth in Section 3.1.

"Trading Affiliates" has the meaning set forth in Section 4.8.

ARTICLE II

AGREEMENT TO SELL AND PURCHASE

Section 2.1 Sale and Purchase.

(a) On the Closing Date, subject to the terms and conditions hereof, the Company hereby agrees to issue and sell to the Investor, and the Investor hereby agrees to purchase from the Company, the Shares, and the Investor agrees to pay the Company the Purchase Price for the Shares as set forth in paragraph (b) below.

(b) The amount per share of Common Stock the Investor will pay to the Company to purchase the Shares (the "Purchase Price") hereunder shall be $5.25 per share.

Section 2.2 Closing. Subject to the terms and conditions hereof, the consummation of the purchase and sale of the Shares hereunder (the "Closing") shall take place by the remote exchange of documents and signatures by facsimile or .PDF documents upon the satisfaction of the conditions set forth in Sections 2.3 and 2.4 (the date of such closing, the "Closing Date"). Unless otherwise provided herein, all proceedings to be taken and all documents to be executed and delivered by all parties at the Closing will be deemed to have been taken and executed simultaneously, and no proceedings will be deemed to have been taken or documents executed or delivered until all have been taken, executed or delivered.

Section 2.3 Investor's Conditions. The obligation of the Investor to consummate the purchase of the Shares shall be subject to the satisfaction on or prior to the Closing Date of each of the following conditions (any or all of which may be waived by the Investor in writing, in whole or in part, to the extent permitted by applicable Law):

(a) Substantially concurrently with the delivery of the Purchase Price Payment by the Investor, the Company shall file the Draft Filings (in substantially the same form previously reviewed by the Investor) with the Commission, in compliance with all applicable rules and regulations;

(b) [intentionally omitted]

(c) (i) The representations and warranties of the Company contained in this Agreement that are qualified by materiality or a Material Adverse Effect shall be true and correct when made and as of the Closing Date, (ii) the representations and warranties of the Company set forth in Section 3.2(b) shall be true and correct when made and as of the Closing Date and (iii) all

other representations and warranties of the Company shall be true and correct in all material respects when made and as of the Closing Date, in each case as though made at and as of the Closing Date;

(d) Since the date of this Agreement, no event has occurred or condition or circumstance exists which has had, or is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect; and

(e) The Company shall have delivered, or caused to be delivered, to the Investor at the Closing, the Company's closing deliveries described in Section 2.5. By acceptance of the Purchase Price Payment, the Company shall be deemed to have represented to the Investor that it has performed and complied in all material respects with the covenants and agreements contained in this Agreement that are required to be performed and complied with by it on or prior to the Closing Date; and the representations and warranties of such Company contained in this Agreement that are qualified by materiality are true and correct as of the Closing Date and all other representations and warranties of the Company are true and correct in all material respects as of the Closing Date.

Section 2.4 Company's Conditions. The obligation of the Company to consummate the issuance and sale of the Shares to the Investor shall be subject to the satisfaction on or prior to the Closing Date of each of the following conditions with respect to the Investor (any or all of which may be waived by the Company in writing, in whole or in part, to the extent permitted by applicable Law):

(a) The representations and warranties of the Investor contained in this Agreement that are qualified by materiality shall be true and correct when made and as of the Closing Date and all other representations and warranties of the Investor shall be true and correct in all material respects when made and as of the Closing Date; and

(b) The Investor shall have delivered, or caused to be delivered, to the Company at the Closing the Investor's closing deliveries described in Section 2.6. By acceptance of the Shares by the Investor, the Investor shall be deemed to have represented to the Company that it has performed and complied in all material respects with the covenants and agreements contained in this Agreement that are required to be performed and complied with by it on or prior to the Closing Date; and the representations and warranties of such Investor contained in this Agreement that are qualified by materiality are true and correct as of the Closing Date and all other representations and warranties of such Investor are true and correct in all material respects as of the Closing Date.

Section 2.5 Company Deliveries. At the Closing, subject to the terms and conditions hereof, the Company will deliver, or cause to be delivered, to the Investor:

(a) The Shares, which shall initially be delivered to the Investor in book-entry form and registered in the name of the Investor with the transfer agent of the Company. The Shares shall bear the legend or restricted notation set forth in Section 4.10 and shall be free and clear of any Liens, other than transfer restrictions under applicable federal and state securities laws;

(b) A certificate of the Secretary of State of the Commonwealth of Pennsylvania, dated as of a recent date, to the effect that the Company is in good standing;

(c) A cross-receipt executed by the Company certifying that it has received the Aggregate Purchase Price from the Investor as of the Closing Date with respect to the Shares issued and sold to the Investor;

(d) The Registration Rights Agreement, which shall have been duly executed by the Company;

(e) A commitment letter (the "Commitment Letter"), in form and substance satisfactory to the Investor, with respect to a senior secured delayed draw term loan facility by and between the Company and the Investor (on behalf of itself and certain of its Affiliates and accounts managed or sub-advised by it or its Affiliates), which Commitment Letter shall have been duly executed by the Company;

(f) An opinion addressed to the Investor from Lurio & Associates, P.C. legal counsel to the Company, dated as of the Closing, in the form and substance attached hereto as Exhibit B; and

(g) A certificate of the Secretary or an Assistant Secretary of the Company, certifying as to (1) the Charter and all amendments thereto, (2) the Amended and Restated By laws of the Company, as amended (the "Bylaws"), as in effect on the Closing Date, (3) board resolutions authorizing the execution and delivery of the Operative Documents and the consummation of the transactions contemplated thereby, including the issuance of the Shares and (4) its incumbent officers authorized to execute the Operative Documents, setting forth the name and title and bearing the signatures of such officers.

Section 2.6 Investor Deliveries. At the Closing, subject to the terms and conditions hereof, the Investor will deliver, or cause to be delivered, to the Company:

(a) Payment to the Company of the Purchase Price equal to $19,950,000 by wire transfer of immediately available funds to an account designated by the Company in writing prior to the Closing Date (the "Purchase Price Payment"); provided that

such delivery shall be required only after delivery of the Shares as set forth in Section 2.5(a);

(b) The Registration Rights Agreement, which shall have been duly executed by the Investor; and

(c) The Commitment Letter, which shall have been duly executed by the Investor.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Investor as of the date of this Agreement as follows:

Section 3.1 Existence. The Company has been duly incorporated, is validly subsisting and is in good standing under the laws of the Commonwealth of Pennsylvania, with corporate power and authority to own, lease and operate its properties and conduct its business as described in the Draft Filings and Company SEC Documents; the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to qualify or to be in good standing would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, properties, prospects, financial condition, stockholders' equity or results of operations of the Company and its subsidiaries taken as a whole (a "Material Adverse Effect"); each subsidiary of the Company other than those subsidiaries which would not, individually or in the aggregate, constitute a "significant subsidiary" as defined in Item 1-02(w) of Regulation S-X (each such "significant subsidiary" a "Subsidiary") is a corporation, partnership, limited liability company or business trust duly incorporated or organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite entity power and authority to own, lease and operate its properties except where the failure to qualify or be in good standing would not, individually or in the aggregate, have a Material Adverse Effect. The Company does not own or control, directly or indirectly, any corporation, association or other corporate entity that, individually or in the aggregate would constitute a Subsidiary, other than the subsidiaries listed on Schedule **3.1** hereto. On a consolidated basis, the Company and its Subsidiaries conduct their business as described in the Draft Filings and Company SEC Documents and each Subsidiary is duly qualified as a foreign corporation, partnership, limited liability company, business trust or other organization to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to qualify or to be in good standing would not, individually or in the aggregate, result in a Material Adverse Effect.

Section 3.2 Shares; Capitalization.

(a) As of the date hereof, the Company has authorized (i) 640,000,000 shares of Common Stock, (ii) 1,800,000 shares of preferred stock and (iii) 900,000 shares of Series A convertible preferred stock, and all of the issued and outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable, free of all liens, charges and encumbrances and not in violation of or subject to any preemptive or similar rights. Except as otherwise disclosed in the Company SEC Documents or the Draft Filings, all of the issued and outstanding capital stock or other ownership interests of each Subsidiary of the Company (i) have been duly authorized and validly issued, (ii) are fully paid and non-assessable and (iii) are owned by the Company directly or through Subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity except as described in the Company SEC Documents or the Draft Filings and except for such security interests, mortgages, pledges, liens, encumbrances, claims or equities that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) As of the date hereof, (i) the Company has 60,008,481 shares of Common Stock issued and outstanding, (ii) the Company has 445,063 shares of Series A convertible preferred stock issued and outstanding and (iii) the Company has options, warrants or other rights to acquire an aggregate of 1,151,075 shares of Common Stock issued and outstanding. Except as set forth in this Section 3.2(b), there are no outstanding: (i) options, warrants or other rights to subscribe for, purchase or acquire from the Company any Common Stock or other equity interests in the Company ("Equity Interests"); (ii) securities of the Company convertible into or exchangeable or exercisable for Equity Interests, voting debt or other voting securities of the Company; and (iii) options, warrants, calls, rights (including preemptive rights), commitments or agreements to which the Company is a party or by which it is bound in any case obligating the Company to issue, deliver, sell, purchase, redeem or acquire, or cause to be issued, delivered, sold, purchased, redeemed or acquired, additional shares of capital stock or any voting debt or other voting securities of the Company, or obligating the Company to grant, extend or enter into any such option, warrant, call, right, commitment or agreement.

Section 3.3 No Conflict. The issue and sale of the Shares, the execution, delivery and performance by the Company and its Subsidiaries of the Operative Documents, the application of the proceeds from the sale of the Shares, the consummation of the transactions contemplated hereby and thereby, will not (a) conflict with or result in a breach or violation of any of the terms or provisions of, impose any lien, charge or encumbrance upon any property or assets of the Company or any of its Subsidiaries, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, license, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound or to which any of the property or assets of the Company or any of its Subsidiaries is subject, (b) result in any violation of the provisions of the

Charter or Bylaws (or similar organizational documents) of the Company or any of its Subsidiaries, or (c) result in any violation by the Company or any Subsidiary of any statute or any judgment, order, decree, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its Subsidiaries or any of their properties or assets, except, with respect to clauses (a) and (c), conflicts or violations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of the Company or any of its Subsidiaries to perform their respective obligations under this Agreement or any of the Operative Documents.

Section 3.4 No Default. Neither the Company nor any of its Subsidiaries (a) is in violation of its respective charter or bylaws (or similar organizational documents), (b) is in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant, condition or other obligation contained in any indenture, mortgage, deed of trust, loan agreement, license or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject, or (c) except as disclosed in the Company SEC Documents or in the Draft Filings, is in violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over it or its property or assets or has failed to obtain any license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business, except in the case of clauses (b) and (c), to the extent any such conflict, breach, violation or would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or cause a material adverse effect on the ability of the Company or any of its Subsidiaries to perform their obligations under this Agreement or any of the Operative Documents.

Section 3.5 Authority. The Company has all requisite corporate, partnership or limited liability company power and authority, as applicable, to issue, sell and deliver the Common Stock, in accordance with and upon the terms and conditions set forth in this Agreement. The Common Stock has been duly authorized and, upon issuance pursuant to the terms hereof, each share of Common Stock shall be validly issued, fully paid and non-assessable and outstanding, free of all liens, charges and encumbrances and will not have been issued in violation of or subject to any preemptive or similar rights. All corporate and/or other action required to be taken by the Company for the authorization, issuance, sale and delivery of the Common Stock, the execution and delivery of the Operative Documents and the consummation of the transactions contemplated hereby and thereby has been validly taken. No approval from the holders of outstanding shares of Common Stock or any other Equity Interests is required in connection with the Company's issuance and sale of the Shares to the Investor or in connection with any other matter contemplated hereby.

Section 3.6 Private Placement. Assuming the accuracy of the Investor's representations and warranties set forth in Section 4.5, the issuance and sale of the Shares pursuant hereto are exempt from the registration requirements of the Securities Act. No form of general solicitation or general advertising within the meaning of Regulation D (including advertisements, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising) was used by the Company, or any Person acting on behalf of the Company in connection with the offer and sale of the Shares.

Section 3.7 Approvals. No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental agency or body, domestic or foreign, having jurisdiction over the Company is required for the offering and sale of the Shares or the consummation by the Company of the other transactions contemplated by the Operative Documents, except for the filing of the registration statement by the Company with the Commission pursuant to the Securities Act, as required by the Registration Rights Agreement, the filing with the Commission of a Form 8-K in connection with the offer and sale of the Shares pursuant to item 3.02 of Form 8-K, and the filing with the Commission of a Form D pursuant to Regulation D promulgated under the Securities Act.

Section 3.8 Compliance with Laws.

(a) The Company and each of its Subsidiaries holds, and is operating in compliance in all material respects with, all franchises, grants, authorizations, licenses, permits, easements, consents, certificates and orders of any Governmental Authority or self-regulatory body required for the conduct of its business and all such franchises, grants, authorizations, licenses, permits, easements, consents, certifications and orders are valid and in full force and effect; and neither the Company nor any of its Subsidiaries has received notice of any revocation or modification of any such franchise, grant, authorization, license, permit, easement, consent, certification or order or has reason to believe that any such franchise, grant, authorization, license, permit, easement, consent, certification or order will not be renewed in the ordinary course; and the Company and each of its Subsidiaries is in compliance in all material respects with all applicable federal, state, local and foreign laws, regulations, orders and decrees.

(b) The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions where the Company or any of its Subsidiaries conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Anti-Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company or any of its Subsidiaries, threatened.

(c) Neither the Company nor any of its Subsidiaries, nor, to the knowledge of the Company, any directors, officers or employees of the Company or its Subsidiaries, nor, to the knowledge of the Company, any agent, affiliate or other person associated with or acting on behalf of the Company or any of its Subsidiaries is currently the subject or the target of any sanctions administered or enforced by the U.S. government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State and including, without limitation, the designation as a "specially designated national" or "blocked person"), the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority (collectively, "Sanctions"), nor is the Company or any of its Subsidiaries located, organized or resident in a country or territory that is the subject or target of Sanctions, including, without limitation, Cuba, Burma (Myanmar), Iran, North Korea, Sudan, Syria and Crimea (each, a "Sanctioned Country"); and the Company will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business in any Sanctioned Country or (iii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, initial purchaser, advisor, investor or otherwise) of Sanctions. For the past five years, the Company and its Subsidiaries have not engaged in, are not now engaged in and will not engage in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country.

(d) Neither the Company nor any of its Subsidiaries, nor, to the knowledge of the Company, any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its Subsidiaries has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment or benefit to any foreign or domestic government official or employee, including of any government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom, or any other applicable anti-bribery or anti-corruption law; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit. The Company and its Subsidiaries have instituted, maintain and enforce, and will continue to maintain and enforce, policies and procedures designed to promote and ensure compliance with anti-bribery and anti-corruption laws to the extent such laws are applicable to the business, assets and operations of the Company and its Subsidiaries.

Section 3.9 Due Authorization. The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under the Operative Documents. The Operative Documents have been duly authorized by the Company, and duly executed and delivered by the Company in accordance with the terms hereof and thereof, and (assuming the due authorization, execution and delivery thereof by the other parties thereto) will be the legally valid and binding obligations of the Company in accordance with the terms thereof, enforceable against the Company in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and, as to rights of indemnification and contribution, by principles of public policy.

Section 3.10 Legal Proceedings. Except as disclosed in the Draft Filings and Company SEC Documents, there are no legal or governmental proceedings pending to which the Company or any of its Subsidiaries is a party or of which any property of the Company or any of its Subsidiaries is the subject which if determined adversely to the Company, or such Subsidiary, would individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or which would, individually or in the aggregate, materially and adversely affect the consummation of the transactions contemplated under the Operative Documents or the performance by the Company or any of its Subsidiaries of their obligations hereunder or thereunder; and, to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

Section 3.11 Company SEC Documents. Except as set forth on Schedule 3.11, the Company's forms, registration statements, reports, schedules and statements required to be filed by it under the Exchange Act or the Securities Act (all such documents, collectively the "Company SEC Documents") have been filed with the Commission on a timely basis. The Company SEC Documents and the Draft Filings, including, without limitation, any audited or unaudited financial statements and any notes thereto or schedules included therein, at the time filed or when filed in the case of the Draft Filings (or in the case of registration statements, solely on the dates of effectiveness) (except to the extent corrected by a subsequent Company SEC Document) (i) do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, (ii) comply in all material respects with the applicable requirements of the Exchange Act and the Securities Act, as the case may be, (iii) comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the Commission with respect thereto, (iv) were prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of unaudited statements, as permitted by Form 10-Q of the Commission), and (v) fairly present (subject in the case of unaudited statements to normal and recurring audit adjustments) in all

material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of its operations and cash flows for the periods then ended.

Section 3.12 Internal Controls. Except as disclosed in the Company SEC Documents and the Draft Filings, the Company and each of its Subsidiaries maintain a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) that complies with the requirements of the Exchange Act and that has been designed by, or under the supervision of, the Company's principal executive and principal financial officers, 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 in the United States. Except as disclosed in the Company SEC Documents and the Draft Filings, the Company and each of its Subsidiaries maintains internal accounting controls that are sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorization, (ii) transactions are recorded as necessary to permit preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States and to maintain accountability for its assets, (iii) access to the Company's assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for the Company's assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Section 3.13 No Material Adverse Effect. Except as described in the Company SEC Documents and in the Draft Filings, since June 30, 2019, no event or circumstance has occurred that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect.

Section 3.14 Certain Fees. Neither the Company nor any of its Subsidiaries is a party to any contract, agreement or understanding with any Person that could give rise to a valid claim against the Investor for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Shares or any other transaction contemplated by the Operative Documents.

Section 3.15 No Integration. Neither the Company or any of its Subsidiaries nor any other Person acting on behalf of the Company or any of its Subsidiaries has sold or issued any securities that would be integrated with the offering of the Shares contemplated by this Agreement pursuant to the Securities Act, the rules and regulations thereunder or the interpretations thereof by the Commission.

Section 3.16 Investment Company Status. Neither the Company nor any Subsidiary of the Company is or, after giving effect to the offer and sale of the Shares and the application of the proceeds therefrom, will be an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder.

Section 3.17 Nasdaq Listing of Shares. The Shares will be issued in compliance with all applicable rules of Nasdaq.

Section 3.18 No Side Agreements. There are no agreements by the Company or any of its Affiliates relating to or entered into in connection with the transactions contemplated hereby other than the Operative Documents nor promises or inducements for future transactions with respect to such parties.

Section 3.19 Ownership of Assets. The Company and its Subsidiaries have good and marketable title to all property (whether real or personal) described in the Draft Filings and Company SEC Documents as being owned by them, in each case free and clear of all liens, claims, security interests, other encumbrances or defects except such as are described in such Draft Filings and Company SEC Documents. The property held under lease by the Company and its Subsidiaries is held by them under valid, subsisting and enforceable leases with only such exceptions with respect to any particular lease as do not interfere in any material respect with the conduct of the business of the Company or its Subsidiaries.

Section 3.20 Intellectual Property. The Company and each of its Subsidiaries owns, possesses, or, to the knowledge of the Company, can acquire on reasonable terms, all material Intellectual Property necessary for the conduct of the Company's and its Subsidiaries' business as now conducted. Furthermore, except as otherwise disclosed in the Draft Filings and Company SEC Documents, (A) to the knowledge of the Company, there is no infringement, misappropriation or violation by third parties of any such Intellectual Property; (B) there is no pending or, to the knowledge of the Company, threatened, action, suit, proceeding or claim by others challenging the Company's or any of its Subsidiaries' rights in or to any such Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (C) the Intellectual Property owned by the Company and its Subsidiaries, and to the knowledge of the Company, the Intellectual Property licensed to the Company and its Subsidiaries, has not been adjudged invalid or unenforceable, in whole or in part, and there is no pending or, to the knowledge of the Company, threatened action, suit, proceeding or claim by others challenging the validity or scope of any such Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (D) there is no pending or, to the knowledge of the Company, threatened action, suit, proceeding or claim by others that the Company or any of its Subsidiaries infringes, misappropriates or otherwise violates any Intellectual Property or other proprietary rights of others, neither the Company or any of its Subsidiaries has received any written notice of such claim and the Company is unaware of any other fact which would form a reasonable basis for any such claim; and (E) to the Company's knowledge, no employee of the Company or any of its Subsidiaries is in or has ever been in violation of any term of any employment contract, patent disclosure agreement, invention assignment agreement, non-competition agreement, non-solicitation agreement, nondisclosure agreement or any

restrictive covenant to or with a former employer where the basis of such violation relates to such employee's employment with the Company or any of its Subsidiaries or actions undertaken by the employee while employed with the Company or any of its Subsidiaries, except as such violation would not result in a Material Adverse Effect.

Section 3.21 Taxes. The Company and its Subsidiaries have timely filed all federal, state, local and foreign income and franchise tax returns required to be filed (except in any case in which the failure to so file is not material) and are not in default in the payment of any taxes which were payable pursuant to said returns or any assessments with respect thereto, other than any which the Company or any of its Subsidiaries is contesting in good faith, or to the extent such default is not material. There is no pending dispute with any taxing authority relating to any of such returns, and the Company has no knowledge of any proposed liability for any tax to be imposed upon the properties or assets of the Company or any of its Subsidiaries for which there is not an adequate reserve reflected in the Company's financial statements included in the Draft Filings and Company SEC Documents.

Section 3.22 Ownership of Other Entities. Other than the Subsidiaries of the Company, the Company, directly or indirectly, owns no capital stock or other equity or ownership or proprietary interest in any corporation, partnership, association, trust or other entity.

Section 3.23 Insurance. The Company and each of its Subsidiaries carries, or is covered by, insurance from reputable insurers in such amounts and covering such risks as is customary and prudent for the businesses in which they are engaged; all policies of insurance and any fidelity or surety bonds insuring the Company or any of its Subsidiaries or its business, assets, employees, officers and directors are in full force and effect in accordance with their terms; subject to the disclosures in the Draft Filings and the Company SEC Documents, the losses, claims, damages or liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses that are reasonably expected to be incurred pursuant to any pending, threatened or reasonably expected legal and governmental proceedings do not exceed the coverage limits under such policies by amounts that would, individually or in the aggregate, reasonably be expected to be materially adverse to the Company; the Company and its Subsidiaries are in compliance with the terms of such policies and instruments in all material respects; except as disclosed to the Investor prior to the date hereof, there are no claims by the Company or any of its Subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; neither the Company nor any of its Subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of its Subsidiaries has reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

Section 3.24 Sarbanes-Oxley Act. The Company is in compliance with all applicable provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the rules and regulations of the Commission thereunder.

Section 3.25 Disclosure Controls. The Company has established and maintains disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Exchange Act) and, except as disclosed in the Draft Filings and Company SEC Documents, such controls and procedures are effective in ensuring that material information relating to the Company, including its Subsidiaries, is made known to the principal executive officer and the principal financial officer. Except as disclosed in the Company SEC Documents and the Draft Filings, the Company has utilized such controls and procedures in preparing and evaluating the disclosures in the Company's Exchange Act filings and other public disclosure documents.

Section 3.26 Compliance with Environmental Laws. Except as disclosed in the Draft Filings and Company SEC Documents, neither the Company nor any of its Subsidiaries is in violation of any statute, any rule, regulation, decision or order of any Governmental Authority or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "Environmental Laws"), owns or operates any real property contaminated with any substance that is subject to any Environmental Laws, is liable for any off-site disposal or contamination pursuant to any Environmental Laws, or is subject to any claim relating to any Environmental Laws, which violation, contamination, liability or claim would individually or in the aggregate, have a Material Adverse Effect; and the Company is not aware of any pending investigation which might lead to such a claim. Neither the Company nor any of its Subsidiaries anticipates incurring any material capital expenditures relating to compliance with Environmental Laws.

Section 3.27 Compliance with Occupational Laws. The Company and each of its Subsidiaries (A) is in compliance, in all material respects, with any and all applicable foreign, federal, state and local laws, rules, regulations, treaties, statutes and codes promulgated by any and all Governmental Authorities (including pursuant to the Occupational Health and Safety Act) relating to the protection of human health and safety in the workplace ("Occupational Laws"); (B) has received all material permits, licenses or other approvals required of it under applicable Occupational Laws to conduct its business as currently conducted; and (C) is in compliance, in all material respects, with all terms and conditions of such permit, license or approval. No action, proceeding, revocation proceeding, writ, injunction or claim is pending or, to the Company's knowledge, threatened against the Company or any of its Subsidiaries relating to Occupational Laws, and the Company does not have knowledge of any facts, circumstances or developments relating to its operations that could reasonably be expected to form the basis for or give rise to such actions, suits, investigations or proceedings.

Section 3.28 ERISA and Employee Benefits Matters. (A) To the knowledge of the Company, no "prohibited transaction" as defined under Section 406 of ERISA or Section 4975 of the Code and not exempt under ERISA Section 408 and the regulations and published interpretations thereunder has occurred with respect to any Employee Benefit Plan. At no time has the Company or any ERISA Affiliate maintained, sponsored, participated in, contributed to or has or had any liability or obligation in respect of any Employee Benefit Plan subject to Part 3 of Subtitle B of Title I of ERISA, Title IV of ERISA, or Section 412 of the Code or any "multiemployer plan" as defined in Section 3(37) of ERISA or any multiple employer plan for which the Company or any ERISA Affiliate has incurred or could incur liability under Section 4063 or 4064 of ERISA. No Employee Benefit Plan provides or promises, or at any time provided or promised, retiree health, life insurance, or other retiree welfare benefits except as may be required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or similar state law. Each Employee Benefit Plan is and has been operated in material compliance with its terms and all applicable laws, including but not limited to ERISA and the Code and, to the knowledge of the Company, no event has occurred (including a "reportable event" as such term is defined in Section 4043 of ERISA) and no condition exists that would subject the Company or any ERISA Affiliate to any material tax, fine, lien, penalty or liability imposed by ERISA, the Code or other applicable law. Each Employee Benefit Plan intended to be qualified under Code Section 401(a) is so qualified and has a favorable determination or opinion letter from the IRS upon which it can rely, and any such determination or opinion letter remains in effect and has not been revoked; to the knowledge of the Company, nothing has occurred since the date of any such determination or opinion letter that is reasonably likely to adversely affect such qualification; (B) with respect to each Foreign Benefit Plan, such Foreign Benefit Plan (1) if intended to qualify for special tax treatment, meets, in all material respects, the requirements for such treatment, and (2) if required to be funded, is funded to the extent required by applicable law, and with respect to all other Foreign Benefit Plans, adequate reserves therefor have been established on the accounting statements of the applicable Company or Subsidiary; (C) the Company does not have any obligations under any collective bargaining agreement with any union and no organization efforts are underway with respect to Company employees.

Section 3.29 Business Arrangements. Except as disclosed in the Draft Filings and Company SEC Documents, neither the Company nor any of its Subsidiaries has granted any material rights to develop, manufacture, produce, assemble, distribute, license, market or sell its products to any other person and is not bound by any material agreement that affects the exclusive right of the Company or such Subsidiary to develop, manufacture, produce, assemble, distribute, license, market or sell its products.

Section 3.30 Labor Matters. No labor problem or dispute with the employees of the Company or any of its Subsidiaries exists or is threatened or imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or its Subsidiaries' principal suppliers, contractors or customers, that could have a Material Adverse Effect.

Section 3.31 Restrictions on Subsidiary Payments to the Company. No Subsidiary of the Company is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such Subsidiary's capital stock, from repaying to the Company any loans or advances to such Subsidiary from the Company or from transferring any of such Subsidiary's property or assets to the Company or any other Subsidiary of the Company, except as described in or contemplated by the Draft Filings and Company SEC Documents.

Section 3.32 Statistical Information/Forward Looking Statements. Any third-party statistical and market-related data included in the Company SEC Documents are based on or derived from sources that the Company reasonably believes to be reliable and accurate in all material respects. No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained in the Draft Filings and SEC Company Documents has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

Section 3.33 Exports and Imports. Except as disclosed in the Draft Filings and Company SEC Documents, to the knowledge of the Company, no officer, director, affiliate, agent, distributor, or representative of the Company has any reason to believe that the Company or any of the foregoing persons or entities have taken or omitted to take any action in violation of, or which may cause the Company to be in violation of, any applicable U.S. law governing imports into or exports from the United States, reexports from one foreign country to another, disclosures of technology, or other cross-border transactions, including without limitation: the Arms Export Control Act (22 U.S.C.A. § 2278), the Export Administration Act (50 U.S.C. App. §§ 2401-2420), the International Traffic in Arms Regulations (22 C.F.R. §§ 120-130), the Export Administration Regulations (15 C.F.R. § 730 et seq.), the Customs Laws of the United States (19 U.S.C. § 1 et seq.), the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706), the Trading With the Enemy Act (50 U.S.C. App. §§ 5, 16), the Foreign Assets Control Regulations administered by the Office of Foreign Assets Control, any executive orders or regulations issued pursuant to the foregoing or by the agencies listed in Part 730 of the Export Administration Regulations, and any applicable non-U.S. laws of a similar nature. Except as disclosed in the Draft Filings and Company SEC Documents, to the Company's knowledge, there has never been a claim or charge made in writing, investigation undertaken, violation found, or settlement of any enforcement action under any of the laws referred to herein by any governmental entity with respect to matters arising under such laws against the Company, or against its agents, distributors or representatives in connection with their relationship with the Company.

Section 3.34 Related Party Transactions. No transaction has occurred between or among the Company, on the one hand, and any of the Company's officers, directors or five percent or greater stockholders or any affiliate or affiliates of any such officer, director or five percent or greater stockholders that is required to be described that is not so described in the Draft Filings and Company SEC Documents. The Company has not, directly or indirectly, extended or maintained credit, or arranged for the

extension of credit, or renewed an extension of credit, in the form of a personal loan to or for any of its directors or executive officers in violation of applicable laws, including Section 402 of the Sarbanes-Oxley Act.

Section 3.35 Effect of Certificates. Any certificate signed by any officer of the Company and delivered to the Representative or to counsel for the Investor shall be deemed a representation and warranty by the Company to the Investor as to the matters covered thereby.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

The Investor (or the fund(s) for which it serves as nominee) hereby represents and warrants to the Company as of the date of this Agreement as follows:

Section 4.1 Existence. The Investor is duly organized and validly existing and in good standing under the Laws of its jurisdiction of organization, with all requisite power and authority to own, lease, use and operate its properties and to conduct its business as currently conducted, except where the failure to have such power or authority would not prevent the consummation of the transactions contemplated by this Agreement and the Registration Rights Agreement.

Section 4.2 Authorization, Enforceability. The Investor has all necessary corporate, limited liability company or partnership power and authority to execute, deliver and perform its obligations under this Agreement and the Registration Rights Agreement and to consummate the transactions contemplated thereby, and the execution, delivery and performance by the Investor of this Agreement and the Registration Rights Agreement has been duly authorized by all necessary action on the part of the Investor. The Operative Documents have been duly executed and delivered by the Investor in accordance with the terms hereof and thereof and (assuming the due authorization, execution and delivery by the Company) this Agreement and the Registration Rights Agreement constitute the legal, valid and binding obligations of the Investor; and the Registration Rights Agreement is enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer and similar laws affecting creditors' rights generally or by general principles of equity, including principles of commercial reasonableness, fair dealing and good faith.

Section 4.3 No Conflict. The execution, delivery and performance of this Agreement and the Registration Rights Agreement by the Investor and the consummation by the Investor of the transactions contemplated hereby and thereby will not (a) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any material agreement to which the Investor is a party or by which the Investor is bound or to which any of the property or assets of the Investor is subject, (b) conflict with or result in any violation of the provisions of the organizational documents of the Investor, or (c) violate any statute, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Investor or the property or assets of the Investor, except in the cases of clauses (a) and (c), for such conflicts, breaches, violations or defaults as would not prevent the consummation of the transactions contemplated by the Operative Documents.

Section 4.4 Certain Fees. No fees or commissions are or will be payable by the Investor to brokers, finders, or investment bankers with respect to the purchase of any of the Shares or the consummation of the transaction contemplated by this Agreement. The Investor agrees that it will indemnify and hold harmless the Company from and against any and all claims, demands, or liabilities for broker's, finder's, placement, or other similar fees or commissions incurred by the Investor in connection with the purchase of the Shares or the consummation of the transactions contemplated by this Agreement.

Section 4.5 Investment.

(a) The Investor is (i) an "accredited investor" within the meaning of Rule 501(a) (1), (2), (3) or (7) under the Securities Act, and (ii) an Institutional Account as defined in Financial Industry Regulatory Authority, Inc. Rule 4512(c) and (iii) a sophisticated institutional investor, experienced in investing in transactions of the type contemplated by this Agreement and capable of evaluating investment risks in connection with the Investor's participation in the transaction contemplated hereby. Such purchaser is able to bear the substantial risks associated with its purchase of the Shares, including loss of the entire investment therein.

(b) The Investor is acquiring its entire beneficial ownership interest in the Shares for the Investor's own account or the account of its Affiliates or the accounts of clients for whom the Investor exercises discretionary investment authority (all of whom the Investor hereby represents and warrants are "accredited investors" as defined in Rule 501 promulgated under the Securities Act) and, except as otherwise set forth on the signature page hereto, not as a nominee or agent, and with no intention of distributing the Shares or any part thereof in violation of the securities Laws of the United States or any state, without prejudice, however, to the Investor's right at all times to sell or otherwise dispose of all or any part of the Shares under a registration statement under the Securities Act and applicable state securities laws or under an exemption from such registration available thereunder (including, without limitation, if available, Rule 144 promulgated thereunder). If the Investor should in the future decide to dispose of any of the Shares, the Investor understands (a) that it may do so only in compliance with the Securities Act and applicable state securities Law, as then in effect, including a sale contemplated by any registration statement pursuant to which such securities are

being offered, or pursuant to an exemption from the Securities Act, and (b) that stop-transfer instructions to that effect will be in effect with respect to such securities.

Section 4.6 Restricted Securities. The Investor understands that the Shares are characterized as "restricted securities" under the federal securities Laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such Laws and applicable regulations such securities may not be resold absent registration under the Securities Act or an exemption therefrom. In this connection, the Investor represents that it is knowledgeable with respect to Rule 144 of the Commission promulgated under the Securities Act.

Section 4.7 No Disqualification Event. Neither the Investor nor any of its directors, executive officers, other officers is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) promulgated under the Securities Act.

Section 4.8 Certain Trading Activities. Other than with respect to the transactions contemplated herein, since September 30, 2019, neither the Investor nor any Affiliate of the Investor which (x) had knowledge of the transactions contemplated hereby, (y) has or shares discretion relating to the Investor's investments or trading or information concerning the Investor's investments, including in respect of the Common Stock, and (z) is subject to the Investor's review or input concerning such Affiliate's investments or trading (collectively, "Trading Affiliates") has directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with the Investor or any Trading Affiliate, effected or agreed to effect any purchases or sales of the securities of the Company (including, without limitation, any Short Sales involving the Company's securities).

Section 4.9 Residence. The address of the Investor's office in which it maintains its principal place of business is set forth on Section 7.5 hereof.

Section 4.10 Legend. The Investor understands that the Shares will be notated with the following legend:

(a) "These securities have not been registered under the Securities Act of 1933, as amended (the "Securities Act"). These securities may not be sold or offered for sale except pursuant to an effective registration statement under the Securities Act or pursuant to an exemption from registration thereunder, in each case in accordance with all applicable securities laws of the states or other jurisdictions, and in the case of a transaction exempt from registration, such securities may only be transferred if the transfer agent for such securities has received documentation satisfactory to it that such transaction does not require registration under the Securities Act."

Section 4.11 Company Information. The Investor acknowledges that it had the opportunity to ask questions of and receive answers from the Company directly and it conducted and completed its own independent due diligence with respect to the purchase of the Shares. Based on the information as the Investor has deemed appropriate, it has independently made its own analysis and decision to enter into this Agreement and purchase the Shares. Except for the representations, warranties and agreements of the Company expressly set forth in the Agreement, the Investor is relying exclusively on its own sources of information, investment analysis and due diligence (including professional advice you deem appropriate) with respect to the purchase of the Shares.

ARTICLE V

COVENANTS

Section 5.1 Company Cooperation. The Company shall promptly and accurately respond, and shall use its commercially reasonable efforts to cause its transfer agent to respond, to reasonable requests for information (which is otherwise not publicly available) made by an Investor or its auditors relating to the actual holdings of the Investor or its accounts; *provided*, that the Company shall not be obligated to provide any such information that could reasonably result in a violation of applicable Law or conflict with the Company's insider trading policy or a confidentiality obligation of the Company. The Company shall use its commercially reasonable efforts to cause its transfer agent to reasonably cooperate with the Investor to ensure that the Shares are validly and effectively issued to the Investor and that the Investor's ownership of the Shares following the Closing is accurately reflected on the appropriate books and records of the Company's transfer agent.

Section 5.2 Lock-Up. For a period of 90 days from the Closing Date (the "Lock-Up Period"), except as provided herein, the Investor shall not Dispose of any Shares; provided, however, the foregoing shall not preclude the Investor from Disposing of any Shares in connection with an Approved Sale, third-party tender offer for shares of the Company, buyback by the Company or any Affiliate thereof of any Shares of the Company, any other transaction approved by the shareholders or the board of directors of the Company or any transaction similar to the foregoing.

Section 5.3 Non-Public Information. No later than one Business Day following the date hereof, upon review and approval by the Investor (email being sufficient), the Company shall issue a press release (the "Press Release") announcing the entry into this Agreement and describing the material terms of the transactions contemplated by the Operative Documents and disclosing any other material, nonpublic information that the Company may have provided the Investor at any time prior to the issuance of the Press Release. Prior to the issuance of the Press Release, the Company shall consider and incorporate into such Press Release any reasonable comments by the Investor.

Section 5.4 Use of Proceeds. The Company shall use the collective proceeds from the sale of the Shares for working capital and general corporate purposes.

ARTICLE VI

INDEMNIFICATION

Section 6.1 Indemnification by the Company. The Company agrees to indemnify the Investor and its Representatives (collectively, "Indemnified Parties") from, and hold each of them harmless against, any and all actions, suits, proceedings (including any investigations, litigation or inquiries), demands, and causes of action, and, in connection therewith, and promptly upon demand, pay or reimburse each of them for all costs, losses, liabilities, damages, or expenses of any kind or nature whatsoever, including, without limitation, the reasonable fees and disbursements of counsel and all other reasonable expenses incurred in connection with investigating, defending or preparing to defend any such matter that may be incurred by them or asserted against or involve any of them as a result of, arising out of, or in any way related to the breach of any of the representations, warranties or covenants of the Company contained herein, provided that such claim for indemnification relating to a breach of the representations or warranties is asserted prior to the expiration of such representations or warranties (to the extent such representations or warranties are subject to expiration). No Indemnified Party shall be entitled to recover special, consequential (including lost profits) or punitive damages, provided that any losses recovered by a third party against Indemnified Parties as a result of, arising out of, or in any way related to the breach of any of the representations, warranties or covenants of the Company contained herein shall be included in such Indemnified Party's losses, regardless of the form of such third party's losses and whether components of such awards relate to special, consequential or punitive damages. Notwithstanding anything to the contrary, consequential damages shall not be deemed to include diminution in value of the Shares, which is specifically included in damages covered by Indemnified Parties' indemnification above. Solely for purposes of this Article VI, in determining whether there has been a breach of the representations and warranties set forth in Section 3.10 or Section 3.23, the qualification "except as disclosed in the Draft Filings and Company SEC Documents" or words of similar import contained in such representations or warranties shall be disregarded and without effect (as if such qualification were deleted from such representation or warranty).

Section 6.2 Indemnification Procedure. Promptly after any Indemnified Party has received notice of any indemnifiable claim hereunder, or the commencement of any action, suit or proceeding by a third Person, which the Indemnified Party believes in good faith is an indemnifiable claim under this Agreement, the Indemnified Party shall give the indemnitor hereunder (the "Indemnifying Party") written notice of such claim or the commencement of such action, suit or proceeding, but failure to so notify the Indemnifying Party will not relieve the Indemnifying Party from any liability it may have to such Indemnified Party hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure. Such notice shall state the nature and the basis of such claim to the extent then known. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel who shall be reasonably acceptable to the Indemnified Party, any such matter as long as the Indemnifying Party pursues the same diligently and in good faith. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in all commercially reasonable respects in the defense thereof and the settlement thereof. Such cooperation shall include furnishing the Indemnifying Party with any books, records and other information reasonably requested by the Indemnifying Party and in the Indemnified Party's possession or control. Such cooperation of the Indemnified Party shall be at the cost of the Indemnifying Party. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability; *provided*, *however*, that the Indemnified Party shall be entitled (a) at its expense, to participate in the defense of such asserted liability and the negotiations of the settlement thereof and (b) if (i) the Indemnifying Party has failed to assume the defense or employ counsel reasonably acceptable to the Indemnified Party or (ii) if the defendants in any such action include both the Indemnified Party and the Indemnifying Party and counsel to the Indemnified Party shall have concluded that there may be reasonable defenses available to the Indemnified Party that are different from or in addition to those available to the Indemnifying Party or if the interests of the Indemnified Party reasonably may be deemed to conflict with the interests of the Indemnifying Party, then the Indemnified Party shall have the right to select a separate counsel and to assume such legal defense and otherwise to participate in the defense of such action, with the expenses and fees of such separate counsel and other expenses related to such participation to be reimbursed by the Indemnifying Party as incurred. Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not settle any indemnified claim without the consent of the Indemnified Party, unless the settlement thereof imposes no liability or obligation on, and includes a complete release from liability of, and does not include any admission of wrongdoing or malfeasance by, the Indemnified Party.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Interpretation. Article, Section, Schedule, and Exhibit references are to this Agreement, unless otherwise specified. All references to instruments, documents, contracts, and agreements are references to such instruments, documents, contracts, and agreements as the same may be amended, supplemented, and otherwise modified from time to time, unless otherwise specified. The word "including" shall mean "including but not limited to." Whenever any party has an obligation under the Operative Documents, the expense of complying with that obligation shall be an expense of such party unless otherwise specified. Whenever any determination, consent, or approval is to be made or given by the Investor, such action shall be in the Investor's sole discretion unless otherwise specified in this Agreement. If any provision in the Operative Documents is held to be illegal, invalid, not binding, or unenforceable, such provision shall be fully severable and the Operative Documents shall be construed and enforced

as if such illegal, invalid, not binding, or unenforceable provision had never comprised a part of the Operative Documents, and the remaining provisions shall remain in full force and effect. The Operative Documents have been reviewed and negotiated by sophisticated parties with access to legal counsel and shall not be construed against the drafter.

Section 7.2 Survival of Provisions. The representations and warranties set forth in Sections 3.1, 3.2, 3.5, 3.6, 3.7, 3.9, 3.11, 3.14, 3.16, 4.1, 4.2 and 4.5 shall survive the execution and delivery of this Agreement indefinitely, and the other representations and warranties set forth herein shall survive for a period of 12 months following the Closing Date regardless of any investigation made by or on behalf of the Company or the Investor. The covenants made in this Agreement shall survive the Closing of the transactions described herein and remain operative and in full force and effect regardless of acceptance of any of the Shares and payment therefor and repurchase thereof. All indemnification obligations of the Company pursuant to this Agreement and the provisions of Article VI shall remain operative and in full force and effect unless such obligations are expressly terminated in a writing by the parties, regardless of any purported general termination of this Agreement.

Section 7.3 No Waiver; Modifications in Writing.

(a) Delay. No failure or delay on the part of any party in exercising any right, power, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to a party at law or in equity or otherwise.

(b) Specific Waiver. Except as otherwise provided herein, no amendment, waiver, consent, modification, or termination of any provision of this Agreement or any other Operative Document shall be effective unless signed by each of the parties hereto or thereto affected by such amendment, waiver, consent, modification, or termination. Any amendment, supplement or modification of or to any provision of this Agreement or any other Operative Document, any waiver of any provision of this Agreement or any other Operative Document, and any consent to any departure by the Company from the terms of any provision of this Agreement or any other Operative Document shall be effective only in the specific instance and for the specific purpose for which made or given. Except where notice is specifically required by this Agreement, no notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances.

Section 7.4 Binding Effect; Assignment.

(a) Binding Effect. This Agreement shall be binding upon the Company, the Investor, and their respective successors and permitted assigns. Except as expressly provided in this Agreement, this Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and permitted assigns.

(b) Assignment of Rights. The Investor may assign all or any portion of its rights and obligations under this Agreement without the consent of the Company to any Affiliate of the Investor. Except as expressly permitted by this Section 7.4(b), such rights and obligations may not otherwise be transferred except with the prior written consent of the Company (which consent shall not be unreasonably withheld). In each case, the assignee shall be deemed to be an Investor hereunder with respect to such assigned rights or obligations and shall agree to be bound by the provisions of this Agreement.

Section 7.5 Communications. All notices and demands provided for hereunder shall be in writing and shall be given by registered or certified mail, return receipt requested, telecopy, air courier guaranteeing overnight delivery, electronic mail or personal delivery to the following addresses:

(a) If to the Investor:

Antara Capital LP
500 Fifth Avenue, Suite 2320
New York, New York 10110
Attention: Lance Kravitz
E-mail: lkravitz@antaracapital.com

with a copy to:

Milbank LLP
2029 Century Park East, 33rd Floor
Los Angeles, CA 90067
Attention: Adam Moses
E-mail: amoses@milbank.com

(b) If to the Company:

USA Technologies, Inc.
100 Deerfield Lane, Suite 140
Malvern, PA 19355
Attention: Stephen P. Herbert,
Title: Chief Executive Officer

with a copy to:

Lurio & Associates, P.C.
Suite 3120, 2005 Market Street
Philadelphia, PA 19103
Attention: Douglas M. Lurio, Esquire
Email: dlurio@luriolaw.com

or to such other address as the Company or the Investor may designate in writing. All notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; at the time of transmittal, if sent via electronic mail; upon actual receipt if sent by certified mail, return receipt requested, or regular mail, if mailed; when receipt acknowledged, if sent via facsimile; and upon actual receipt when delivered to an air courier guaranteeing overnight delivery.

Section 7.6 Removal of Legend.

(a) The Company, at its sole cost, shall remove the legend described in Section 4.10 (or instruct its transfer agent to so remove such legend) from the Shares issued and sold to the Investor pursuant to this Agreement if (A) such Shares are sold pursuant to an effective registration statement under the Securities Act, (B) such Shares are sold or transferred pursuant to Rule 144 (if the transferor is not an Affiliate of the Company), or (C) such Shares are eligible for sale under Rule 144, without the requirement for the Company to be in compliance with the current public information required under Rule 144(c)(1) (or Rule 144(i)(2), if applicable) as to such securities and without volume or manner of sale restrictions.

(b) In connection with a sale of the Shares by an Investor in reliance on Rule 144, the applicable Investor or its broker shall deliver to the transfer agent and the Company a broker customary representation letter providing to the transfer agent and the Company any information necessary to determine that the sale of the Shares is made in compliance with Rule 144, including, as may be appropriate, a certification that the Investor is not an Affiliate of the Company and regarding the length of time the Shares have been held. Upon receipt of such representation letter, the Company shall promptly direct its transfer agent to remove the legend referred to in Section 4.10 from the Shares, and the Company shall bear all costs associated therewith. After the Investor or its permitted assigns have held the Shares for such time as non-Affiliates are permitted to sell without volume limitations under Rule 144, if the Shares still bear the restrictive legend referred to in Section 4.10, the Company agrees, upon request of the Investor or permitted assignee, to take all steps necessary to promptly effect the removal of the legend described in Section 4.10 from the Shares, and the Company shall bear all costs associated therewith, regardless of whether the request is made in connection with a sale or otherwise, so long as the Investor or its permitted assigns provide to the Company any information the Company deems reasonably necessary to determine that the legend is no longer required under the Securities Act or applicable state laws, including, without limitation, a certification that the holder is not an Affiliate of the Company (and a covenant to inform the Company if it should thereafter become an Affiliate and to consent to the notation of an appropriate restrictive legend) and regarding the length of time the Shares have been held.

(c) Promptly upon the removal of the legend described in Section 4.7 in accordance with this Section 7.6, but in no event later than five (5) business days after such removal, the Company will exercise commercially reasonable efforts to deliver, on behalf of the Investor, the Shares to a securities account designated by the Investor held by the Depository Trust Company.

Section 7.7 Entire Agreement. This Agreement, the other Operative Documents and the other agreements and documents referred to herein are intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, representations, warranties or undertakings, other than those set forth or referred to herein or the other Operative Documents with respect to the rights granted by the Company or any of its Affiliates or the Investor or any of its Affiliates set forth herein or therein. This Agreement, the other Operative Documents and the other agreements and documents referred to herein or therein supersede all prior agreements and understandings between the parties with respect to such subject matter, provided, however, that all of the terms and conditions of the non-disclosure agreement, dated September 30, 2019, between Antara Capital, L.P. and the Company shall remain in full force and effect until September 30, 2020.

Section 7.8 Governing Law and Jurisdiction. **This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws principles (other than Section 5-1401 of the General Obligations Law).** Any legal suit, action or proceeding arising out of or based upon this Agreement or any other transaction contemplated hereby shall be instituted in the federal courts of the United States of America or the courts of the State of New York in each case located in the city of New York and County of New York, and each party irrevocably submits to the exclusive

jurisdiction of such courts in any such suit, action or proceeding. Service of process, summons, notice or other document by certified or registered mail to such party's address set forth herein shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or any proceeding in such courts and irrevocably waive and agree not to plead or claim in any such court that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

Section 7.9 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.Recapitalization, Exchanges, Etc. The provisions of this Agreement shall apply to the full extent set forth herein with respect to any and all equity interests of the Company or any successor or assign of the Company (whether by merger, consolidation, sale of assets or otherwise) which may be issued in respect of, in exchange for or in substitution of, the Shares, and shall be appropriately adjusted for combinations, splits, recapitalizations and the like occurring after the date of this Agreement and prior to the Closing.

[*Signature pages follow.*]

IN WITNESS WHEREOF, the parties hereto execute this Agreement, effective as of the date first above written.

USA TECHNOLOGIES, INC.

By: /s/ Stephen P. Herbert
Name: Stephen P. Herbert
Title: CEO, Director

ANTARA CAPITAL MASTER FUND LP

By: Antara Capital LP
not in its individual corporate capacity,
but solely as Investment Advisor and agent

By: Antara Capital GP LLC,
its general partner

By: /s/ Himanshu Gulati
Name: Himanshu Gulati
Title: Managing Member

SCHEDULE 3.1

SUBSIDIARIES OF THE COMPANY

Subsidiary of Incorporation	**State or Organization**
Cantaloupe Systems, Inc.	Delaware

SCHEDULE 3.1

SUBSIDIARIES OF THE COMPANY

Subsidiary of Incorporation	**State or Organization**
Cantaloupe Systems, Inc.	Delaware

SCHEDULE 3.11

COMPANY SEC DOCUMENTS

Form 10-K for year ended June 30, 2018

Form 10-Q for quarter ended September 30, 2018

Form 10-Q for quarter ended December 31, 2018

Form 10-Q for quarter ended March 31, 2019

Form 10-K for year ended June 30, 2019

EXHIBIT A

REGISTRATION RIGHTS AGREEMENT

(Please see attached)

EXHIBIT B

FORM OF OPINION OF LURIO & ASSOCIATES, P.C.

1. The Company is a corporation validly subsisting under the laws of the Commonwealth of Pennsylvania with corporate power and authority to own or lease, as the case may be, and to operate its properties and conduct the businesses described in the Company SEC Documents.

2. Based solely on certificates of public officials, and except for the states of California, Maryland and Oregon for which we are not able to obtain such certificates regarding the Company, each of the Company and its subsidiaries was duly qualified or licensed to do business and is in good standing as a foreign corporation, limited liability company or partnership, as applicable, in each jurisdiction listed in Schedule I with respect to it as of the respective dates specified in such schedule.

3. Based upon the representations, warranties and agreements of the Company and the Investor in the Agreement, it is not necessary in connection with the offer and sale of the Shares to the Investor under the Agreement to register the Shares under the Securities Act, it being understood that no opinion is expressed as to any subsequent resale of the Shares.

4. The Common Stock has been duly authorized by the Company and the issuance of such shares will not be subject to preemptive rights pursuant to the Pennsylvania Business Corporation Law, the Amended & Restated Articles of Incorporation or the Amended and Restated By-laws of the Company.

Schedule I

List of Jurisdictions

USA Technologies, Inc.

Colorado
Louisiana
North Carolina
South Carolina
Virginia
Oregon

Cantaloupe Systems, Inc.

Colorado

REGISTRATION RIGHTS AGREEMENT

BY AND AMONG

USA TECHNOLOGIES, INC.

AND

ANTARA CAPITAL MASTER FUND LP

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REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of October 9, 2019, by and among USA Technologies, Inc., a Pennsylvania corporation (the "Company") and Antara Capital Master Fund LP (the "Investor").

WHEREAS, this Agreement is made in connection with the issuance and sale of shares of common stock, without par value, of the Company ("Common Stock") to the Investor pursuant to the Stock Purchase Agreement (as hereinafter defined); and

WHEREAS, the Company has agreed to provide the registration and other rights set forth in this Agreement for the benefit of Investors pursuant to the Stock Purchase Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. The terms set forth below are used herein as so defined:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreement" has the meaning specified therefor in the introductory paragraph of this Agreement.

"Business Day" means a day other than (a) a Saturday or Sunday or (b) any day on which banks located in New York, New York are authorized or obligated to close.

"Commission" means the United States Securities and Exchange Commission.

"Common Stock Price" means the volume weighted average closing price per share of the Common Stock (as reported by Bloomberg L.P. (or if not available via Bloomberg L.P. another mutually agreed upon source)) for the 30 trading days immediately preceding the date on which the determination is made.

"Common Stock" has the meaning specified therefor in the introductory paragraph of this Agreement.

"Company" has the meaning specified therefor in the introductory paragraph to this Agreement.

"Effectiveness Deadline" January 9, 2020, if the Registration Statement is not subject to review by the Commission, or April 9, 2020 if the Registration Statement is subject to review by the Commission.

"Effectiveness Period" has the meaning specified therefor in Section 2.01 of this Agreement.

"Event" has the meaning specified therefor in Section 2.03(b) of this Agreement.

"Event Date" has the meaning specified therefor in Section 2.03(b) of this Agreement.

"Holder" means the record holder of any Registrable Securities, which include, as of the date of this agreement, the Investor.

"Investor" has the meaning specified therefor in the introductory paragraph of this Agreement.

"Liquidated Damages" has the meaning specified therefor in Section 2.02(a) of this Agreement.

"Liquidated Damages Multiplier" means the product obtained by multiplying (i) the Common Stock Price by (ii) the number of Registrable Securities held by a Holder.

"Mandatory Shelf Filing Date" has the meaning specified therefore in Section 2.01 of this Agreement.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other form of entity.

"Registrable Securities" means, except as otherwise set forth in Section 1.02, (i) the Shares and (ii) any other securities issued or issuable with respect to or in exchange for shares, whether by stock split, dividend or any other distribution, recapitalization, merger or otherwise.

"Registration Expenses" has the meaning specified therefor in Section 2.06(b) of this Agreement.

"Registration Statement" has the meaning specified therefor in Section 2.01 of this Agreement.

"SEC Guidance" means (i) any publicly-available written or oral guidance of the Commission staff, or any comments, requirements or requests of the Commission staff and (ii) the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended.

"Selling Holder" means a Holder who is selling Registrable Securities pursuant to a registration statement.

"Shares" means the Common Stock acquired pursuant to the Stock Purchase Agreement.

"Stock Purchase Agreement" means that certain Stock Purchase Agreement, dated as of October 9, 2019, by and among the Company and the Investors.

Section 1.02 Registrable Securities. Any Registrable Security will cease to be a Registrable Security (a) when a registration statement covering such Registrable Security becomes or has been declared effective by the Commission and such Registrable Security has been sold or disposed of pursuant to such effective registration statement; (b) when such Registrable Security has been disposed of pursuant to any section of Rule 144 (or any similar provision then in effect) under the Securities Act; (c) when such Registrable Security is held by the Company or one of its subsidiaries or Affiliates; (d) when such Registrable Security has been sold or disposed of in a private transaction in which the transferor's rights under this Agreement are not assigned to the transferee of such securities pursuant to Section 2.09 hereof or (e) when such Registrable Security becomes eligible for resale without restriction and without the need for current public information pursuant to any section of Rule 144 (or any similar provision then in effect) under the Securities Act, if the Holder of such Registrable Security is not an affiliate (as defined in Rule 144(a)(1)) of the Company

as determined by counsel to the Company pursuant to a written opinion letter to such effect, addressed and acceptable to the affected Holders.

ARTICLE II

REGISTRATION RIGHTS

Section 2.01 Mandatory Registration. No later than November 8, 2020 (such date, the "Mandatory Shelf Filing Date"), the Company shall prepare and use its commercially reasonable efforts to file a registration statement with the Commission on Form S-3 under the Securities Act providing for registration and resale, on a continuous or delayed basis and from time to time pursuant to Rule 415 under the Securities Act, of all of the Registrable Securities then outstanding; provided, however, that if the Company is not eligible to file and use a Form S-3 to register resales by the Holders by the Mandatory Shelf Filing Date, it shall prepare and use its commercially reasonable efforts to file such form of registration statement as is then available to permit resales by the Holders on a continuous or delayed basis (including a Form S-1); provided, further, that if the Company has filed the registration statement on a form other than Form S-3 and subsequently becomes eligible to use Form S-3 or any equivalent or successor form or forms, the Company may elect, in its sole discretion, to (i) file a post-effective amendment to the registration statement converting such registration statement to a registration statement on Form S-3 or any equivalent or successor form or forms or (ii) withdraw such registration statement and file a registration statement on Form S-3 or any equivalent or successor form or forms, (the registration statement on such form, as amended or supplemented, the "Registration Statement"). The Company shall use its commercially reasonable efforts to cause the Registration Statement to be declared effective under the Securities Act by the Commission as soon as reasonably practicable after the Mandatory Shelf Filing Date. The Company shall use its commercially reasonable efforts to keep the Registration Statement continuously effective under the Securities Act until the earlier of (A) the date when all of the Registrable Securities covered by such Registration Statement have been sold, and (B) the date on which all of the Shares cease to be Registrable Securities hereunder (such period, the "Effectiveness Period"). The Registration Statement when effective (including the documents incorporated therein by reference) will comply as to form in all material respects with all applicable requirements of the Securities Act and the Exchange Act and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus contained in such Registration Statement, in the light of the circumstances under which a statement is made). The Company shall telephonically request effectiveness of a Registration Statement as of 5:00 p.m. Eastern Time on a trading day. The Company shall contemporaneously provide the Holders with written notice of the effectiveness of the Registration Statement on the same trading day that the Company telephonically confirms effectiveness with the Commission, which shall be the date requested for effectiveness of such Registration Statement.

Section 2.02 Failure to File or Become Effective; Liquidated Damages.

(a) If (i) the Company has not filed the Registration Statement with the Commission on or prior to the Mandatory Shelf Filing Date, or (ii) a Registration Statement registering for resale all of the Registrable Securities is not declared effective by the Commission by the Effectiveness Deadline, or (iii) after the effective date of the Registration Statement, such Registration Statement ceases for any reason to remain continuously effective as to all Registrable Securities included in such Registration Statement, or the Holders are otherwise not permitted to utilize the prospectus therein to resell such Registrable Securities, for more than ten (10) consecutive calendar days or more than an aggregate of fifteen (15) calendar days (which need not be consecutive calendar days) during any 12-month period (any such failure or breach being referred to as an "Event", and for purposes of clauses (i) and (ii), the date on which such Event occurs, and for purpose of clause (iii), the date on which such ten (10) or fifteen (15) calendar day period, as applicable, is exceeded

being referred to as "Event Date"), then, in addition to any other rights the Holders may have hereunder or under applicable law, on each such Event Date and on each monthly anniversary of each such Event Date (if the applicable Event shall not have been cured by such date) until the applicable Event is cured, each Holder shall be entitled to a payment, as liquidated damages and not as a penalty, in an amount equal to 1% of the Liquidated Damages Multiplier (the "Liquidated Damages"). In no event will the aggregate Liquidated Damages payable to a Holder pursuant to this Agreement exceed (i) if the Company has not breached Section 2.08, 5% and (ii) if otherwise, 10%, in each case, of the Liquidated Damages Multiplier of such Holder. If the Company fails to timely pay any partial Liquidated Damages pursuant to this this Section 2.02, the Company will pay interest thereon at a rate of 10% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to the applicable Holder, accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full. The partial liquidated damages pursuant to the terms hereof shall apply on a daily pro rata basis for any portion of a month prior to the cure of an Event.

(b) The Liquidated Damages shall be paid to each Holder in cash within ten (10) Business Days following the last day of 30-day period that the Holders are entitled to such Liquidated Damages. Any payments made pursuant to this Section 2.02 shall constitute the Holders' exclusive remedy for such events. Any Liquidated Damages due under this Section 2.02 shall be paid to the Holders in immediately available funds. The obligation to pay the Liquidated Damages to a Holder pursuant to this Section 2.02 shall cease at such time as the Registrable Securities become eligible for resale by such Holder under Rule 144 of the Securities Act without regard to any volume or manner of sale restrictions.

Section 2.03 Blackout and Delay Rights. Notwithstanding anything to the contrary contained herein:

(a) the Company shall not be required to (i) file a Registration Statement (or any amendment thereto) or, (ii) if a Registration Statement has been filed but not declared effective by the Commission, request effectiveness of such Registration Statement, for a period of up to 60 days, if the Company in its sole discretion determines (A) in good faith that a postponement is in the best interest of the Company and its stockholders generally due to a pending transaction involving the Company (including a pending securities offering by the Company, or any proposed financing, acquisition, merger, tender offer, business combination, corporate reorganization, consolidation or other significant transaction involving the Company), (B) such registration would render the Company unable to comply with applicable securities laws, (C) such registration would require disclosure of material information that the Company has a bona fide business purpose for preserving as confidential, or (D) audited financial statements as of a date other than the fiscal year end of the Company would be required to be prepared; *provided*, *however*, that in no event shall any such period exceed an aggregate of 90 days in any 365-day period; and

(b) the Company may, upon prior written notice to any Selling Holder whose Registrable Securities are included in the Registration Statement or other registration statement contemplated by this Agreement (which notice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made, as applicable), suspend such Selling Holder's use of any prospectus which is a part of the Registration Statement or other registration statement (in which event the Selling Holder shall discontinue sales of the Registrable Securities pursuant to the Registration Statement or other registration statement contemplated by this Agreement but may settle any previously made sales of Registrable Securities) if (i) the Company determines that it would be required to make disclosure of material information in the Registration Statement that the Company has a bona fide business purpose for preserving as confidential, (ii) the Company has experienced some other material non-public event the disclosure of which at such time, in the good faith judgment of the Company, would adversely affect the Company or (iii)

the Company determines that it is required to amend or supplement the affected Registration Statement or the related prospectus so that such Registration Statement or prospectus does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the case of the prospectus in light of the circumstances under which they were made, not misleading (an "Allowed Delay"); provided, however, that in no event shall (i) the Selling Holders be suspended from selling Registrable Securities pursuant to the Registration Statement or other registration statement for a period that exceeds an aggregate of 90 days in any 180-day period and (ii) any such notice contain any information which would constitute material, non-public information regarding the Company or any of its subsidiaries. Upon disclosure of such information or the termination of the condition described above, the Company shall provide prompt notice to the Selling Holders whose Registrable Securities are included in the Registration Statement, and shall promptly terminate any suspension of sales it has put into effect and shall take such other reasonable actions to permit registered sales of Registrable Securities as contemplated in this Agreement.

Section 2.04 Sale Procedures. In connection with its obligations under this Article II, the Company will, as expeditiously as possible:

(a) (i) prepare and file with the Commission such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement effective for the Effectiveness Period and as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by the Registration Statement, (ii) cause the related prospectus to be amended or supplemented by any required prospectus supplement (subject to the terms of this Agreement), and, as so supplemented or amended, to be filed pursuant to Rule 424, (iii) respond as promptly as reasonably possible to any comments received from the Commission with respect to a Registration Statement or any amendment thereto and provide as promptly as reasonably possible to the Holders true and complete copies of all correspondence from and to the Commission relating to a Registration Statement (provided that, the Company shall excise any information contained therein which would constitute material non-public information regarding the Company or any of its subsidiaries), and (iv) comply in all material respects with the applicable provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by a Registration Statement during the applicable period in accordance (subject to the terms of this Agreement) with the intended methods of disposition by the Holders thereof set forth in such Registration Statement as so amended or in such prospectus as so supplemented;

(b) make available to each Selling Holder (i) as far in advance as reasonably practicable before filing the Registration Statement or any other registration statement contemplated by this Agreement or any supplement or amendment thereto, upon request, copies of reasonably complete drafts of all such documents proposed to be filed (including exhibits but excluding each document incorporated by reference), and provide each such Selling Holder the opportunity to reasonably object to any information pertaining to such Selling Holder and its plan of distribution that is contained therein and make the corrections reasonably requested by such Selling Holder with respect to such information prior to filing the Registration Statement or such other registration statement or supplement or amendment thereto, and (ii) such number of copies of the Registration Statement or such other registration statement and the prospectus included therein and any supplements and amendments thereto as such Selling Holder may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities covered by such Registration Statement or other registration statement;

(c) if applicable, use its commercially reasonable efforts to register or qualify the Registrable Securities covered by the Registration Statement or any other registration statement contemplated by this

Agreement under the securities or blue sky laws of such jurisdictions as the Selling Holders shall reasonably request in writing by the time the Registration Statement is declared effective by the Commission; provided, however, that the Company will not be required to qualify generally to transact business in any jurisdiction where it is not then required to so qualify, take any action that would subject itself to general taxation in any jurisdiction where it would not otherwise be so subject or to take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject;

(d) promptly notify each Selling Holder, at any time when a prospectus relating thereto is required to be delivered by any of them under the Securities Act in connection with a resale of Registrable Securities, of (i) the filing of the Registration Statement or any other registration statement contemplated by this Agreement or any prospectus or prospectus supplement to be used in connection therewith, or any amendment or supplement thereto, and, with respect to such Registration Statement or any other registration statement or any post-effective amendment thereto, when the same has become effective; and (ii) the receipt of any written or verbal comments from the Commission with respect to any filing referred to in clause (i) and any written request by the Commission for amendments or supplements to the Registration Statement or any other registration statement or any prospectus or prospectus supplement thereto;

(e) promptly notify each Selling Holder, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of (i) the happening of any event as a result of which the prospectus or prospectus supplement contained in the Registration Statement or any other registration statement contemplated by this Agreement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus contained therein, in the light of the circumstances under which a statement is made); (ii) the issuance or express threat of issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any other registration statement contemplated by this Agreement, or the initiation of any proceedings for that purpose; or (iii) the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the applicable securities or blue sky laws of any jurisdiction. Following the provision of such notice, the Company agrees to as promptly as practicable amend or supplement the prospectus or prospectus supplement or take other appropriate action so that the prospectus or prospectus supplement does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and to take such other commercially reasonable action as is necessary to remove a stop order, suspension, threat thereof or proceedings related thereto;

(f) upon request and subject to appropriate confidentiality obligations, furnish to each Selling Holder copies of any and all transmittal letters or other correspondence with the Commission or any other governmental agency or self-regulatory body or other body having jurisdiction (including any domestic or foreign securities exchange) relating to the Registration Statement;

(g) otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder;

(h) cause all such Registrable Securities registered pursuant to this Agreement to be listed on each securities exchange or nationally recognized quotation system on which similar securities issued by the Company are then listed;

(i) use its commercially reasonable efforts to cause the Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company to enable the Selling Holders to consummate the disposition of such Registrable Securities;

(j) provide a transfer agent and registrar for all Registrable Securities covered by such registration statement not later than the effective date of such registration statement;

(k) if requested by a Selling Holder, (i) incorporate in a prospectus supplement or post-effective amendment such information as such Selling Holder reasonably requests to be included therein relating to the sale and distribution of Registrable Securities, including information with respect to the number of Registrable Securities being offered or sold, the purchase price being paid therefor, information regarding the underwriters, and any other terms of the offering of the Registrable Securities to be sold in such offering and (ii) make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment;

(l) if requested by a Selling Holder, enter into a customary underwriting agreement relating to the sale and distribution of Registrable Securities;

(m) furnish to each Holder, without charge, at least one conformed copy of each such Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference to the extent requested by such Holder, and all exhibits to the extent requested by such Holder (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission; provided, that any such item which is available on the EDGAR system (or successor thereto) need not be furnished in physical form; and

(n) if requested by a Holder, cooperate with such Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be delivered to a transferee pursuant to a Registration Statement, which certificates shall be free, to the extent permitted by the Stock Purchase Agreement, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any such Holder may request.

The Company will not name a Holder as an underwriter as defined in Section 2(a)(11) of the Securities Act in any Registration Statement without such Holder's consent.

Each Selling Holder, upon receipt of written notice from the Company of the happening of any event of the kind described in subsection (e) of this Section 2.04 or the exercise of its rights pursuant to Section 2.02, shall forthwith discontinue offers and sales of the Registrable Securities by means of a prospectus or prospectus supplement until such Selling Holder's receipt of the copies of the supplemented or amended prospectus contemplated by subsection (e) of this Section 2.04 or until it is advised in writing by the Company that the use of the prospectus may be resumed and has received copies of any additional or supplemental filings incorporated by reference in the prospectus, and, if so directed by the Company, such Selling Holder will deliver to the Company (at the Company's expense) all copies in their possession or control, other than permanent file copies then in such Selling Holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

Section 2.05 Obligations of the Holders.

(a) Each Holder shall furnish in writing to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it, as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least ten

(10) Business Days prior to the first anticipated filing date of any Registration Statement, the Company shall notify each Holder of the information the Company requires from such Holder if such Holder elects to have any of the Registrable Securities included in such Registration Statement. A Holder shall provide such information to the Company at least five (5) Business Days prior to the first anticipated filing date of such Registration Statement if such Holder elects to have any of the Registrable Securities included in such Registration Statement.

(b) Each Holder, by its acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of a Registration Statement hereunder, unless such Holder has notified the Company in writing of its election to exclude all of its Registrable Securities from such Registration Statement.

(c) Each Holder covenants and agrees that it will comply with the prospectus delivery requirements of the Securities Act as applicable to it or an exemption therefrom in connection with sales of Registrable Securities pursuant to any Registration Statement.

Section 2.06 Expenses.

(a) All Registration Expenses shall be borne by the Company whether or not any Registrable Securities are sold pursuant to a Registration Statement. In addition, except for Registration Expenses or as otherwise provided in Section 2.07 hereof, the Company shall not be responsible for legal fees incurred by Holders in connection with the exercise of such Holders' rights hereunder.

(b) Certain Definitions. "Registration Expenses" means (i) all registration and filing fees (including, without limitation, fees and expenses of the Company's counsel and independent registered public accountants) (A) with respect to filings made with the Commission, (B) with respect to filings required to be made with any trading market or stock exchange on which the Common Stock is then listed for trading, and (C) in compliance with applicable state securities or blue sky laws (including, without limitation, fees and disbursements of counsel for the Company in connection with blue sky qualifications or exemptions of the Registrable Securities), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, (v) Securities Act liability insurance, if the Company so desires such insurance, (vi) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement and (vii) fees and disbursements of one counsel for all Holders in an amount not to exceed $15,000. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. In no event shall the Company be responsible for any broker or similar commissions of any Holder or, except to the extent provided for in this Agreement or the Stock Purchase Agreement, any legal fees or other costs of the Holders.

Section 2.07 Indemnification.

(a) Indemnification by the Company. Notwithstanding the termination of this Agreement, the Company will, and hereby does, indemnify and hold harmless each Holder, its directors, officers, members, partners, agents, brokers (including brokers who offer and sell Registrable Securities as principal as a result of a pledge or any failure to perform under a margin call of Common Stock), investment advisors, employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each of them, each Person who controls any such Holder (within the

meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, members, stockholders, partners, agents and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each such controlling Person, against any losses, claims, damages or liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses (collectively, "Losses") joint or several, to which such Holder or any such director or officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such Losses (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto (in all cases, including documents incorporated by reference), or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) any violation or alleged violation by the Company of the Securities Act in connection with the performance of its obligations under this Agreement, and the Company will promptly reimburse such Holder and each such director, officer, and controlling person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such Loss, claim, liability, action or proceeding; provided, that the Company shall not be liable in any such case to the extent that any such Loss (or action or proceeding in respect thereof) arises out of or is based solely upon information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with information regarding Holder furnished by such Holder. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder or any such director, officer or controlling person and shall survive the transfer of such securities by such Holder. The Company shall notify the Holders promptly in writing of the institution, threat or assertion of any proceeding arising from or in connection with the transactions contemplated by this Agreement of which the Company is aware.

(b) Indemnification by the Holders. The Company may require, as a condition to including any Registrable Securities in any registration statement filed pursuant to Section 2.01 above, that the Company shall have received an undertaking satisfactory to it from the prospective Holder of such securities, to indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 2.07(a) above) the Company, each director of the Company, each officer of the Company and each other Person, if any, who controls the Company within the meaning of the Securities Act, with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with information regarding such Holder furnished by such Holder in accordance with Section 2.07(a) above. The maximum liability of each Holder for any such indemnification shall not exceed the amount of proceeds actually received by such Holder from the sale of his/its Registrable Securities included in the Registration Statement giving rise to such indemnification obligation. Such indemnity shall remain in full force and effect, regardless of any investigation made by or on behalf of the Company or any such director, officer or controlling Person and shall survive the transfer of such securities by such Holder.

(c) Notices of Claims, etc. Promptly after receipt by any Person entitled to indemnification hereunder (an "Indemnified Party") of notice of the commencement of any action or proceeding involving a claim referred to in Section 2.07(a) or (b) above, such Indemnified Party will, if a claim in respect thereof is to be made against any Person from whom indemnity is sought (the "Indemnifying Party"), give written notice to the latter of the commencement of such action; provided that the failure of any Indemnified Party

to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under in Section 2.07(a) or (b) above, except to the extent that the Indemnifying Party is actually prejudiced by such failure to give notice. In case any such action is brought against an Indemnified Party, unless in such Indemnified Party's reasonable judgment a conflict of interest between such Indemnified Parties and Indemnifying Parties may exist in respect of such claim, the Indemnifying Party shall be entitled to participate in and to assume the defense thereof, jointly with any other Indemnifying Party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such Indemnified Party, and after notice from the Indemnifying Party to such Indemnified Party of its election so to assume the defense thereof, the Indemnifying Party shall not be liable to such Indemnified Party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof. No Indemnifying Party shall, without the consent of the Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. No Indemnified Party shall settle any claim for which indemnity maybe sought under this Agreement without the consent of the Indemnifying Party.

(d) Other Indemnification. Indemnification similar to that specified in in Section 2.07(a) or (b) above, and (c) above (with appropriate modifications) shall be given by the Company and each seller of Registrable Securities with respect to any required registration or other qualification of securities under any Federal or state law or regulation of any governmental authority other than the Securities Act.

(e) Indemnification Payments. The indemnification required by this Section 2.07 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred.

(f) The indemnity agreements contained in this Section 2.07 are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

Section 2.08 Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the Commission that may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its commercially reasonable efforts to:

(a) make and keep adequate current public information regarding the Company available, as those terms are understood and defined in Rule 144 under the Securities Act;

(b) file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act at all times from and after the date hereof;

(c) furnish at the Company's expense legal opinions or instruction letters regarding the removal of restrictive legends in connection with a sale under Rule 144; and

(d) so long as a Holder owns any Registrable Securities, furnish, unless otherwise available via EDGAR, to such Holder forthwith upon request a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed as such Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing such Holder to sell any such securities without registration.

Section 2.09 Transfer or Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities granted to the Holders by the Company under this Article II may be transferred or assigned by any Holder to one or more transferees or assignees of Registrable Securities; *provided*, *however*, that (a) unless the transferee or assignee is an Affiliate of, and after such transfer or assignment continues to be an Affiliate of, such Holder, the amount of Registrable Securities transferred or assigned to such transferee or assignee shall represent at least $100,000 of Registrable Securities (based on

the Common Stock Price), (b) the Company is given written notice prior to any said transfer or assignment, stating the name and address of each such transferee or assignee and identifying the securities with respect to which such registration rights are being transferred or assigned, and (c) each such transferee or assignee assumes in writing responsibility for its portion of the obligations of such Holder under this Agreement.

Section 2.10 Piggy-Back Registration. If, at any time during the Effectiveness Period, there is not an effective Registration Statement covering all of the Registrable Securities and the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with the Company's stock option or other employee benefit plans, then the Company shall deliver to each Holder a written notice of such determination and, if within five (5) days after the date of the delivery of such notice, any such Holder shall so request in writing, the Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered.

ARTICLE III

MISCELLANEOUS

Section 3.01 Notices. All notices and demands provided for hereunder shall be in writing and shall be given by registered or certified mail, return receipt requested, telecopy, air courier guaranteeing overnight delivery, electronic mail or personal delivery to the following addresses:

(a) if to the Investor:

c/o Antara Capital LP
500 Fifth Avenue, Suite 2320
New York, NY 10110
Attention: Lance Kravitz
Email: lkravitz@antaracapital.com

with a copy to:

Milbank LLP
2029 Century Park East, 33rd Floor
Los Angeles, CA 90067
Attention: Eric Reimer, Esq.
Adam Moses, Esq.
Email: EReimer@milbank.com
AMoses@milbank.com

(b) if to a transferee of an Investor, to such Person at the address provided pursuant to Section 2.09 above; and

(c) if to the Company:

USA Technologies, Inc.
[100 Deerfield Lane, Suite 140
Malvern, PA 19355
Attention: Stephen P. Herbert, Chief Executive Officer
Email: sherbert@usatech.com

with a copy to:

Lurio & Associates, P.C.
Suite 3120, One Commerce Square
2005 Market Street
Philadelphia, PA 19103
Attention: Douglas M. Lurio, Esq.
Email: dlurio@luriolaw.com

or to such other address as the Company or such Investor may designate in writing. All notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; at the time of transmittal, if sent via electronic mail; upon actual receipt if sent by certified mail, return receipt requested, or regular mail, if mailed; when receipt acknowledged, if sent via facsimile; and upon actual receipt when delivered to an air courier guaranteeing overnight delivery.

Section 3.02 Successor and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties, including subsequent Holders of Registrable Securities to the extent permitted herein.

Section 3.03 Assignment of Rights. All or any portion of the rights and obligations of any Holder under this Agreement may be transferred or assigned by such Holder only in accordance with Section 2.09 hereof.

Section 3.04 Recapitalization, Exchanges, Etc. Affecting the Shares. The provisions of this Agreement shall apply to the full extent set forth herein with respect to any and all shares of the Company or any successor or assign of the Company (whether by merger, consolidation, sale of assets or otherwise) that may be issued in respect of, in exchange for or in substitution of, the Registrable Securities, and shall be appropriately adjusted for combinations, share splits, recapitalizations, pro rata distributions of shares and the like occurring after the date of this Agreement.

Section 3.05 Aggregation of Registrable Securities. All Registrable Securities held or acquired by Persons who are Affiliates of one another shall be aggregated together for the purpose of determining the availability of any rights and applicability of any obligations under this Agreement.

Section 3.06 Specific Performance. Damages in the event of breach of this Agreement by a party hereto may be difficult, if not impossible, to ascertain, and it is therefore agreed that each such Person, in addition to and without limiting any other remedy or right it may have, will have the right to an injunction or other equitable relief in any court of competent jurisdiction, enjoining any such breach, and enforcing specifically the terms and provisions hereof, and each of the parties hereto hereby waives any and all defenses it may have on the ground of lack of jurisdiction or competence of the court to grant such an injunction or other equitable relief. The existence of this right will not preclude any such Person from pursuing any other rights and remedies at law or in equity that such Person may have.

Section 3.07 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

Section 3.08 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.09 Governing Law. **This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws principles (other than Section 5-1401 of the General Obligations Law)**.

Section 3.10 Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any other remedies provided by law.

Section 3.11 Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting or impairing the validity or enforceability of such provision in any other jurisdiction.

Section 3.12 Entire Agreement. This Agreement and the other agreements and documents referred to herein are intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, representations, warranties or undertakings, other than those set forth or referred to herein with respect to the rights granted by the Company or any of its Affiliates or any Investor or any of its Affiliates set forth herein or therein. This Agreement and the other agreements and documents referred to herein or therein supersede all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.13 Amendment. This Agreement may be amended only by means of a written amendment signed by the Company and the Holders of a majority of the then outstanding Registrable Securities; *provided*, *however*, that no such amendment shall materially and adversely affect the rights of any Holder hereunder without the consent of such Holder.

Section 3.14 No Presumption. If any claim is made by a party relating to any conflict, omission or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular party or its counsel.

Section 3.15 Obligations Limited to Parties to Agreement. Each of the Parties hereto covenants, agrees and acknowledges that no Person other than the Holders and the Company shall have any obligation hereunder and that, notwithstanding that one or more of the Holders may be a corporation, partnership or limited liability company, no recourse under this Agreement or under any documents or instruments delivered in connection herewith or therewith shall be had against any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the Holders or any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the foregoing, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any applicable Law, it being expressly agreed and

acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the Holders or any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the foregoing, as such, for any obligations of the Holders under this Agreement or any documents or instruments delivered in connection herewith or therewith or for any claim based on, in respect of or by reason of such obligation or its creation, except in each case for any transferee or assignee of a Holder hereunder.

Section 3.16 Independent Nature of Holder's Obligations. The obligations of each Holder under this Agreement are several and not joint with the obligations of any other Holder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder under this Agreement. Nothing contained herein, and no action taken by any Holder pursuant thereto, shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that the Holders are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by this Agreement. Each Holder shall be entitled to independently protect and enforce its rights, including without limitation, the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose.

Section 3.17 Interpretation. Article and Section references are to this Agreement, unless otherwise specified. All references to instruments, documents, contracts and agreements are references to such instruments, documents, contracts and agreements as the same may be amended, supplemented and otherwise modified from time to time, unless otherwise specified. The word "including" shall mean "including but not limited to." Whenever any determination, consent or approval is to be made or given by a Seller under this Agreement, such action shall be in such Seller's sole discretion unless otherwise specified.

[***Signature pages to follow***]

IN WITNESS WHEREOF, the parties hereto execute this Agreement, effective as of the date first above written.

USA TECHNOLOGIES, INC.

By: /s/ Stephen P. Herbert
Name: Stephen P. Herbert
Title: CEO, Director

[Signature Page to Registration Rights Agreement]

ANTARA CAPITAL MASTER FUND LP

By: Antara Capital LP
not in its individual corporate capacity,
but solely as Investment Advisor and agent

By: Antara Capital GP LLC,
its general partner

By: /s/ Himanshu Gulati
Name: Himanshu Gulati
Title: Managing Member

[Signature Page to Registration Rights Agreement]

ANTARA CAPITAL MASTER FUND LP
New York, New York

October 9, 2019

Confidential

USA Technologies, Inc.
100 Deerfield Lane, Suite 300
Malvern, PA 19355

$30,000,000 Delayed Draw Senior Secured Term Facility
Commitment Letter

Ladies and Gentlemen:

You have advised Antara Capital Master Fund LP on behalf of itself and certain of its affiliates and accounts managed or sub-advised by it or its affiliates ("Antara"), in its collective capacity as an initial lender under the Term Facility (in such capacity, "we", "us" or the "Commitment Parties") that USA Technologies, Inc. (the "Borrower" or "you"), intends to consummate an equity sale pursuant to a Stock Purchase Agreement of even date herewith between the Borrower and Antara (the "SPA") and retire it's existing credit facility with JPMorgan Chase Bank (the "Transactions"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Summary of Principal Terms and Conditions attached hereto as Exhibit A (the "Term Sheet"; this commitment letter, the Term Sheet attached hereto as Exhibit A and the Summary of Additional Conditions attached hereto as Exhibit B, collectively, the "Commitment Letter").

1. Commitments.

In connection with the Transactions, Antara is pleased to advise you of its commitment to provide 100% of the aggregate principal amount of the Term Facility (the "Commitment") subject to the terms and conditions set forth in this Commitment Letter.

Notwithstanding anything to the contrary contained herein the aggregate amount of the Term Facility committed to be provided by Antara hereunder and the aggregate amount of the economics of Antara hereunder may not be reduced without the prior written consent of Antara.

2. Titles and Roles.

It is agreed that Antara will act as administrative agent and collateral agent (in such capacity, the "Administrative Agent") for the Term Facility. Antara may in its discretion delegate the Administrative Agent and/or Collateral Agent roles to one or more third parties.

3. Information.

You hereby represent, warrant and covenant that (a) all information (other than the Projections) that has been or will be made available directly or indirectly to any Commitment Party by the Borrower or any of its

representatives in connection with the transactions contemplated hereby (the "Information"), when taken as a whole, is and, when provided, will be complete and correct in all material respects and does not and, when provided, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which such statements are made, not misleading, and (b) all projections ("Projections") that have been or will be made available to any Commitment Party by the Borrower or any of its representatives in connection with the transactions contemplated hereby have been or will be prepared in good faith based upon assumptions believed to be reasonable by the preparer thereof at the time such Projections are provided to any Commitment Party; it being understood that any such Projections are not to be viewed as facts, are subject to significant uncertainties and contingencies, many of which are beyond your control, that no assurance can be given that any particular Projections will be realized, that actual results may differ and that such differences may be material. You agree, if at any time you become aware that any of the representations and warranties in the preceding sentence would be incorrect in any material respect, to promptly supplement the Information and such Projections such that such representations and warranties are correct in all material respects. You further agree to supplement the Information and any Projections previously provided, or that will be provided, from time to time and agree to promptly notify each Commitment Party of any changes in circumstances that could be expected to call into question the continued reasonableness of any assumption underlying any Projections previously provided, or that will be provided, by or on behalf of The Borrower or any of its representatives in connection with the transactions contemplated hereby. You acknowledge and agree that, in issuing this Commitment Letter, each Commitment Party is using and relying on the accuracy of the Information and the Projections, and, in structuring, arranging or syndicating the Term Facility, the Commitment Parties may use and rely on the Information and the Projections and other offering and marketing materials or information memoranda, without independent verification thereof. You shall, and shall cause each of your respective affiliates and your and your affiliates' respective officers, directors, employees, agents, advisors or other representatives, to provide to the Commitment Parties all information regarding the Transactions as any Commitment Party may reasonably request.

4. Conditions.

The commitments and agreements of the Commitment Parties and Antara are subject to there not having occurred, since June 30, 2019, and except as disclosed in the Company SEC Documents or the Draft Filings heretofore provided to Antara (as such terms are defined in the SPA), any event that has resulted in or could reasonably be expected to result in a material adverse change in or effect on the general affairs, management, financial position, shareholders' equity or results of operations of the Borrower and its subsidiaries, taken as a whole, as determined by Antara in its good faith business judgment. The commitments and agreements of the Commitment Parties and Antara are also subject to the satisfaction of the conditions set forth in the section entitled "Closing Conditions" in Exhibit A, the conditions set forth in Exhibit B, and the negotiation, execution and delivery of definitive documentation on or before October 31, 2019 with respect to the Term Facility reflecting, among other things, the terms and conditions set forth herein and in Exhibits A and B, in a manner acceptable to Antara. In addition, the commitments and agreements of the Commitment Parties and Antara are conditioned upon and made subject to Antara not becoming aware after the date hereof of any new or inconsistent information or other matter not previously disclosed to Antara relating to the Borrower or the transactions contemplated by this Commitment Letter which Antara, in its reasonable judgment, deems material and adverse relative to the information or other matters disclosed to Antara prior to the date hereof.

You agree that, for purposes hereof, the date on which the Term Facility is funded and the Transactions are concurrently consummated shall be a date mutually agreed upon between you and us, but in any event shall not occur until the terms and conditions set forth in this Commitment Letter (including consummation of the transactions under the SPA) are satisfied (the "Closing Date").

5. Fees and Expenses.

As consideration for the commitments of each Commitment Party under this Commitment Letter, you agree to pay (or cause to be paid) (i) a Commitment Fee in the amount of $1.2 million concurrently with the execution of this agreement (or if this agreement is not executed on a business day, on the first business day thereafter), (ii) in the event that a third-party administrative agent and/or collateral agent is appointed, an agency fee in an aggregate amount up to $35,000 per year to such administrative agent and/or collateral agent on the date of the initial appointment of such third-party agent(s) and on each anniversary of the date of such initial appointment, and (iii) the reasonable and documented out-of-pocket fees and Expenses (as defined in Section 6 below), all of which shall be payable (other than the agency fee) whether or not the SPA or Term Facility transactions close and regardless of the reason that either such a transaction does not close. You agree that, once paid, all of the foregoing fees and Expenses or any part thereof shall be fully earned and not be refundable under any circumstances, regardless of whether the transactions or borrowings contemplated hereby are consummated, and shall not be creditable against any other amount payable in connection herewith or otherwise. Notwithstanding the foregoing, the legal fees payable by the Company in connection with the negotiation and documentation of the SPA and the Credit Facilities shall be capped at $400,000.00 (exclusive of reasonable and documented out-of-pocket costs), with respect to which a partial payment of $150,000.00 shall, concurrently with the payment of the Commitment Fee, be paid on account by the Company to counsel to Antara and applied to the overall cap of $400,000.00. In consideration of the foregoing cap, the parties will endeavor in good faith to complete the negotiation and documentation of the SPA and the Credit Facilities in an efficient manner.

6. Indemnity.

To induce the Commitment Parties and Antara to enter into this Commitment Letter and to proceed with the documentation of the Term Facility, you agree (a) to indemnify and hold harmless each Commitment Party and each of its affiliates, and each of its and its affiliates' respective officers, directors, employees, partners, members, agents, advisors and other representatives and the successors of each of the foregoing (each, an "Indemnified Person"), from and against any and all losses, claims, damages and liabilities, including fees and disbursements of counsel (collectively, "Losses") of any kind or nature and reasonable and documented out-of-pocket fees and expenses, joint or several, to which any such Indemnified Person may become subject, in the case of any such Losses and related expenses, to the extent arising out of, resulting from or in connection with this Commitment Letter (including the Term Sheet), the Transactions or any related transaction contemplated hereby, the Term Facility, or any use of the proceeds thereof (including any claim, litigation, investigation or proceeding (including any inquiry or investigation)) relating to any of the foregoing, (a "Proceeding"), regardless of whether any such Indemnified Person is a party thereto, whether or not such Proceedings are brought by you, your equity holders, affiliates, creditors or any other third person, and to reimburse each such Indemnified Person upon demand for any reasonable and documented out-of-pocket legal fees and expenses of counsel, or other reasonable and documented out-of-pocket fees and expenses incurred in connection with investigating, responding to, or defending any of the foregoing; provided that the foregoing indemnity will not, as to any Indemnified Person, apply to Losses or related expenses to the extent that they have resulted from (I) the willful misconduct, bad faith or gross negligence of such Indemnified Person or any of such Indemnified Person's affiliates or any of its or its officers, directors, employees, agents, advisors or other representatives of any of the foregoing (as determined by a court of competent jurisdiction in a final and non-appealable decision), and (II) a claim brought by you against a Commitment Party for a breach in bad faith of such party's obligations under this Commitment Letter or any of the transactions contemplated by the foregoing or (III) any dispute solely among Indemnified Persons, other than any claims against an Indemnified Person in its capacity or in fulfilling its role as an administrative agent, collateral agent or arranger or any similar role under the Term Facility and other than any claims arising out of any act or omission of the Borrower, and (b) to reimburse whether or not the SPA or the Term Facility closes each Commitment Party and affiliates from time to time, upon demand, for all reasonable

and documented out-of-pocket expenses (including, but not limited to, expenses of each Commitment Party's due diligence, investigation, expenses for audits, field examinations and appraisals, consultants' fees, structuring, syndication, transportation, duplication, messenger and travel expenses and reasonable fees, disbursements and other charges of internal and external counsel incurred in connection with the SPA and the transactions contemplated therein and the Term Facility and the preparation, negotiation and enforcement of the SPA and this Commitment Letter, the definitive loan documentation and any security arrangements in connection therewith (collectively, the "Expenses"). The foregoing provisions in this paragraph shall be superseded in each case, to the extent covered thereby, by the applicable provisions contained in the definitive loan documentation upon execution thereof and thereafter shall have no further force and effect.

Notwithstanding any other provision of this Commitment Letter, (a) no Indemnified Person shall be liable for any damages arising from the use by others of information or other materials obtained through internet, electronic, telecommunications or other information transmission systems, except to the extent that such damages have resulted from the willful misconduct, bad faith or gross negligence of such Indemnified Person or any of such Indemnified Person's affiliates or any of its or its officers, directors, employees, agents, advisors or other representatives (as determined by a court of competent jurisdiction in a final and non-appealable decision) and (b) none of the Commitment Parties, Antara, any Indemnified Person or you shall be liable for any indirect, special, punitive or consequential damages (including any loss of profits, business or anticipated savings) in connection with this Commitment Letter, the Transactions (including the Term Facility and the use of proceeds thereunder), or with respect to any activities related to the Term Facility, including the preparation of this Commitment Letter and any documentation with respect thereto; provided that nothing in this paragraph shall limit your indemnity and reimbursement obligations to the extent that such indirect, special, punitive or consequential damages are included in any claim by a third party unaffiliated with the applicable Indemnified Person with respect to which the applicable Indemnified Person is entitled to indemnification as set forth in this Section 6.

You shall not, without the prior written consent of any Indemnified Person (which consent shall not be unreasonably withheld or delayed) (it being understood that the withholding of consent due to non-satisfaction of any of the conditions described in clauses (i) and (ii) of this sentence shall be deemed reasonable), effect any settlement of any pending or threatened Proceedings in respect of which indemnity could have been sought hereunder by such Indemnified Person unless such settlement (i) includes an unconditional release of such Indemnified Person in form and substance reasonably satisfactory to such Indemnified Person from all liability or claims that are the subject matter of such Proceeding and (ii) does not include any statement as to or any admission of fault, culpability, wrongdoing or a failure to act by or on behalf of any Indemnified Person.

7. Sharing of Information, Absence of Fiduciary Relationships, Affiliate Activities.

You acknowledge that the Commitment Parties and their affiliates may be providing debt financing, equity capital or other services (including financial advisory services) to other persons in respect of which you and your affiliates and subsidiaries may have conflicting interests regarding the transactions described herein and otherwise. None of the Commitment Parties or their affiliates will use confidential information obtained from you by virtue of the transactions contemplated by this Commitment Letter or their other relationships with you in connection with the performance by the Commitment Parties of services for other companies, and will not furnish any such information to other companies. You also acknowledge that none of the Commitment Parties or their affiliates has any obligation to use in connection with the transactions contemplated by this Commitment Letter, or to furnish to you, confidential information obtained by them from other persons.

As you know, certain of the Commitment Parties and their affiliates may be full service securities firms engaged, either directly or through their affiliates, in various activities, including securities trading,

commodities trading, investment management, financing and brokerage activities and financial planning and benefits counseling for both companies and individuals. Certain of the Commitment Parties or their affiliates may also co-invest with, make direct investments in, and invest or co-invest client monies in or with funds or other investment vehicles managed by other parties, and such funds or other investment vehicles may trade or make investments in securities of you.

Furthermore, you acknowledge that the Commitment Parties and its affiliates may have fiduciary or other relationships whereby the Commitment Parties and its affiliates may exercise voting power over securities and loans of various persons, which securities and loans may from time to time include securities and loans of potential Lenders or others with interests in respect of the Term Facility. You acknowledge that the Commitment Parties and its affiliates may exercise such powers and otherwise perform their functions in connection with such fiduciary or other relationships without regard to the Commitment Parties' relationship to you hereunder.

8. Confidentiality.

You agree that you will not disclose, circulate or refer publicly to, directly or indirectly, this Commitment Letter, the other exhibits and attachments hereto or the contents of each thereof, or any written communications provided by, or oral discussions with, any Commitment Party or the activities of any Commitment Party pursuant hereto or thereto, without our prior written consent except (to the extent practicable and not prohibited by applicable law or regulation, to inform you promptly thereof prior to disclosure), after providing written notice to us, pursuant to a subpoena or order issued by a court of competent jurisdiction or by a judicial, administrative or legislative body or committee; provided that, following the return to us of a counterpart of this Commitment Letter duly executed by you, we hereby consent to your disclosure of (i) this Commitment Letter and such communications and discussions, on a need-to-know basis, to the Borrower's respective officers, directors, agents and advisors who are directly involved in the consideration of the Term Facility and who have been informed by you of the confidential nature of such advice and this Commitment Letter and who have agreed to treat such information confidentially, (ii) you may disclose that a financing commitment has been obtained from us and the aggregate amount of such committed financing, but not any information regarding interest rate or fees, and (iii) this Commitment Letter as required by applicable law or compulsory legal process (in which case you agree to inform us promptly thereof); provided, that (a) you may disclose, on a confidential basis, to your auditors the Commitment Fee and the administrative agent's fee after the Closing Date for customary accounting purposes, including accounting for deferred financing costs, (b) you may disclose the existence of this Commitment Letter to any rating agency in connection with the transactions contemplated hereby and (c) you may disclose the existence of this Commitment Letter in any public filing relating to the Term Facility and in any syndication of the Term Facility; provided, further, that the foregoing restrictions shall cease to apply in respect of the existence and contents of this Commitment Letter (but not the Commitment Fee nor the administrative agent's fee) one year following termination of this Commitment Letter in accordance with its terms.

Each Commitment Party and its affiliates will treat all non-public information provided to it by or on behalf of you in connection with the transactions contemplated hereby confidentially and shall not publish, disclose or otherwise divulge, such information; provided that nothing herein shall prevent such Commitment Party and its respective affiliates from disclosing any such information (a) pursuant to the order of any court or administrative agency or in any pending legal, judicial or administrative proceeding, or otherwise as required by applicable law, rule or regulation, subpoena or compulsory legal process or upon the request or demand of any regulatory authority (including any self-regulatory authority) or other governmental authority purporting to have jurisdiction over the Commitment Party or any of its affiliates (in which case such Commitment Party or such affiliate, as applicable, agrees (except with respect to any audit or examination

conducted by bank accountants or any self-regulatory authority or governmental or regulatory authority exercising examination or regulatory authority), to the extent practicable and not prohibited by applicable law or regulation, to inform you promptly thereof prior to disclosure), (b) to the extent that such information becomes publicly available other than by reason of improper disclosure by such Commitment Party or any of its affiliates in violation of any confidentiality obligations owing to you hereunder, (c) to the extent that such information is received by such Commitment Party or such affiliate from a third party that is not, to such Commitment Party's or such affiliate's knowledge, subject to contractual or fiduciary confidentiality obligations owing to you with respect to such information, (d) to the extent that such information is independently developed by such Commitment Party or any of its respective affiliates, (e) to such Commitment Party's affiliates and their and their respective employees, directors, officers, independent auditors, rating agencies, professional advisors and other experts or agents who need to know such information in connection with the transactions contemplated hereby and who are informed of the confidential nature of such information (with such Commitment Party responsible for its respective affiliates' and their and their respective employees', directors', officers', independent auditors', rating agencies', professional advisors', experts' or agents' compliance with this paragraph), (f) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Commitment Letter or the Term Facility, (g) to prospective Lenders, hedge providers, participants or assignees (collectively, "Prospective Parties"); provided that for purposes of clause (g) above, the disclosure of any such information to any Prospective Party shall be made subject to such Prospective Party written agreement to treat such information confidentially on substantially the terms set forth in this paragraph. If the Term Facility closes, the Commitment Parties' obligations under this paragraph shall terminate and be superseded by the confidentiality provisions in the definitive documentation.

9. Miscellaneous.

This Commitment Letter may not be assigned by you without the prior written consent of Antara (and any purported assignment without such consent will be null and void). Any Commitment Party may assign its commitments and agreements hereunder, in whole or in part, to any of its affiliates and to any Lender prior to the Closing Date. Any assignment by a Commitment Party to any potential Lender made prior to the Closing Date will only relieve such Commitment Party of its obligations set forth herein to fund that portion of the commitments so assigned if such assignment was approved by you (such approval not to be unreasonably withheld or delayed).

This Commitment Letter and the commitments hereunder are intended to be solely for the benefit of the parties hereto (and Indemnified Persons to the extent expressly set forth herein) and are not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto (and Indemnified Persons to the extent expressly set forth herein).

Except as set forth in Section 2 (Titles and Roles) hereof, this Commitment Letter may not be amended or any provision hereof waived or modified except in writing signed by the party against whom enforcement of the same is sought. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one agreement. Delivery of an executed counterpart of a signature page of this Commitment Letter by facsimile transmission or other electronic transmission (including .pdf) shall be effective as delivery of a manually executed counterpart of this Commitment Letter. Section headings used herein are for convenience of reference only, are not part of this Commitment Letter and are not to affect the construction of, or to be taken into consideration in interpreting, this Commitment Letter.

This Commitment Letter (including the exhibits hereto) (a) are the only agreements that have been entered into among the parties hereto with respect to the Term Facility and (b) supersede all prior understandings,

whether written or oral, among us with respect to the Term Facility and sets forth the entire understanding of the parties hereto with respect thereto.

This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflicts of laws principles that would cause the laws of a jurisdiction other than New York to apply. To the fullest extent permitted by applicable law, you hereby irrevocably submit to the exclusive jurisdiction of any New York State court or federal court sitting in the County of New York and the Borough of Manhattan in respect of any claim, suit, action or proceeding arising out of or relating to the provisions of this Commitment Letter or any of the other transactions contemplated hereby and irrevocably agree that all claims in respect of any such claim, suit, action or proceeding may be heard and determined in any such court and that service of process therein may be made by certified mail, postage prepaid, to your address set forth above. You and we hereby waive, to the fullest extent permitted by applicable law, any objection that you or we may now or hereafter have to the laying of venue of any such claim, suit, action or proceeding brought in any such court, and any claim that any such claim, suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

EACH PARTY HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS Commitment LETTER OR THE TRANSACTIONS CONTEMPLATED HEREBY.

We hereby notify you that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001) (as amended, the "PATRIOT Act")), each Commitment Party and each of the Lenders may be required to obtain, verify and record information that identifies the Borrower and the Guarantors, which information may include their names, addresses, tax identification numbers and other information that will allow each Commitment Party and the Lenders to identify them in accordance with the PATRIOT Act. You agree to provide each Commitment Party and each of the Lenders with all documentation and other information required by bank regulatory authorities under the Patriot Act and any other "know your customer" and anti-money laundering rules and regulations. This notice is given in accordance with the requirements of the PATRIOT Act and is effective for each Commitment Party and each of the Lenders.

Please indicate your acceptance of the terms hereof by returning to us executed counterparts hereof together with the Commitment Fee (wiring instructions attached) not later than 11:59 p.m., New York City time, on October 9, 2019 (provided that if this letter is not executed on a business day, the Commitment Fee will be paid on the first business day thereafter). The offer of each Commitment Party and Antara to provide the commitments hereunder will expire at such time in the event that we have not received such executed counterparts in accordance with the immediately preceding sentence. Thereafter all accepted commitments and undertakings of the Commitment Parties and Antara will terminate at 11:59 p.m., New York City time, on October 31, 2019 unless definitive document shall have been executed by Borrower. In addition, all commitments and undertakings of the Commitment Parties and Antara may be terminated if you fail perform your respective obligations hereunder on a timely basis. The following provisions of this Commitment Letter shall remain in full force and effect and shall survive the expiration or termination of this Commitment Letter or any commitment or undertaking of any of the Commitment Parties or Antara hereunder: Section 5 (Fees and Expenses), Section 6 (Indemnity), Section 7 (Sharing of Information, Absence of Fiduciary Relationships, Affiliate Activities), Section 8 (Confidentiality), the provisions of this Section 9 (Miscellaneous) regarding jurisdiction, governing law, venue, waiver of jury trial and exclusivity. Notwithstanding the immediately preceding sentence, your obligations hereunder (other than your obligations with respect to confidentiality of the Commitment Fee) shall automatically terminate and be superseded by the provisions of the definitive loan documentation relating to the Term Facility upon the Closing Date (to the extent covered thereby), the initial funding thereunder and the payment of all amounts owing at such time hereunder, and you shall

automatically be released from related liabilities hereunder, but solely to the extent of any duplicative coverage.

[remainder of page intentionally left blank; signature pages follow]

We are pleased to have been given the opportunity to assist you in connection with the financing for the Transactions.

Very truly yours,

ANTARA CAPITAL LP, in its capacity as Administrative Agent

By: /s/Himanshu Gulati
Name: Himanshu Gulati
Title: Managing Member

ANTARA CAPITAL LP, on behalf of itself and certain of its affiliates and managed funds and accounts, in its collective capacity as a Lender

By: /s/Himanshu Gulati
Name: Himanshu Gulati
Title: Managing Member

Accepted and agreed to as of
the date first above written:

USA TECHNOLOGIES, INC.

By: /s/ Stephen P. Herbert
Name: Stephen P. Herbert
Title: CEO, Director

[Signature Page to Commitment Letter]

Summary of Principal Terms and Conditions

This Term Sheet outlines certain material terms and conditions (and does not purport to summarize all of the terms and conditions) with respect to the Transactions described herein. All capitalized terms used but not defined herein shall have the meaning given them in the Commitment Letter to which this Term Sheet is attached, including Exhibit B thereto.

Term	**Description**
Borrower	USA Technologies, Inc.
Administrative Agent and Collateral Agent	Antara or its designee will act as administrative agent and collateral agent (in such capacity, the "Administrative Agent"). Antara may in its discretion delegate the administrative agent and/or collateral agent roles to one or more third parties. The administrative agent and/or collateral agent may charge a fee of up to $35,000 per year in the aggregate (provided that such agency fee shall only be payable from and after the appointment of a third-party administrative agent and/or collateral agent).
Lender(s)	Funds and accounts advised by Antara with a specified percentage of the Term Facility shall, in the capacity of an initial lender under the Term Facility be a "Lender" (collectively, the "Lenders").
Commitment Fee	Concurrently with the execution of the Commitment Letter (provided that if the Commitment Letter is not executed on a business day, the Commitment Fee will be paid on the first business day thereafter) and as a condition to its effectiveness, pay to Antara as Lender a commitment fee of $1,200,000.
Guarantors	Each of the Borrower's direct and indirect, existing and future, domestic subsidiaries and foreign subsidiaries that are not CFCs (i.e. the giving of a guaranty will result in an adverse tax consequence)(the "Guarantors", and together with the Borrower, the "Loan Parties").
Delay Draw Term Facility	$30 million senior secured delayed draw term loan facility (the "Term Facility"). The facility will be available in two draws. $15,000,000 shall be drawn concurrently with the execution of definitive loan documentation ("Closing Date"). A second $15,000,000 ("Second Draw") shall be drawn during an availability window commencing on the nine- month anniversary of the Closing Date and ending on the eighteen-month anniversary of the Closing Date. All advances shall be made in the full amount indicated above. Partial advances shall not be allowed. The Second Draw shall be subject to customary conditions for subsequent draws and in addition the condition that Borrower not be subject to any settlement or judgment in respect of material litigation which could result in a judgment or settlement that exceeds available insurance.
Collateral	All obligations of the Borrower and Guarantors to the Lenders shall be secured by a perfected, first priority perfected lien on all present and after acquired assets of the Borrower and the Guarantors (collectively, the "Collateral"), subject to customary exceptions for excluded collateral, including funds collected by the Company for the benefit of others. Liens on intellectual property shall be the subject of federal filings.

Tenor	Five (5) years.
Pricing	Nine and three quarters percent (9.75%) per annum, payable monthly in cash on the last Business Day of each month. After an Event of Default interest shall be increased by an addition two percentage points per annum.
Call Protection	Prepayment Premium as follows To and through December 31, 2020 - 105% From January 1, 2021 through December 31, 2021 103% From January 1, 2022 through December 31, 2022 101% Thereafter 100%
Excess Cash Flow Sweep	50 - 75 % with step down(s) TBD.
Amortization	**None**
Financial Covenants	Maximum Total Leverage Ratio, Minimum Fixed Charge Coverage Ratio and Maximum Capital Expenditures.
Other Covenants/Events of Default	Subject to exceptions for materiality, thresholds, qualifications, "baskets" and grace and cure periods to be negotiated, the usual affirmative & negative covenants and events of default customary for transactions of this type, including limitations on: indebtedness, liens, asset sales, restricted payments, investments and lines of business.
Commitment Fee	Payable concurrently with the execution of this Commitment Letter and as a condition to the effectiveness of this Commitment Letter, Borrower shall pay to Antara a Commitment Fee of $1,200,000. The Commitment Fee shall be fully earned and non-refundable when paid.
Closing Conditions	**Closing conditions will include customary conditions for transactions of this type, including the accuracy of representations and warranties and, prior to and after giving effect to the funding of the Term Facility, the absence of any default or event of default, plus additional conditions precedent referred to in the Commitment Letter and listed on Exhibit B thereto.**
Conditions to Each Draw	Draw conditions will include customary conditions for transactions of this type, including **t**he SPA having been executed and delivered and the transactions provided for therein consummated.
Definitive Documentation	Definitive documentation to be mutually acceptable and satisfactory to the parties and to contain, subject to exceptions for materiality, thresholds, qualifications, "baskets" and grace and cure periods to be negotiated, customary representations and warranties, conditions precedent, covenants, events of defaults and indemnities for a transaction of this type.
Governing Law	New York

Summary of Additional Conditions

This Summary of Additional Conditions outlines certain of the conditions precedent to the Term Facility referred to in the Commitment Letter and Term Sheet, of which this Exhibit B is a part. All capitalized terms used but not defined herein shall have the meaning given them in the Commitment Letter to which this Exhibit B is attached, including Exhibit A thereto.

Loan Documentation. The definitive loan documentation (including all documents and instruments required to create and perfect the Administrative Agent's first priority security interest in the collateral shall have been executed and delivered and, if applicable, be in proper form for filing, in each case reflecting the terms and conditions set forth in the Commitment Letter (including the Term Sheet and this Exhibit B) and in all other respects satisfactory to the Administrative Agent and the Lenders.

Stock Purchase Agreement. The SPA shall have been executed and delivered and the transactions provided for therein consummated.

Due Diligence. Antara's completion of customary business, tax, financial, legal, securities and collateral due diligence, with results satisfactory to Antara and its counsel, including the following: (i) review of Borrowers', Guarantors' and each of their subsidiary's books, systems and records, (ii) review of interim financial statements, (iii) background checks on senior management of Borrowers, Guarantors and each of their subsidiaries, (iv) an insurance review of the Borrowers', Guarantors' and each of their subsidiary's insurance policies to be completed by a third party firm acceptable to Antara with results satisfactory to Antara, (v) review of ERISA, regulatory, securities law, intellectual property, litigation, accounting, tax, licensing, certification and permit matters and labor matters, in each case, with results satisfactory to Antara in their reasonable discretion, and (vi) the corporate, capital, and legal structure of the Borrowers', Guarantors' and each of their subsidiaries shall be reasonably acceptable to Antara after giving effect to the Transactions.

Performance of Obligations. All reasonable and documented out-of-pocket costs, fees, expenses (including reasonable and documented out-of-pocket legal fees and expenses, and recording taxes and fees) and other compensation contemplated by the Commitment Letter payable to Antara, the Administrative Agent or the Lenders shall have been paid to the extent due and the Borrower shall have complied in all material respects and on a timely basis with all of their other obligations under the Commitment Letter and shall have caused the Borrower to become jointly and severally liable in all respects with all of their obligations under the Commitment Letter, effective upon the consummation of the transactions on the Closing Date.

Customary Closing Documents. Antara shall be satisfied that the Borrower has complied with all other customary closing conditions, including: (i) the delivery of legal opinions, corporate records and documents from public officials, lien searches, resolutions and officer's certificates; (ii) satisfactory confirmation of repayment of existing indebtedness; (iii) evidence of authority; (iv) obtaining third party and governmental consents necessary in connection with the transactions, the related transactions or the financing thereof; (v) absence of litigation affecting or threatening the Borrower or the transactions, the related transactions or the financing thereof; (vi) perfection of security interests, liens, and pledges, on the collateral securing the Term Facility; (vii) evidence of insurance and (viii) delivery of a solvency certificate from the chief financial officer of the Borrower in form and substance, and with supporting documentation, satisfactory to Antara, certifying that the Borrower and its subsidiaries are, on a consolidated basis, solvent. Antara will have received at least

10 days prior to the Closing Date all documentation and other information required by bank regulatory authorities under applicable "know-your-customer" and anti-money laundering rules and regulations, including the Patriot Act.

Expenses. All Expenses, including without limitation, all reasonable out-of-pocket and documented expenses (including, but not limited to, expenses of each Commitment Party's due diligence, investigation, expenses for audits, field examinations and appraisals, consultants' fees, structuring, syndication, transportation, duplication, messenger and travel expenses and reasonable and documented out-of-pocket fees, disbursements and other charges of external counsel incurred in connection with the SPA and the Term Facility and the preparation, documentation, negotiation and enforcement of the SPA and this Commitment Letter, the definitive loan documentation and any security arrangements in connection therewith shall he paid concurrently with the execution of the Commitment Letter and on the Closing Date. Notwithstanding the foregoing, the legal fees (exclusive of reasonable and documented out-of-pocket costs) payable by the Company in connection with the negotiation and documentation of the SPA and the Credit Facilities shall be capped at $400,000.00, with respect to which a partial payment of $150,000.00 shall, concurrently with the payment of the Commitment Fee, be paid on account by the Company to counsel to Antara and applied to the overall cap of $400,000.00. In consideration of the foregoing cap, the parties will endeavor in good faith to complete the negotiation and documentation of the SPA and the Credit Facilities in an efficient manner.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Nos. 333-217818 and 333-199009) on Form S-8 of USA Technologies, Inc. of our reports dated October 9, 2019, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting of USA Technologies, Inc. which appears in this Annual Report on Form 10-K for the year ended June 30, 2019.

/s/ BDO USA LLP
Philadelphia, PA
October 9, 2019

Exhibit 31.1

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

I, Stephen P. Herbert, certify that:

1. I have reviewed this annual report on Form 10-K of USA Technologies, 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 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 9, 2019

/s/ Stephen P. Herbert

Stephen P. Herbert,
Chief Executive Officer

Exhibit 31.2

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

I, Glen E. Goold, certify that:

1. I have reviewed this annual report on Form 10-K of USA Technologies, 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 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 9, 2019

/s/ Glen E. Goold

Glen E. Goold,
Interim Chief Financial Officer

Exhibit 32.1

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 accompanying Annual Report of USA Technologies, Inc., a Pennsylvania corporation (the "Company"), on Form 10-K for the period ended June 30, 2019 (the "Report"), I, Stephen P. Herbert, Chief Executive Officer of the Company, hereby certify, pursuant to §906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), 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 9, 2019

/s/ Stephen P. Herbert

Stephen P. Herbert,
Chief Executive Officer

Exhibit 32.2

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 accompanying Annual Report of USA Technologies, Inc., a Pennsylvania corporation (the "Company"), on Form 10-K for the period ended June 30, 2019 (the "Report"), I, Glen E. Goold, Interim Chief Financial Officer of the Company, hereby certify, pursuant to §906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), 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 9, 2019

/s/ Glen E. Goold

Glen E. Goold,
Interim Chief Financial Officer