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

FORM 10-Q

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

For the quarterly period ended March 31, 2020

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
None	None	None

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, 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 ☑

As of June 18, 2020 there were 64,557,336 outstanding shares of Common Stock, no par value.

EXPLANATORY NOTE

On May 7, 2020, USA Technologies, Inc. (the “Company”, “We”, “USAT”, or “Our”) filed a Current Report on Form 8-K (the “Form 8-K”) with the U.S. Securities and Exchange Commission (the “Commission”) indicating its reliance on the 45-day extension provided by an order issued by the Commission under Section 36 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) entitled Granting Exemptions from Specified Provisions of the Exchange Act and Certain Rules Thereunder, dated March 4, 2020 (Release No. 34-88318), as modified and superseded by a new Commission order under Section 36 of the Exchange Act entitled Modifying Exemptions from the Reporting and Proxy Delivery Requirements for Public Companies, dated March 25, 2020 (Release No. 34-88465) (collectively, the “Order”). Specifically, the Company disclosed that it was unable to timely prepare and review the Quarterly Report due to circumstances related to COVID-19, including the remote working arrangements the Company has instituted for employees. These circumstances have impacted the Company’s ability to ensure information required to be disclosed in its reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management to allow for timely decisions regarding required disclosure. Therefore, due to COVID-19’s interference in the Company’s operations, the Company was unable to file the Original Form 10-Q on or prior to the original due date for the report. Consistent with the Company’s statements made in the Form 8-K, this Quarterly Report for the three months ended March 31, 2020, has been filed on June 24, 2020 (which was within the permitted timeframe of the Order).

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Part I. Financial Information
Item 1. Consolidated Financial Statements

USA Technologies, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

($ in thousands)	March 31, 2020	June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 25,894	$ 27,464
Accounts receivable, less allowance of $6,952 and $4,866, respectively	18,418	21,906
Finance receivables, net	7,941	6,727
Inventory, net	9,577	11,273
Prepaid expenses and other current assets	2,319	1,558
Total current assets	64,149	68,928
Non-current assets:		
Finance receivables due after one year, net	11,541	12,642
Other assets	2,075	2,099
Property and equipment, net	8,293	9,590
Operating lease right-of-use assets	5,903	—
Intangibles, net	23,818	26,171
Goodwill	63,945	63,945
Total non-current assets	115,575	114,447
Total assets	$ 179,724	$ 183,375
Liabilities, convertible preferred stock and shareholders' equity		
Current liabilities:		
Accounts payable	$ 24,592	$ 27,584
Accrued expenses	27,533	23,351
Finance lease obligations and current obligations under long-term debt	381	12,497
Income taxes payable	168	254
Deferred revenue	1,621	1,681
Total current liabilities	54,295	65,367
Long-term liabilities:		
Deferred income taxes	86	71
Finance lease obligations and long-term debt, less current portion	12,297	276
Operating lease liabilities, non-current	5,025	—
Accrued expenses, less current portion	450	100
Total long-term liabilities	17,858	447
Total liabilities	72,153	65,814
Commitments and contingencies (Note 13)		
Convertible preferred stock:		
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preferences of $20,778 and $20,111 at March 31, 2020 and June 30, 2019, 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, 64,448,957 and 60,008,481 shares issued and outstanding at March 31, 2020 and June 30, 2019, respectively	396,044	376,853
Accumulated deficit	(291,611)	(262,430)
Total shareholders' equity	104,433	114,423
Total liabilities, convertible preferred stock and shareholders' equity	$ 179,724	$ 183,375

See accompanying notes.

USA Technologies, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

($ in thousands, except per share data)	Three months ended March 31, 2020	Three months ended March 31, 2019	Nine months ended March 31, 2020	Nine months ended March 31, 2019
Revenue:				
License and transaction fees	$ 34,961	$ 31,515	$ 105,324	$ 89,919
Equipment sales	8,137	6,189	25,184	16,039
Total revenue	43,098	37,704	130,508	105,958
Costs of sales:				
Cost of services	22,244	20,307	66,912	58,141
Cost of equipment	9,856	7,444	28,420	17,371
Total costs of sales	32,100	27,751	95,332	75,512
Gross profit	10,998	9,953	35,176	30,446
Operating expenses:				
Selling, general and administrative	20,069	11,156	56,876	31,537
Investigation and restatement expenses	—	1,408	4,303	13,122
Integration and acquisition costs	—	24	—	1,127
Depreciation and amortization	1,107	1,083	3,209	3,359
Total operating expenses	21,176	13,671	64,388	49,145
Operating loss	(10,178)	(3,718)	(29,212)	(18,699)
Other income (expense):				
Interest income	411	348	988	1,245
Interest expense	(683)	(913)	(1,981)	(2,518)
Change in fair value of derivative	1,070	—	1,070	—
Total other income (expense), net	798	(565)	77	(1,273)
Loss before income taxes	(9,380)	(4,283)	(29,135)	(19,972)
Benefit (provision) for income taxes	85	(23)	(46)	(60)
Net loss	(9,295)	(4,306)	(29,181)	(20,032)
Preferred dividends	(334)	(334)	(668)	(668)
Net loss applicable to common shares	$ (9,629)	$ (4,640)	$ (29,849)	$ (20,700)
Net loss per common share				
Basic	$ (0.15)	$ (0.08)	$ (0.48)	$ (0.34)
Diluted	$ (0.15)	$ (0.08)	$ (0.48)	$ (0.34)
Weighted average number of common shares outstanding				
Basic	64,096,778	60,065,053	62,591,947	60,059,594
Diluted	64,096,778	60,065,053	62,591,947	60,059,594

See accompanying notes.

USA Technologies, Inc.
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)

Nine Month Period Ended March 31, 2020

($ in thousands)	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Total
Balance, June 30, 2019	60,008,481	$ 376,853	$ (262,430)	$ 114,423
Stock based compensation	—	290	—	290
Net loss	—	—	(11,508)	(11,508)
Balance, September 30, 2019	60,008,481	377,143	(273,938)	103,205
Issuance of common stock in relation to private placement, net of offering costs incurred of $1,102	3,800,000	16,777	—	16,777
Stock based compensation	362,941	1,742	—	1,742
Net loss	—	—	(8,378)	(8,378)
Balance, December 31, 2019	64,171,422	395,662	(282,316)	113,346
Stock based compensation	277,535	382	—	382
Net loss	—	—	(9,295)	(9,295)
Balance, March 31, 2020	64,448,957	$ 396,044	$ (291,611)	$ 104,433

Nine Month Period Ended March 31, 2019

($ in thousands)	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Total
Balance, June 30, 2018	59,998,811	$ 375,436	$ (232,748)	$ 142,688
Cumulative effect adjustment for ASC 606 adoption	—	—	200	200
Stock based compensation	13,344	370	—	370
Net loss	—	—	(5,288)	(5,288)
Balance, September 30, 2018	60,012,155	375,806	(237,836)	137,970
Stock based compensation	1,563	557	—	557
Net loss	—	—	(10,438)	(10,438)
Balance, December 31, 2018	60,013,718	376,363	(248,274)	128,089
Stock based compensation	5,720	337	—	337
Net loss	—	—	(4,306)	(4,306)
Balance, March 31, 2019	60,019,438	$ 376,700	$ (252,580)	$ 124,120

See accompanying notes.

USA Technologies, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

($ in thousands)	Nine months ended March 31, 2020	2019
OPERATING ACTIVITIES:		
Net loss	$ (29,181)	$ (20,032)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Non-cash stock based compensation	2,453	1,393
Loss (gain) on disposal of property and equipment	88	(39)
Non-cash interest and amortization of debt discount	1,040	286
Bad debt expense	1,400	1,537
Provision for inventory reserve	(434)	2,699
Depreciation and amortization	5,193	5,899
Non-cash lease expense	1,398	—
Deferred income taxes	15	14
Change in fair value of derivative	(1,070)	—
Changes in operating assets and liabilities:		
Accounts receivable	2,088	(6,288)
Finance receivables	(113)	(182)
Inventory	2,204	(5,349)
Prepaid expenses and other assets	(1,045)	(1,545)
Accounts payable and accrued expenses	(414)	(3,836)
Operating lease liabilities	(1,102)	—
Deferred revenue	(60)	(316)
Income taxes payable	(86)	42
Net cash used in operating activities	(17,626)	(25,717)
INVESTING ACTIVITIES:		
Purchase of property and equipment, including rentals	(1,711)	(3,156)
Proceeds from sale of property and equipment, including rentals	33	103
Net cash used in investing activities	(1,678)	(3,053)
FINANCING ACTIVITIES:		
Proceeds from long-term debt issuance by Antara	14,248	—
Proceeds from equity issuance by Antara	17,879	—
Repayment of revolving credit facility	(10,000)	—
Repayment of finance lease obligations and long-term debt	(2,413)	(22,313)
Payment of debt and equity issuance costs	(1,980)	(135)
Proceeds from exercise of common stock options	—	42
Net cash provided by (used in) financing activities	17,734	(22,406)
Net (decrease) increase in cash and cash equivalents	(1,570)	(51,176)
Cash and cash equivalents at beginning of year	27,464	83,964
Cash and cash equivalents at end of period	$ 25,894	$ 32,788
Supplemental disclosures of cash flow information:		
Interest paid in cash	$ 940	$ 2,321
Income taxes paid in cash	$ 25	$ 12
Supplemental disclosures of noncash financing and investing activities:		
Equipment and software acquired under finance lease	$ —	$ 5

See accompanying notes.

USA Technologies, Inc.
Condensed Notes to Consolidated Financial Statements
(Unaudited)

1. BUSINESS

The Company 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 in the United States 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.

INTERIM FINANCIAL INFORMATION

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements and therefore should be read in conjunction with the Company's June 30, 2019 Annual Report on Form 10-K. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting of normal recurring adjustments, have been included. Operating results for the three and nine months ended March 31, 2020 are not necessarily indicative of the results that may be expected for the year ending June 30, 2020. The balance sheet at June 30, 2019 has been derived from the audited consolidated financial statements at that date, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

In connection with the preparation of the condensed consolidated financial statements for the three months ended December 31, 2019, the Company identified certain adjustments that are required to be made to its fiscal year 2019 interim and annual financial statements. As a result, the Company has revised in this filing certain prior year interim and annual amounts in its condensed consolidated balance sheets, statements of operations and statements of cash flows and related disclosures. Such adjustments resulted in a $0.2 million decrease in net loss for the three months ended March 31, 2019 and a $1.5 million decrease in net loss for the nine months ended March 31, 2019. The Company does not believe these adjustments are material to the previously issued financial statements.

A novel strain of coronavirus (COVID-19) was first identified in China in December 2019 and subsequently declared a global pandemic in March 2020 by the World Health Organization. COVID-19 containment measures began in parts of the United States in March 2020 resulting in forced closure of non-essential businesses and social distancing protocols. The effects of COVID-19 are not significant to our financial statements for the quarter ended March 31, 2020. Further disclosure around the impact of COVID-19 as a subsequent event is discussed in Note 14.

LIQUIDITY

At June 30, 2019, the Company had $27.5 million in cash and a working capital surplus of $3.6 million. 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 represented an event of default under the credit agreement. As a result, the Company classified all amounts outstanding ($11.5 million) under these credit facilities as current liabilities.

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 (“SPA”) 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 gross proceeds 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. 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 committed to extend to the Company a $30.0 million senior secured term loan facility (“Term Facility”). 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. On October 31, 2019, the Company entered into a Financing Agreement with Antara to draw $15.0 million on the Term Facility and agreed to draw an additional $15.0 million at any time between July 31, 2020 and April 30, 2021, subject to the terms of the Financing Agreement. The outstanding amount of the draws under the Term Facility bear interest at 9.75% per annum, payable monthly in arrears. The proceeds of the initial draw were used to repay the outstanding balance of the revolving line of credit loan due to JPMorgan Chase Bank, N.A. in the amount of $10.1 million, including accrued interest payable, and to pay transaction expenses, and the Company intends to utilize the balance for working capital and general corporate purposes. The Commitment Letter provides that the outstanding principal amount of the loan must be paid in full by no later than the maturity date of October 31, 2024; and that the Company is required to be in compliance with financial covenants related to the minimum fixed charge coverage ratio beginning with the fiscal quarter ending June 30, 2020, maximum capital expenditures beginning with the fiscal quarter ending December 31, 2019, and minimum consolidated EBITDA beginning with the fiscal year ending June 30, 2020.

The Company is evaluating its options with respect to the Financing Agreement, including all rights and remedies that may be available to it. Based upon the current financial forecast for the fourth quarter of fiscal year 2020, without a refinancing or modification of existing terms within the Term Facility, the Company anticipates that as of June 30, 2020, it is highly likely the Company will not be in compliance with the minimum fixed charge coverage ratio and the minimum consolidated EBITDA of its Term Facility. Unless the Commitment Letter is rescinded, amended, or replaced, noncompliance would represent an event of default under the Term Facility, and, following the request of the Required Lenders (as such term is defined in the Term Facility), all unpaid principal of $15.0 million and accrued interest to Antara would immediately become due, in addition to a $0.8 million prepayment premium. In addition, all of the Company's unamortized issuance costs and debt discount related to the Term Facility would be recognized upon repayment of the loan as interest expense in the period of repayment, which as of March 31, 2020 was $2.7 million.

As of June 30, 2019 the Company disclosed potential sales tax and related interest liabilities, which the Company estimated to be $18.2 million in the aggregate as of March 31, 2020. The Company has since engaged additional advisors to help evaluate such potential liabilities and the amount and timing of any such payments.

During the three months ended March 31, 2020, the Company reached a settlement of a shareholder class action lawsuit pending in federal court. On May 29, 2020, the parties filed documents with the Court seeking preliminary approval of the settlement, and on June 9, 2020, the Court granted preliminary approval of the settlement and issued a scheduling order for further action on the settlement. The Company anticipates the payment of approximately $2.6 million toward that settlement in addition to amounts to be paid by the Company’s insurers. As discussed in Note 13, those amounts are contingent upon certain future events, but are expected to be paid during the next 12 months.

The Company is currently evaluating a variety of financing alternatives, including but not limited to negotiating modifications to the existing Term Facility. The Company has received a communication from an investor that it will provide sufficient financing in the event that the Company and Antara fail to agree to modifications to the existing Term Facility and other financing alternatives are not in place. The Company believes that its current financial resources, together with cash generated by operations and the financing available from the investor, if needed, will be sufficient to fund its current twelve-month operating budget from the date of issuance of these consolidated financial statements, alleviating any substantial doubt raised by the potential breach in our Term Facility with Antara.

2. ACCOUNTING POLICIES

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting pronouncements adopted

In February 2016, the FASB issued ASU 2016-02, Leases, which requires, among other items, lessees to recognize a right of use asset and a related lease liability for most leases on the balance sheet. Lessees and lessors are required to disclose quantitative and qualitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period and requires a modified retrospective application, with early adoption permitted. The Company adopted this new guidance on July 1, 2019, using the optional modified retrospective transition method applying the guidance to leases existing as of the effective date. The Company has determined that there was no cumulative effect adjustment to beginning retained earnings on the consolidated balance sheet. We will continue to report periods prior to July 1, 2019 in our financial statements under prior guidance as outlined in Topic 840.

The Company's adoption of ASU No. 2016-02 resulted in an increase in the Company's assets and liabilities of approximately $3.9 million at July 1, 2019. The Company's adoption of ASU No. 2016-02 did not have a material impact to the Company's consolidated statements of operations or its consolidated statements of cash flows. Further, there was no impact on the Company's covenant compliance under its current debt agreements as a result of the adoption of ASU No. 2016-02. The Company elected the package of practical expedients included in this guidance, which allowed it to not reassess: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and, (iii) the initial direct costs for existing leases. From a lessee perspective, the Company elected the practical expedient related to treating lease and non-lease components as a single lease component for all leases as well as electing a policy exclusion permitting leases with an original lease term of less than one year to be excluded from the Right-of-Use ("ROU") assets and lease liabilities. From a lessor perspective, the Company also elected the practical expedient related to treating lease and non-lease components as a single component for those leases where the timing and pattern of transfer for the non-lease component and associated lease component are the same and the stand-alone lease component would be classified as an operating lease if accounted for separately. The combined component is then accounted for under Topic 606 or Topic 842 depending on the predominant characteristic of the combined component.

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 Company adopted this ASU on July 1, 2019, and its adoption did not have a material effect on the Company's condensed consolidated financial statements.

In July 2018, the FASB issued ASU No. 2018-09, "Codification Improvements". These amendments provide clarifications and corrections to certain Accounting Standards Codification ("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 Company adopted this ASU on July 1, 2019, and its adoption did not have a material effect on the Company's condensed consolidated financial statements.

Accounting pronouncements to be adopted

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

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326)." The new guidance changes the accounting for estimated credit losses pertaining to certain types of financial instruments including, but not limited to, trade and lease receivables. This pronouncement will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating and assessing the impact this guidance will have on its condensed 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 expects that the adoption of this ASU will not have a material impact on the Company's condensed consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." ASU 2019-12 is intended to simplify accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. The Company is currently evaluating and assessing the impact this guidance will have on its condensed consolidated financial statements.

3. LEASES

Lessee Accounting

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

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date of the lease based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate, which is the collateralized rate of interest that we would pay to borrow over a similar term an amount equal to the lease payments, based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. USAT has lease agreements with lease and non-lease components, which are accounted for together as a single lease component. Lease expense for operating lease payments are recognized on a straight-line basis over the lease term.

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

At March 31, 2020, the Company has the following balances recorded in the balance sheet related to its lease arrangements:

($ in thousands)	Classification	As of March 31, 2020
Assets		
Operating leases	Operating lease right-of-use assets	$ 5,903
Finance leases	Property and equipment, net	73
Liabilities		
Current:		
Operating leases	Accrued expenses	1,082
Finance leases	Finance lease obligations and current obligations under long-term debt	55
Non-current:		
Operating leases	Operating lease liabilities, non-current	5,025
Finance leases	Finance lease obligations and long-term debt, less current portion	$ 24

Components of lease cost are as follows:

($ in thousands)	Three months ended March 31, 2020	Nine months ended March 31, 2020
Finance lease costs:		
Amortization of ROU assets	$ 25	$ 79
Interest on lease assets	3	8
Operating lease costs*	515	1,970
Total	$ 543	$ 2,057

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

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

($ in thousands)	Nine months ended March 31, 2020
Supplemental cash flow information:	
Cash paid for amounts included in the measurement of lease liabilities	
Financing cash flows from finance leases	$ 73
Operating cash flows from finance leases	9
Operating cash flows from operating leases	1,350
Non-cash activity	
Right-of-use assets obtained in exchange for lease obligations:	
Finance lease liabilities	12
Operating lease liabilities	$ 3,384

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

	Nine months ended March 31, 2020
Weighted-average remaining lease term (years)	
Finance leases	1.4
Operating leases	5.4
Weighted-average discount rate	
Finance leases	9.9%
Operating leases	6.8%

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

($ in thousands)	Operating Leases	Finance Leases
Remainder of 2020	$ 384	$ 27
2021	1,440	46
2022	1,461	16
2023	1,493	2
2024	1,030	1
Thereafter	1,520	—
Total lease payments	$ 7,328	$ 92
Less: Imputed interest	(1,221)	(13)
Present value of lease liabilities	$ 6,107	$ 79

The Company's future minimum lease commitments as of June 30, 2019, under ASC Topic 840, the predecessor to Topic 842, 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

Lessor Accounting

Lessor accounting remained substantially unchanged with the adoption of ASC Topic 842. The Company offers its customers financing for the lease of our POS electronic payment devices. We account for these transactions as sales-type leases. Our sales-type leases generally have a non-cancellable term of 60 months. Certain leases contain an end-of-term purchase option that is generally insignificant and is reasonably certain to be exercised by the lessee. Leases that do not meet the criteria for sales-type lease accounting are accounted for as operating leases, typically our JumpStart program leases. JumpStart terms are typically 36 months and are cancellable with 30 to 60 days' written notice. As discussed in Note 2, the Company has elected to combine lease and non-lease components for its operating leases and account for the combined components under ASC 606, which is the predominant characteristic of the combined components. All QuickStart leases are sales-type and do not qualify for the election.

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

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

($ in thousands)	March 31, 2020	June 30, 2019
Cost	$ 32,572	36,190
Accumulated depreciation	(27,664)	(30,473)
Net	$ 4,908	$ 5,717

The Company’s net investment in sales-type leases (carrying value of lease receivables) and the future minimum amounts to be collected on these lease receivables as of March 31, 2020 are disclosed within Note 6 - Finance Receivables.

4. REVENUE

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 Condensed 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 represent 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 March 31, 2020**
2020	$ 3,536
2021	12,668
2022	11,120
2023	8,524
2024 and thereafter	5,000
Total	$ 40,848

Contract Liabilities

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

($ in thousands)	**Three months ended March 31, 2020**	**Nine months ended March 31, 2020**
Deferred revenue, beginning of the period	1,629	1,681
Deferred revenue, end of the period	1,621	1,621
Revenue recognized in the period from amounts included in deferred revenue at the beginning of the period	120	467

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

Contract Costs

At March 31, 2020, the Company had net capitalized costs to obtain contracts of $0.3 million included in Prepaid expenses and other current assets and $1.7 million included in Other noncurrent assets on the Condensed Consolidated Balance Sheet. None of these capitalized contract costs were impaired. During the three and nine months ended March 31, 2020, amortization of capitalized contract costs was $0.1 million and $0.4 million, respectively.

5. RESTRUCTURING/INTEGRATION COSTS

On October 17, 2019, Stephen P. Herbert resigned as Chief Executive Officer (“CEO”) of the Company and as a member of the Company’s Board of Directors. Mr. Herbert received a severance payment in the amount of $400,000 in a lump sum, less applicable taxes, on October 25, 2019, along with certain other benefits as more fully described in the Company's Current Report on Form 8-K filed with the SEC on October 18, 2019.

Subsequent to the Cantaloupe acquisition, the Company initiated workforce reductions to integrate the Cantaloupe business for which costs totaled $2.1 million for the year ended June 30, 2018. The Company included these severance charges under “Integration and acquisition costs” within the Condensed Consolidated Statements of Operations, with the remaining outstanding balance included within “Accrued expenses” on the Condensed Consolidated Balance Sheet. All amounts were paid as of December 31, 2019.

No additional severance activity related to the integration of the Cantaloupe business was recorded for the three months ended March 31, 2020. The following table summarizes the Company's severance activity for the three and six months ended December 31, 2019 related to the workforce reductions to integrate the Cantaloupe business:

($ in thousands)	Workforce reduction
Balance at July 1, 2019	$ 175
Plus: additions	26
Less: cash payments	—
Balance at September 30, 2019	$ 201
Plus: additions	9
Less: cash payments	(210)
Balance at December 31, 2019	$ —

6. 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 60 month sales-type leases. As of March 31, 2020 and June 30, 2019 finance receivables consist of the following:

($ in thousands)	March 31, 2020	June 30, 2019
Current finance receivables, net	$ 7,941	6,727
Finance receivables due after one year, net	11,541	12,642
Total finance receivables, net of allowance of $702 and $606, respectively	$ 19,482	$ 19,369

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. 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 March 31, 2020 and June 30, 2019, credit quality indicators consisted of the following:

($ in thousands)	March 31, 2020	June 30, 2019
Performing	$ 19,482	$ 19,369
Nonperforming	702	606
Total	$ 20,184	$ 19,975

As part of the financing under the Quickstart program and Cantaloupe devices contractually associated with the Seed platform, the Company has contractually granted deferred payment terms, where the entire sequence of up to 60 monthly payments are deferred by an agreed upon period. The "Deferred Payment Arrangements / Timing" column represents amounts subject to the agreed upon deferral period or amounts subject to adjustments related to situations where a third party is financing the receivable. The "Other Finance Receivables" column represents an aging schedule for finance receivables not subject to such deferral arrangements and other non-performing receivables.

	March 31, 2020			June 30, 2019
($ in thousands)	Deferred Payment Arrangements / Timing	Other Finance Receivables	Total	Total
Current	$ 18,367	$ 353	$ 18,720	$ 19,133
0-30 days	37	103	140	190
31-60 days	193	44	237	49
61-90 days	34	36	70	146
Greater than 91 days	513	504	1,017	457
Total finance receivables (gross)	$ 19,144	$ 1,040	$ 20,184	$ 19,975

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

($ in thousands)	
2020	$ 4,977
2021	6,159
2022	5,513
2023	3,908
2024	1,957
Thereafter	79
Total amounts to be collected	22,593
Less: interest	(2,409)
Less: allowance for nonperforming receivables	(702)
Total finance receivables	$ 19,482

7. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share ("EPS") and diluted EPS are presented below:

	Three months ended March 31,	
($ in thousands, except per share data)	2020	2019
Numerator for basic and diluted loss per share		
Net loss	$ (9,295)	$ (4,306)
Preferred dividends	(334)	(334)
Net loss applicable to common shareholders	$ (9,629)	(4,640)
Denominator for basic loss per share - Weighted average shares outstanding	64,096,778	60,065,053
Effect of dilutive potential common shares	—	—
Denominator for diluted loss per share - Adjusted weighted average shares outstanding	64,096,778	60,065,053
Basic loss per share	$ (0.15)	$ (0.08)
Diluted loss per share	$ (0.15)	$ (0.08)

	Nine months ended March 31,	
($ in thousands, except per share data)	2020	2019
Numerator for basic and diluted loss per share		
Net loss	$ (29,181)	$ (20,032)
Preferred dividends	(668)	(668)
Net loss applicable to common shareholders	$ (29,849)	$ (20,700)
Denominator for basic loss per share - Weighted average shares outstanding	62,591,947	60,059,594

Effect of dilutive potential common shares	—	—
Denominator for diluted loss per share - Adjusted weighted average shares outstanding	62,591,947	60,059,594
Basic loss per share	$ (0.48)	$ (0.34)
Diluted loss per share	$ (0.48)	$ (0.34)

Anti-dilutive shares excluded from the calculation of diluted loss per share were 1,625,414 for the three and nine months ended March 31, 2020 and 1,240,302 for the three and nine months ended March 31, 2019.

8. GOODWILL AND INTANGIBLES

Intangible asset balances and goodwill consisted of the following:

	As of March 31, 2020			
($ in thousands)	**Gross**	**Accumulated Amortization**	**Net**	**Amortization Period**
Intangible assets:				
Non-compete agreements	$ 2	$ (2)	$ —	2 years
Brand and tradenames	1,695	(642)	1,053	3 - 7 years
Developed technology	10,939	(4,649)	6,290	5 - 6 years
Customer relationships	19,049	(2,574)	16,475	10 - 18 years
Total intangible assets	$ 31,685	$ (7,867)	$ 23,818	
Goodwill	63,945	—	63,945	Indefinite
Total intangible assets & goodwill	$ 95,630	$ (7,867)	$ 87,763	

	As of June 30, 2019			
($ in thousands)	**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	63,945	—	63,945	Indefinite
Total intangible assets & goodwill	$ 95,630	$ (5,514)	$ 90,116	

For the three and nine months ended March 31, 2020 there was $0.8 million and $2.4 million in amortization expense related to intangible assets, respectively, as compared to the three and nine months ended March 31, 2019, for which there was $0.8 million and $2.4 million in amortization expense related to intangible assets, respectively.

9. DEBT AND OTHER FINANCING ARRANGEMENTS

The Company's debt and other financing arrangements as of March 31, 2020 and June 30, 2019 consisted of the following:

($ in thousands)	As of March 31, 2020	As of June 30, 2019
Term Facility	$ 15,000	$ —
Revolving Credit Facility	—	10,000
Term Loan	—	1,458
Other, including finance lease obligations	423	1,323
Less: unamortized issuance costs and debt discount	(2,745)	(8)
Total	12,678	12,773
Less: debt and other financing arrangements, current	(381)	(12,497)
Debt and other financing arrangements, noncurrent	$ 12,297	$ 276

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

	Three months ended March 31,		Nine months ended March 31,	
($ in thousands)	2020	2019	2020	2019
Term Facility	$ 542	$ —	$ 921	$ —
Revolving Credit Facility	—	170	303	526
Term Loan	—	456	160	1,158
Other interest expense	141	287	597	834
Total interest expense	$ 683	$ 913	$ 1,981	$ 2,518

Revolving Credit Facility and Term Loan with JPMorgan Chase

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 ($7.2 million). All advances under the Revolving Credit Facility and all other obligations were required to be paid in full at maturity on November 9, 2022.

Loans under the five year credit agreement bore 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 to date ended October 31, 2019 was LIBOR plus 4%. The Term Loan and Revolving Credit Facility contained customary representations and warranties and affirmative and negative covenants and required the Company to maintain a minimum quarterly total leverage ratio and fixed charge coverage ratio. The Revolving Credit Facility and Term Loan also required the Company to furnish various financial information on a quarterly and annual basis. As of June 30, 2019, the Company was not in compliance with the fixed charge coverage ratio and the total leverage ratio, which represented an event of default under the Term Facility and the Company classified all amounts outstanding under the Revolving Credit Facility and Term Loan as current liabilities as of June 30, 2019.

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 September 30, 2019. Additionally, during the quarter ended March 31, 2019, the

Company prepaid $20.0 million of the balance outstanding under the Term Loan, and on September 30, 2019, the Company prepaid the remaining principal balance of the Term Loan 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. On October 31, 2019, the Company repaid the outstanding balance on the Revolving Credit Facility.

Term Facility with Antara

On October 9, 2019, as a result of seeking additional financing sources to support the Company's operating activities, the Company entered into a commitment letter with Antara Capital Master Fund LP (“Antara”), pursuant to which Antara committed to extend to the Company a $30.0 million senior secured term loan facility (“Term Facility”). On October 31, 2019, the Company entered into a Financing Agreement with Antara to draw $15.0 million on the Term Facility and agreed to draw an additional $15.0 million at any time between July 31, 2020 and April 30, 2021, subject to the terms of the Financing Agreement. If the Company fails to make the subsequent draw on the Term Facility by April 30, 2021, the Company shall pay Antara a commitment termination fee equal to 3% of the subsequent draw commitment. The outstanding amount of the draws under the Term Facility bear interest at 9.75% per annum, payable monthly in arrears. The proceeds of the initial draw were used to repay the outstanding balance of the Revolving Credit Facility due to JPMorgan Chase Bank, N.A. in the amount of $10.1 million, including accrued interest payable, and to pay transaction expenses, and the Company intends to utilize the balance for working capital and general corporate purposes. The outstanding principal amount of the loan must be paid in full by no later than the maturity date of October 31, 2024. The Company is required to be in compliance with financial covenants related to the minimum fixed charge coverage ratio beginning with the fiscal quarter ending June 30, 2020, maximum capital expenditures beginning with the fiscal quarter ending December 31, 2019, and minimum consolidated EBITDA beginning with the fiscal year ending June 30, 2020. As of March 31, 2020, the Company was in compliance with its capital expenditures financial covenant.

The Company is evaluating its options with respect to the Financing Agreement, including all rights and remedies that may be available to it. Based upon the current financial forecast for the fourth quarter of fiscal year 2020, without a refinancing or modification of existing terms within the Term Facility, the Company anticipates that as of June 30, 2020, it is highly likely the Company will not be in compliance with the minimum fixed charge coverage ratio and the minimum consolidated EBITDA of its Term Facility. Unless the Commitment Letter is rescinded, amended, or replaced, noncompliance would represent an event of default under the Term Facility, and, following the request of the Required Lenders (as such term is defined in the Term Facility), all unpaid principal of $15.0 million and accrued interest to Antara would immediately become due, in addition to a $0.8 million prepayment premium. In addition, all of the Company's unamortized issuance costs and debt discount related to the Term Facility would be recognized upon repayment of the loan as interest expense in the period of repayment, which as of March 31, 2020 was $2.7 million.

The Company may prepay any principal amount outstanding on the Term Facility plus a prepayment premium of 5% (if prepaid on or prior to December 31, 2020), 3% (between January 1, 2021 and December 31, 2021), 1% (between January 1, 2022 and December 31, 2022) and 0% thereafter. Under the Term Facility, the Company is subject to mandatory prepayments as a result of certain asset sales, insurance proceeds, issuances of disqualified capital stock, and issuances of debt. These mandatory prepayments are subject to the prepayment premium that applies to voluntary prepayments. The Company is also subject to annual mandatory prepayments ranging from 0% to 75% of excess cash flow depending upon the consolidated total leverage ratio measured at the end of each fiscal year beginning with the fiscal year ending June 30, 2020. These mandatory prepayments are not subject to the aforementioned prepayment premium.

As discussed in Note 12, on October 9, 2019, the Company also sold shares of the Company’s common stock to Antara at a price below market value. Since the Term Facility and equity issuance were negotiated in contemplation of each other and executed within a short period of time, the Company evaluated the debt and equity financing as a combined arrangement, and estimated the fair values of the debt and equity components to allocate the proceeds, net of the registration rights agreement liability (Note 12) on a relative fair value basis between the debt and equity components. The non-lender fees incurred to establish the debt and equity financing arrangement were allocated to the debt and equity components, which includes the delayed draw commitment, on a relative fair value basis and capitalized on the Company’s balance sheet. $0.9 million was allocated to debt issuance costs which is amortized on an effective interest method into interest expense over the term of the Term Facility and $0.1 million was allocated to debt commitment fees which is amortized on a straight-line basis through April 30, 2021.

The Term Facility was further evaluated for the existence of embedded features to be bifurcated from the amount allocated to the debt component. The Term Facility agreement contains a mandatory prepayment feature that was determined to be an embedded derivative, requiring bifurcation and fair value recognition for the derivative liability. The fair value of this derivative liability is remeasured at each reporting period, with changes in fair value recognized in the consolidated statement of operations and any changes in the assumptions used in measuring the fair value of the derivative liability could result in a material increase or decrease

in its carrying value. The allocation of the proceeds to the debt component and the bifurcation of the embedded derivative liability resulted in a $2.1 million debt discount that will be amortized as a credit to interest expense over the term of the Term Facility.

If the Company does not meet its financial covenants as of June 30, 2020 and the debt and all accrued interest immediately becomes due as described above, all of the Company's unamortized issuance costs and debt discount would be recognized upon repayment of the loan as interest expense in the period of repayment. At March 31, 2020, the unamortized balance of the $0.9 million debt issuance costs and the $2.1 million debt discount was $2.7 million.

Other Borrowings

In connection with the acquisition of Cantaloupe, the Company assumed debt of $1.8 million with an outstanding balance of $0.3 million and $0.8 million as of March 31, 2020 and June 30, 2019, respectively, comprised of: (i) $0.0 million and $0.2 million of promissory notes bearing an interest rate of 5% and maturing on April 5, 2020 with principal and interest payments due monthly; (ii) $0.3 million and $0.4 million of promissory notes bearing an interest rate of 10% and maturing on April 1, 2021 with principal and interest payments due quarterly; and (iii) $0.1 million as of June 30, 2019 of promissory notes bearing an interest rate of 12% that matured on December 15, 2019.

10. FAIR VALUE MEASUREMENTS

Financial assets and liabilities are initially recorded at fair value. The carrying amounts of certain of the Company’s financial instruments, including cash equivalents, accounts receivable, accounts payable and accrued expenses, are carried at cost which approximates fair value due to the short-term maturity of these instruments and are Level 1 assets or liabilities of the fair value hierarchy.

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

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

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

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

The Company's embedded derivative liability is measured at fair value using a probability-weighted discounted cash flow model and is classified as a Level 3 liability of the fair value hierarchy due to the use of significant unobservable inputs. The liability is included as a component of Accrued expenses, less current portion on the consolidated balance sheets and subject to remeasurement to fair value at the end of each reporting period. For the three and nine months ended March 31, 2020, the Company recognized the change as a component of Other income (expense) in its consolidated statements of operations. The assumptions used in the discounted cash flow model of the embedded derivative liability include: (1) management's estimates of the probability and timing of future cash flows and related events; (2) the Company's risk-adjusted discount rate that includes a company-specific risk premium; and (3) the Company's cost of debt. The assumptions used in the discounted cash flow model were based on information known to the Company as of March 31, 2020. As described above, based on current forecasts, it is highly likely the Company will not be in compliance with certain covenants within the Term Facility as of June 30, 2020. The Company is currently pursuing a refinancing or modification of its Term Facility, or alternative financing arrangements. As a result, subsequent to March 31, 2020, the refinancing or modification may have a material impact on the assumptions used in the discounted cash flow model and related embedded derivative liability. If the Company is not in compliance with its covenants on June 30, 2020, this is likely to cause a material decrease in the carrying value of the embedded derivative liability.

There were no transfers between Level 1, Level 2, and Level 3 during the periods presented. The following table provides a reconciliation for the opening and closing balances of the embedded derivative liability from October 31, 2019 to March 31, 2020:

($ in millions)	
Balance at October 31, 2019	$ 1.5
Net change in fair value	—
Balance at December 31, 2019	1.5
Net change in fair value	(1.1)
Balance at March 31, 2020	$ 0.4

The Company’s obligations under its long-term debt agreements are carried at amortized cost, which approximates their fair value as of June 30, 2019. The fair value of the Company’s obligations under its long-term debt agreements with JPMorgan Chase were considered Level 2 liabilities of the fair value hierarchy because these instruments have interest rates that reset frequently. The fair value of the Company's obligations under its long-term debt agreements with Antara as of March 31, 2020 was approximately $16.1 million and considered a Level 3 liability of the fair value hierarchy because this instrument used significant unobservable inputs consistent with those used in determining the embedded derivative liability values.

11. INCOME TAXES

On March 27, 2020, in response to COVID-19 and its detrimental impact to the global economy, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) into law, which provides a stimulus to the U.S. economy in the form of various individual and business assistance programs as well as temporary changes to existing tax law. Among the changes to the provision in business tax laws include a five-year net operating loss carryback for the 2018, 2019 and 2020 tax

years, a deferral of the employer’s portion of the social security tax, an increase in the interest expense limitation under Section 163(j) from 30% to 50% for the 2019 and 2020 tax years, and others. ASC 740 requires the tax effects of changes in tax laws or rates to be recorded in the period of enactment. None of the income tax provisions of the CARES Act have a material impact on the Company, and therefore no adjustment was recorded.

For the three months ended March 31, 2020, the Company recorded an income tax benefit of $85 thousand. For the nine months ended March 31, 2020, the Company recorded an income tax provision of $46 thousand. As of March 31, 2020, the Company reviewed the existing deferred tax assets in light of COVID-19 and continues to record a full valuation against its deferred tax assets. The income tax provisions primarily relate to the Company's uncertain tax positions, as well as state income and franchise taxes. As of March 31, 2020, the Company had a total unrecognized income tax benefit of $0.2 million. The Company is actively working with the tax 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 provision is based upon actual loss before income taxes for the nine months ended March 31, 2020, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision. The Company will continue to monitor the status of the COVID-19 pandemic and its impact on our results of operations.

For the three months ended March 31, 2019, an income tax provision of $23 thousand was recorded, which primarily relates to state income and franchise taxes. For the nine months ended March 31, 2019, an income tax provision of $60 thousand was recorded, which primarily relates to state income and franchise taxes. The provisions are based upon actual loss before income taxes for the nine months ended March 31, 2019, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

12. EQUITY

WARRANTS

The Company had 23,978 warrants outstanding as of March 31, 2020 and June 30, 2019, all of which were exercisable at $5.00 per share. The warrants have an expiration date of March 29, 2021.

STOCK OPTIONS

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.

In July 2017, 135,000 stock options were granted to 11 employees vesting 1/3 on July 26, 2018, 1/3 on July 26, 2019 and 1/3 on July 26, 2020 expiring if not exercised prior to July 26, 2022. The options are intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended.

In August 2017, the Company awarded stock options to its former Chief Executive Officer and Chief Financial Officer to purchase up to 19,047 and 25,000 shares respectively of common stock at an exercise price of $5.25 per share. The Chief Executive Officer options vested on August 16, 2018, expiring if not exercised prior to August 16, 2024. The Chief Financial Officer options were scheduled to vest 1/3 on August 16, 2018, 1/3 on August 16, 2019 and 1/3 on August 16, 2020, expiring if not exercised prior to August 16, 2024. The Chief Executive Officer options were intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended, and the Chief Financial Officer options are non-qualified stock options. The Company's former Chief Executive Officer exercised all of his 274,267 outstanding options during the three months ended December 31, 2019. The Company's former Chief Financial Officer forfeited the remaining unvested options upon her resignation effective January 7, 2019.

In September 2018, the Company awarded stock options to 102 employees to purchase up to 400,000 shares of common stock at an exercise price of $8.75 which vest 1/3 each year.

In October 2019, the Company awarded stock options to its then-interim Chief Executive Officer to purchase up to 225,000 shares of common stock at an exercise price of $7.18 per share which vested immediately and are non-qualified stock options.

In November 2019, the Company awarded stock options to 11 employees to purchase up to 110,000 shares of common stock at an exercise price of $6.28 which vest 1/3 each year. The options are intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended.

The fair value of options granted during the nine months ended March 31, 2020 and 2019 was determined using the following assumptions:

	Nine months ended March 31,	
	2020	2019
Expected volatility (percent)	74.6% - 90.1%	58.4% - 70.9%
Expected life (years)	3.5 - 4.5	4.5
Expected dividends	0.0%	0.0%
Risk-free interest rate (percent)	1.4% - 1.6%	2.23% - 2.91%
Number of options granted	340,760	420,000
Weighted average exercise price	$ 6.85	$ 8.52
Weighted average grant date fair value	$ 6.84	$ 4.27

Stock based compensation related to all stock options for the three and nine months ended March 31, 2020 was $0.1 million and $1.5 million, respectively, and $0.2 million and $0.6 million for the three and nine months ended March 31, 2019, respectively.

COMMON STOCK

On July 2, 2018, 6,677 shares were awarded to each non-employee director for a total of 40,062 shares. The shares were scheduled to vest on a monthly basis over the two-year period following July 2, 2018.

On October 9, 2019, the Company sold to Antara 3,800,000 shares of the Company's common stock at a below market value price of $5.25 per share for gross cash proceeds of $19,950,000. Since the Term Facility and equity issuance were negotiated in contemplation of each other and executed within a short period of time, the Company evaluated the debt and equity financing as a combined arrangement, and estimated the fair values of the debt and equity components to allocate the total proceeds on a relative fair value basis between the debt and equity components, resulting in a $17.9 million allocation to equity, less $1.1 million in issuance fees allocated to the equity component on a relative fair value basis.

On October 16, 2019, 13,216 shares were awarded to each non-employee director and its interim Chief Executive Officer for a total of 118,944 shares. 1/3 of the shares vested immediately at the award date, with the remaining shares scheduled to vest on October 16, 2020.

On November 22, 2019, 104,500 total shares were awarded to 11 employees. The shares vest 1/3 each year.

On February 28, 2020, the Company awarded 186,916 total shares to its Chief Executive Officer. The shares were scheduled to vest 1/4 on February 28, 2021, with the remaining shares scheduled to vest on a quarterly basis thereafter through February 28, 2024. The Company also awarded 10,778 shares each for a total of 21,556 shares which were scheduled to vest on February 28, 2021 to new non-employee directors Kelly Kay and Sunil Sabharwal. The Company also awarded 16,767 total shares to its Chief Financial Officer and 8,982 total shares to its Chief Accounting Officer which vest 1/3 each year.

On November 8, 2019, Albin F. Moschner retired as a member of the Board of Directors, and his remaining unvested shares immediately vested. On February 28, 2020, Steven D. Barnhart, Joel Brooks, and William J. Reilly, Jr. resigned as members of the Board of Directors, and their remaining unvested shares were forfeited immediately. Due to the resignation of the Chief Executive Officer and members of the Board of Directors in the fourth quarter of fiscal year 2020, certain unvested common stock awards were forfeited upon their resignations. See Note 14.

The total expense recognized for all common stock awards for the three and nine months ended March 31, 2020 was $0.4 million and $0.9 million, and for the three and nine months ended March 31, 2019 was $0.1 million and $0.4 million, respectively.

LONG TERM INCENTIVE PLANS

In October 2019, the Company's Board of Directors approved the Fiscal Year 2020 Long-Term Stock Incentive Plan ("FY20 LTI 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. The Company is evaluating the impact of COVID-19 on the FY20 LTI Plan.

The Company had long-term stock incentive plans in prior fiscal years for its then executive officers. Stock based compensation related to the LTI plans was as follows in the three and nine months ended March 31, 2020 and 2019:

	Three months ended March 31,		Nine months ended March 31,	
($ in thousands)	**2020**	**2019**	**2020**	**2019**
FY20 LTI Plan	$ (83)	$ —	$ 36	$ —
FY18 LTI Plan	2	30	21	91
FY17 LTI Plan	—	17	—	68
Total	$ (81)	$ 47	$ 57	$ 159

SHAREHOLDER RIGHTS PLAN

Effective April 27, 2020, the Company's Board of Directors terminated the shareholder rights plan, implemented on October 18, 2019. The Company determined it was in the best interests of the Company and its shareholders to redeem the shareholder rights plan and as a result, the rights plan, which was previously scheduled to automatically expire at the time of the Company's 2020 annual meeting of shareholders, was terminated.

REGISTRATION RIGHTS AGREEMENT

In connection with the Stock Purchase Agreement on October 9, 2019 with Antara, the Company also entered into a registration rights agreement (the "Registration Rights Agreement") with Antara, pursuant to which the Company 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").

Pursuant to an Amendment to Registration Rights Agreement dated as of January 31, 2020 (the “Amendment”), Antara and the Company agreed to terminate the obligation of the Company to register the shares in exchange for a payment of approximately $1.2 million by the Company to Antara. The Amendment provided that the payment would be in full satisfaction of any and all liquidated damages which may be due by the Company to Antara under the Registration Rights Agreement for the failure to timely file the Form S-1 registration statement and/or to obtain and maintain the effectiveness thereof.

Under the Registration Rights Agreement, and prior to the Amendment, the Company was required to file the registration statement by no later than November 8, 2019 (extended by agreement of the parties until November 26, 2019). The Company informed Antara that it would not be able to file the Registration Statement without unreasonable effort and expense because the applicable rules of the SEC require the Company to include certain pre-acquisition financial statements of Cantaloupe in the Registration Statement.

These pre-acquisition financial statements had been filed by the Company as exhibit 99.1 to the Form 8-K/A filed on January 24, 2018. As part of the audit process and subsequent to June 30, 2019, the Company performed an extensive analysis relating to certain of the accounts of Cantaloupe for periods subsequent to the acquisition and made certain adjustments to previously issued financial statements, all of which were described in the Company’s annual report on Form 10-K for the year ended June 30, 2019 and the Amendment No. 1 thereto. The Company determined that to perform such an analysis in connection with the pre-acquisition financial statements required to be included in the registration statement would be unduly time consuming and expensive. The Company also sought to obtain a waiver from the staff of the SEC from the regulations which require the inclusion of these pre-acquisition financial statements in the registration statement. By letter dated December 30, 2019, the SEC staff indicated that it was unable to provide such a waiver.

13. COMMITMENTS AND CONTINGENCIES

Eastern District of Pennsylvania Consolidated Shareholder Class Actions

As previously reported, various putative shareholder class action complaints had been filed in the United States District Court for the District of New Jersey against the Company, its chief executive officer and chief financial officer at the relevant time, its directors at the relevant time, and the investment banks who served as underwriters in the May 2018 follow-on public offering of the Company (the “Underwriters”). These complaints alleged violations of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. These various actions were consolidated by the Court into one action (the “Consolidated Action”), and the Court granted the Motion to Transfer filed by the Company and its former chief executive officer, and transferred the Consolidated Action to the United States District Court for the Eastern District of Pennsylvania, Docket No. 19-cv-04565. On November 20, 2019, Plaintiff filed an amended complaint, and defendants filed motions to dismiss on February 3, 2020. The Court has not yet ruled on the motions to dismiss. The parties participated in a private mediation on February 27, 2020 which resulted in a settlement. On May 29, 2020, the plaintiffs filed documents with the Court seeking preliminary approval of the settlement, with the defendants supporting approval of the settlement. On June 9, 2020, the Court granted preliminary approval of the settlement and issued a scheduling order for further action on the settlement. The settlement provides for a payment of $15.3 million which includes all administrative costs and plaintiff’s attorneys’ fees and expenses. The Company’s insurance carriers are anticipated to pay approximately $12.7 million towards the settlement and the Company is anticipated to pay approximately $2.6 million towards the settlement, which has been recorded as a liability in the accompanying condensed consolidated financial statements. Payments will not be distributed pursuant to the settlement until and unless an opt-out process is completed successfully and the Court grants final approval of the settlement. The Company expects but cannot assure that those events will occur later in the calendar year. Should the settlement not be approved the parties will resume litigation of the claims.

Chester County, Pennsylvania Class Action

As previously reported, a putative shareholder class action complaint was filed against the Company, its chief executive officer and chief financial officer at the relevant time, its directors at the relevant time, and the Underwriters, in the Court of Common Pleas, Chester County, Pennsylvania, Docket No. 2019-04821-MJ. The complaint alleged violations of the Securities Act of 1933, as amended. As also previously reported, on September 20, 2019 the Court granted the defendants’ Petition for Stay and stayed the Chester County action until the Consolidated Action reaches a final disposition. On October 18, 2019, plaintiff filed an appeal

to the Pennsylvania Superior Court from the Order granting defendants' Petition for Stay, Docket No. 3100 EDA 2019. On December 6, 2019, the Pennsylvania Superior Court issued an Order stating that the Stay Order does not appear to be final or otherwise appealable and directed plaintiff to show cause as to the basis of the Pennsylvania Superior Court's jurisdiction. The plaintiff filed a Response to the Order to Show Cause on December 16, 2019, and the defendants filed an Application to Quash Appeal on December 26, 2019. On February 20, 2020 the Pennsylvania Superior Court quashed the appeal.

Subpoena

During the three months ended March 31, 2020, the Company responded to a subpoena received from the U.S. Department of Justice that sought records regarding Company activities that occurred during prior financial reporting periods, including restatements. The Company is cooperating fully with the agency's queries.

HEC Master Fund LP Lawsuit

On November 15, 2019, HEC Master Fund LP (together with related entities, including Hudson Executive Capital LP, "HEC") filed a lawsuit against the Company and its directors at the relevant time in the Court of Common Pleas of Chester County, Pennsylvania, Docket No. 2019-11640-MJ. The lawsuit alleged that the directors' adoption of an amendment to the Company's bylaws that prohibited shareholders from calling a special meeting of shareholders until the Company's next annual meeting of shareholders, along with other efforts by the directors to prevent HEC from soliciting consents to call a special meeting of shareholders, constituted impermissible entrenchment and interference with the shareholder franchise in violation of Pennsylvania law. On November 22, 2019, the Court, with the consent of HEC and the Company, ordered the Company to call and hold its annual meeting of shareholders on or before April 30, 2020. The Court also ordered that the directors stand for election at the annual meeting in accordance with the bylaws and prohibited the board of directors from making further amendments of any kind to the bylaws prior to the annual meeting. Following the entry of that order, HEC voluntarily discontinued the lawsuit. On March 27, 2020, HEC moved to strike the discontinuance and hold the Company in contempt of the Court's November 22, 2019 order. On April 26, 2020, the parties entered into a Letter Agreement pursuant to which HEC's action was dismissed with prejudice.

HEC Master Fund LP Shareholder Demand

By letter dated February 12, 2020, HEC demanded that the Board of Directors investigate, remedy and commence proceedings against certain of the Company's current and former officers and directors and other responsible parties for breach of fiduciary duties. The matters alleged to constitute breaches of duty related to the matters raised by HEC during the contest for the election of directors at the 2020 annual meeting. On April 26, 2020, the parties entered into a Letter Agreement pursuant to which HEC withdrew its shareholder demand for board action.

14. SUBSEQUENT EVENTS

Agreement with Hudson Executive Capital LP

On April 26, 2020, the Company entered into a Letter Agreement with Hudson Executive Capital LP ("Hudson"), the largest shareholder of the Company, to appoint Lisa P. Baird, Douglas G. Bergeron, Douglas L. Braunstein, Jacob Lamm, Michael K. Passilla, Ellen Richey, Anne M. Smalling and Shannon S. Warren to the Board of Directors. The Company accepted the resignations of Kelly Ann Kay, Robert L. Metzger, Sunil Sabharwal, William J. Schoch and Ingrid S. Stafford from the Board of Directors. All of the unvested common stock awards of the former members of the Board of Directors were forfeited upon their resignation. Pursuant to its proxy disclosure, Hudson has requested that the Company reimburse the expenses it incurred in connection with its proxy solicitation and has informed the Company that it is prepared to accept non-cash consideration for such reimbursement; the Board is considering Hudson's request. No determination regarding the reimbursement or the possible amount of such reimbursement has been made at this time.

Chief Executive Officer Resignation

On May 10, 2020, Donald W. Layden, Jr., former Chief Executive Officer, agreed to resign his employment with the Company, effective as of May 8, 2020. Mr. Layden further agreed to resign from his position as a director on the Board of Directors of the Company (the "Board"), also effective as of May 8, 2020. The resignation was not the result of any disagreement Mr. Layden had with the Company on any matter relating to the Company's operations, policies, and practices.

Pursuant to a Separation Agreement and Release (the "Release") entered into by and between Mr. Layden and the Company on May 10, 2020, Mr. Layden received no severance pay or other separation benefits in connection with his resignation. The Release provides that Mr. Layden will retain certain vested equity awards in accordance with the terms of the Release, and additionally

provides releases of claims by Mr. Layden and, on a limited basis, by the Company. The Release also contains customary restrictive covenants, including perpetual confidentiality and non-disparagement covenants, and a one-year post-employment non-solicit of customers and employees. All of Mr. Layden's unvested common stock awards were forfeited upon his resignation.

Appointment of New Chief Executive Officer

On and effective as of May 8, 2020, the Board appointed Sean Feeney as its Chief Executive Officer. In connection with Mr. Feeney's appointment as Chief Executive Officer, the Company entered into an employment agreement with Mr. Feeney, also dated and effective as of May 8, 2020 (the "Feeney Agreement"). On May 21, 2020, the Board appointed Mr. Feeney as a director of the Company.

Pursuant to the Feeney Agreement, Mr. Feeney shall serve as Chief Executive Officer of the Company, reporting to the Board. The Feeney Agreement provides Mr. Feeney a base salary of $450,000 per year, and, commencing with the Company's fiscal 2021 year, an annual cash bonus target opportunity each fiscal year equal to 100% of his base salary (up to a maximum of 150% of base salary), with any cash bonus earned based on the terms of the Company's then-current annual incentive program (with a minimum bonus for fiscal 2021, only, equal to 50% of Mr. Feeney's base salary).

In addition, Mr. Feeney was awarded an initial inducement equity grant of 1,000,000 stock options, with an exercise price equal to the Company's closing price on May 8, 2020, subject to the terms of a Non-Qualified Stock Option Agreement, also dated as of May 8, 2020 (the "Option Agreement"). The stock options are eligible to vest as follows: (i) 50% of the options are eligible to vest in four equal annual installments on the first four anniversaries of the grant date, (ii) 12.5% of the options are eligible to vest on June 30, 2021, and (iii) an additional 12.5% of the options are eligible to vest on each of June 30, 2022, June 30, 2023, and June 30, 2024, subject to the achievement of performance goals for the fiscal year ending on each such date to be established by the Board, following consultation with Mr. Feeney, as soon as reasonably practicable following the commencement of the applicable fiscal year, and in each case subject to Mr. Feeney's continued employment through the applicable vesting date. If at least 80% of the performance goals for an applicable fiscal year are achieved, the Compensation Committee may determine that the portion of the option eligible to vest in respect of such fiscal year will vest on a prorated basis. In addition, any of the stock options then-outstanding and unvested will immediately vest upon a "change of control," as defined in the Feeney Agreement, subject to Mr. Feeney's continued employment as of immediately prior to the "change of control."

Under the Feeney Agreement, if Mr. Feeney is terminated without "cause" or resigns for "good reason" (as each term is defined under the Feeney Agreement), then, subject to Mr. Feeney's execution of a release of claims and continued compliance with the Feeney Agreement, Mr. Feeney will be provided with a severance package consisting of (i) 12 months of continued base salary, (ii) senior executive-level outplacement support for 12 months, and (iii) up to a 12-month COBRA subsidy. However, if such termination occurs within 24 months following a "change of control," as defined in the Feeney Agreement, then Mr. Feeney will instead be provided a lump sum payment equal to the sum of his base salary and last annual bonus paid in the fiscal year completed prior to such termination.

The Feeney Agreement contains customary restrictive covenants, including perpetual confidentiality, non-disparagement, and intellectual property covenants, as well as a non-compete, non-solicit of customers and suppliers, and non-solicit of employees (including a no-hire) that each apply during employment and for two years following any termination.

COVID-19

A novel strain of coronavirus (COVID-19) was first identified in China in December 2019 and subsequently declared a global pandemic in March 2020 by the World Health Organization. COVID-19 containment measures began in parts of the United States in March 2020 resulting in forced closure of non-essential businesses and social distancing protocols. As a result, COVID-19 has impacted our business, significantly reducing foot traffic to distributed assets containing our electronic payment solutions and reducing discretionary spending by consumers. The Company did not observe meaningful reductions in processing volume until mid-March, when average daily processing volume decreased approximately 40%. By mid-April, processing volumes began to recover and have shown a steady improvement by approximately 30% over the mid-March levels. At this time we are unable to reasonably estimate the length of time that containment measures will be needed in the United States. Furthermore, even after containment measures are lifted there can be no assurance as to the time required to regain operations and sales at levels prior to the pandemic.

In response to the outbreak and business disruption, first and foremost, we have prioritized the health and safety of our employees by implementing work-from-home measures while continuing to diligently serve our customers. Additionally, we have created an internal task force to lead measures to protect the business in light of the volatility and uncertainty caused by the COVID-19 pandemic, including ensuring the safety of our employees and our community by implementing work from home policies,

conserving liquidity, evaluating cost saving actions, partnering with customers to position USAT for renewed growth post crisis, and pausing on international expansion. The liquidity conservation and cost savings initiatives include but are not limited to: a 20% salary reduction for the senior leadership team until December 2020; deferral of all cash-based director fees until calendar year 2021; a temporary furlough of about 10% of our employee base; negotiations with and concessions from vendors in regard to cost reductions and/or payment deferrals; an increased collection effort to reduce outstanding accounts receivables; and various supply chain/inventory improvements. Our supply chain network has not been significantly disrupted and we are continuously monitoring for the impact of COVID-19.

Subsequent to March 31, 2020, in response to the outbreak, we have agreed to concessions regarding modifications to price and/or payment terms with certain customers who have been negatively impacted by COVID-19, and may negotiate additional concessions or other contract amendments regarding modifications to price and/or payment terms.

We continue to monitor the rapidly evolving situation and guidance from federal, state and local public health authorities. As such, given the dynamic nature of this situation, the Company cannot reasonably estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. The effects of COVID-19 are not significant to our financial statements for the quarter ended March 31, 2020. However, based on current trends and if the pandemic is not substantially contained in the near future, COVID-19 may have a material adverse impact on our revenue growth as well as our overall profitability for the quarter ended June 30, 2020 and beyond, and may lead to higher sales-related, inventory-related, and operating reserves. Further, a sustained downturn may also result in a decrease in the fair value of our goodwill or other intangible assets, causing them to exceed their carrying value. This may require us to recognize an impairment to those assets.

Paycheck Protection Program Loan

The Company has applied for, and has received, funds under the Paycheck Protection Program after the period end in the amount of $3.1 million. The application for these funds requires the Company to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further requires the Company to take into account our current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Form 10-Q 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, including the impact of the coronavirus disease 2019 (COVID-19) pandemic on the Company's business;
- the uncertainties associated with COVID-19, including its effects on the Company's operations, financial condition, and the demand for the Company's products and services;
- failure to comply with the financial covenants of our Term Facility;
- failure to negotiate amendments to the existing Term Facility or otherwise raise additional capital from other lenders or investors;
- uncertainties resulting from, among other things, quarantines of employees, customers, consumers, and suppliers, travel restrictions, reduced consumer spending, and closures of customer locations, manufacturing facilities, warehouses and logistics supply chains, associated with COVID-19;
- the Company's ability to efficiently and flexibly manage its business and financial resources amid uncertainties related to COVID-19;
- uncertainty around the duration of the COVID-19 virus' impact;
- 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;
- whether our suppliers would increase their prices, reduce their output or change their terms of sale;
- the ability of the Company to sell to third party lenders all or a portion of our finance receivables, or to do so in a timely manner;
- whether the listing application for the Company's securities which has been filed by the Company with The Nasdaq Stock Market LLC ("Nasdaq") will be granted in a timely manner;
- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired; and
- 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.

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, or those discussed under Item 1A. "Risk Factors" in this Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended June 30, 2019 (the "2019 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-Q speaks only as of the date of this Form 10-Q. 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-Q 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 the three and nine months ended March 31, 2020, we derived approximately 81% of our revenue from recurring license and transaction fees related to our ePort Connect service and approximately 19% 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.

As of March 31, 2020, highlights of the Company are below:

- Headquarters in Malvern, Pennsylvania;
- Over 150 employees;
- Over 22,000 customers and approximately 1,289,000 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;
- The Company's fiscal year ends June 30th.

As indicated in our 2019 Form 10-K, as a result of our failure to comply with our periodic reporting obligations, on September 26, 2019, our securities were suspended from trading on The Nasdaq Stock Market LLC ("Nasdaq") and are currently quoted on the OTC Markets. On October 8, 2019, and pursuant to applicable Nasdaq rules, we filed an appeal to the Nasdaq Listing and Hearing Review Council (the "Listing Council") from the Nasdaq

Hearing Panel's determination to delist the Company's securities from trading. On November 22, 2019, the Company received a notification that the Listing Council had affirmed the decision of the Hearing Panel to suspend trading of the Company's securities on Nasdaq and to delist the Company's securities. On January 29, 2020, the Company received written notification from Nasdaq that the Nasdaq Board of Directors declined to call for review of the decision of the Listing Council, and that the decision of the Listing Council represented the final action of Nasdaq relating to the decision of the Listing Council. Pursuant to applicable Nasdaq listing rules and the rules promulgated under the Securities Exchange Act of 1934, as amended, on February 4, 2020, Nasdaq issued a press release stating that it will delist the Company's securities and will file a Form 25 with the Securities and Exchange Commission to complete the delisting. The delisting of the Company's securities from Nasdaq became effective on February 18, 2020. Independent of and in addition to the appeal process described above, the Company has applied to relist its common stock and preferred stock on Nasdaq, and the application is currently under review by the staff of the Nasdaq Listing Qualifications Department. There can be no assurance that the listing application will be granted by Nasdaq or granted in a timely manner.

Agreement with Hudson Executive Capital LP

On April 26, 2020, the Company entered into a Letter Agreement with Hudson Executive Capital LP ("Hudson"), the largest shareholder of the Company, to appoint Lisa P. Baird, Douglas G. Bergeron, Douglas L. Braunstein, Jacob Lamm, Michael K. Passilla, Ellen Richey, Anne M. Smalling and Shannon S. Warren to the Board of Directors. The Company accepted the resignations of Kelly Ann Kay, Robert L. Metzger, Sunil Sabharwal, William J. Schoch and Ingrid S. Stafford from the Board of Directors. Pursuant to its proxy disclosure, Hudson has requested that the Company reimburse the expenses it incurred in connection with its proxy solicitation and has informed the Company that it is prepared to accept non-cash consideration for such reimbursement; the Board is considering Hudson's request. No determination regarding the reimbursement or the possible amount of such reimbursement has been made at this time.

COVID-19 Update

A novel strain of coronavirus (COVID-19) was first identified in China in December 2019 and subsequently declared a global pandemic in March 2020 by the World Health Organization. COVID-19 containment measures began in parts of the United States in March 2020 resulting in forced closure of non-essential businesses and social distancing protocols. As a result, COVID-19 has impacted our business, significantly reducing foot traffic to distributed assets containing our electronic payment solutions and reducing discretionary spending by consumers. The Company did not observe meaningful reductions in processing volume until mid-March, when average daily processing volume decreased approximately 40%. By mid-April, processing volumes began to recover and have shown a steady improvement by approximately 30% over the mid-March levels. At this time we are unable to reasonably estimate the length of time that containment measures will be needed in the United States. Furthermore, even after containment measures are lifted there can be no assurance as to the time required to regain operations and sales at levels prior to the pandemic.

In response to the outbreak and business disruption, first and foremost, we have prioritized the health and safety of our employees by implementing work-from-home measures while continuing to diligently serve our customers. Additionally, we have created

an internal task force to lead measures to protect the business in light of the volatility and uncertainty caused by the COVID-19 pandemic, including ensuring the safety of our employees and our community by implementing work from home policies, conserving liquidity, evaluating cost saving actions, partnering with customers to position USAT for renewed growth post crisis, and pausing on international expansion. The liquidity conservation and cost savings initiatives include but are not limited to: a 20% salary reduction for the senior leadership team until December 2020; deferral of all cash-based director fees until calendar year 2021; a temporary furlough of about 10% of our employee base; negotiations with and concessions from vendors in regard to cost reductions and/or payment deferrals; an increased collection effort to reduce outstanding accounts receivables; and various supply chain/inventory improvements. Our supply chain network has not been significantly disrupted and we are continuously monitoring for the impact of COVID-19.

Subsequent to March 31, 2020, in response to the outbreak, we have agreed to concessions regarding modifications to price and/or payment terms with certain customers who have been negatively impacted by COVID-19, and may negotiate additional concessions or other contract amendments regarding modifications to price and/or payment terms.

We continue to monitor the rapidly evolving situation and guidance from federal, state and local public health authorities. As such, given the dynamic nature of this situation, the Company cannot reasonably estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. The effects of COVID-19 are not significant to our financial statements for the quarter ended March 31, 2020. However, based on current trends and if the pandemic is not substantially contained in the near future, COVID-19 may have a material adverse impact on our revenue growth as well as our overall profitability for the quarter ended June 30, 2020 and beyond, and may lead to higher sales-related, inventory-related, and operating reserves. Further, a sustained downturn may also result in a decrease in the fair value of our goodwill or other intangible assets, causing them to exceed their carrying value. This may require us to recognize an impairment to those assets.

Paycheck Protection Program Loan

The Company has applied for, and has received, funds under the Paycheck Protection Program after the period end in the amount of $3.1 million. The application for these funds requires the Company to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further requires the Company to take into account our current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria.

CRITICAL ACCOUNTING POLICIES

There have been no significant changes to the critical accounting policies disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2019 Form 10-K.

Recent Accounting Pronouncements

See Note 2 to the interim Condensed Consolidated Financial Statements for a description of recent accounting pronouncements.

TRENDING QUARTERLY FINANCIAL DATA

The following table shows certain financial and non-financial data that management believes give readers insight into certain trends and relationships about the Company's financial performance. We believe the first three measurements are useful in allowing management and readers to evaluate our strategy of driving growth in connections and transactions and the fourth measurement is useful in allowing management and readers to evaluate the growth of our QuickStart program and direct sales compared to the JumpStart program.

Gross new connections, net new connections, and total connections.
Connections to the Company's service include those resulting from the sale or lease of our point of sale ("POS") electronic payment devices, telemetry devices or certified payment software or the servicing of similar third-party installed POS terminals or telemetry devices. The Company records a connection upon shipment of an activated device or the activation of a non-device location on our platform to a customer under contract. A self-service retail location that utilizes an ePort cashless payment device as well as Seed management services constitutes only one connection. 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.

Net new connections during the quarter are defined as gross new connections during the quarter less deactivated connections during the quarter. 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, and management tracks new connection growth and total connections to evaluate the effectiveness of our revenue strategy.

New customers added and total customers.
New customers are defined as new entities that have not previously purchased our hardware or services. Management uses new customer growth and total customer base to evaluate the effectiveness of our distribution and sales reach and ability to further penetrate attractive adjacent markets.

Total number of transactions and total dollar volume of transactions.
Transactions are defined as electronic payment transactions that are processed by our technology-enabled solutions. Management uses total number and dollar volume of transactions to evaluate the effectiveness of our new customer strategy and ability to leverage existing customers and partners.

Financing structure of connections.
The financing structure of connections is determined by identifying the gross new connections during the quarter and determining which connections were due to devices financed by the JumpStart program compared to connections due to devices financed by the QuickStart program or purchased outright. We monitor this metric as we are able to increase cash collections from direct sales to customers or under QuickStart sales by utilizing lease companies which improves cash provided by operating activities.

Five Quarter Select Key Performance Indicators Including Connections

	As of and for the three months ended				
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Connections:					
Gross new connections	37,000	45,000	49,000	47,000	51,000
Net new connections	34,000	40,000	46,000	43,000	46,000
Total connections	1,289,000	1,255,000	1,215,000	1,169,000	1,126,000
Customers:					
New customers added	1,100	900	900	825	925
Total customers	22,300	21,200	20,300	19,400	18,575
Volumes:					
Total number of transactions (millions)	237.3	243.4	232.7	229.6	217.2
Total volume (millions)	$ 462.7	$ 476.4	$ 461.2	$ 453.0	$ 420.3
Financing structure of connections:					
JumpStart	1.4%	4.3%	3.4%	10.1%	1.8%
QuickStart & all others [a]	98.6%	95.7%	96.6%	89.9%	98.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

a) Includes credit sales with standard trade receivable terms.

Highlights of USAT's connections for the quarter ended March 31, 2020 include:

- 34,000 additional net new connections during the quarter; and
- 1,289,000 total connections to our service compared to the same quarter last year of approximately 1,126,000 total connections to our service, an increase of 163,000 connections, or 14%.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2019

Revenue and Gross Profit

($ in thousands)	Three months ended March 31, 2020	2019	Percent Change
Revenue:			
License and transaction fees	$ 34,961	$ 31,515	10.9 %
Equipment sales	8,137	6,189	31.5 %
Total Revenue	43,098	37,704	14.3 %
Costs of sales:			
Cost of services	22,244	20,307	9.5 %
Cost of equipment	9,856	7,444	32.4 %
Total costs of sales	32,100	27,751	15.7 %
Gross profit:			
License and transaction fees	12,717	11,208	13.5 %
Equipment sales	(1,719)	(1,255)	(37.0)%
Total gross profit	$ 10,998	$ 9,953	10.5 %

Revenue. Total revenue increased $5.4 million for the three months ended March 31, 2020 compared to the same period in 2019. The change in total revenue resulted from a $3.4 million increase in license and transaction fee revenue for the three months ended March 31, 2020 compared to the same period in 2019, driven primarily by the increase in connection count which caused an increase in license fee and processing fees, and a $1.9 million increase in equipment revenue for the three months ended March 31, 2020 compared to the same period in 2019 driven primarily by higher shipments compared to the same period last year.

Cost of sales. Cost of sales increased $4.3 million for the three months ended March 31, 2020 compared to the same period in 2019. The increase was driven by a $1.9 million increase in cost of services driven primarily by an increase in transaction processing costs following the increase in transactions processed during the quarter and a $2.4 million increase in cost of equipment sales, resulting from an increase in equipment revenue due to higher shipments compared to the same period last year.

Gross margin. Total gross margin decreased 0.9%, from 26.4% for the three months ended March 31, 2019 to 25.5% for the three months ended March 31, 2020. The change in our gross margin was driven primarily by a decrease in equipment margin from a loss of 20.3% for the three months ended March 31, 2019 to a loss of 29.0% for the three months ended March 31, 2020. The increase in the loss on our equipment margin was due to the low margin the company recognized on a large shipment in the third quarter compared to the same period in 2019. License and transaction margin increased to 36.4% for the three months ended March 31, 2020 compared to 35.6% for the same period in 2019.

Operating Expenses

Category ($ in thousands)	Three months ended March 31, 2020	2019	Percent Change
Selling, general and administrative expenses	$ 20,069	$ 11,156	79.9%
Investigation and restatement expenses	—	1,408	*NM*
Integration and acquisition costs	—	24	*NM*
Depreciation and amortization	1,107	1,083	2.2%
Total operating expenses	$ 21,176	$ 13,671	54.9%

NM — not meaningful

Selling, general and administrative expenses. Selling, general and administrative expenses increased approximately $8.9 million for the three months ended March 31, 2020, as compared to the same period in 2019. This change was primarily driven by a $4.5 million increase in professional services costs primarily related to the Company's restatement project and related audit and legal activities that were not included in one-time costs, a $2.0 million increase in employment related costs, a $2.6 million legal contingency accrual related to ongoing litigation, and a $0.3 million reduction in other selling, general and administrative expenses.

Investigation and restatement expenses. Investigation and restatement expenses were incurred beginning in the first quarter of fiscal year 2019 through the second quarter of fiscal year 2020 in connection with the Audit Committee's investigation, 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. The Company did not incur integration and acquisition costs for the three months ended March 31, 2020. Integration and acquisition costs were $24 thousand for the three months ended March 31, 2019 due to the completion of the Cantaloupe acquisition.

Depreciation and amortization. Depreciation and amortization expense was consistent with the same period in 2019.

Other Income (Expense), Net

	Three months ended March 31,		
($ in thousands)	**2020**	**2019**	**Percent Change**
Other income (expense):			
Interest income	$ 411	$ 348	18.1 %
Interest expense	(683)	(913)	(25.2)%
Change in fair value of derivative	1,070	—	*NM*
Total other income (expense), net	$ 798	$ (565)	(241.2)%

NM — not meaningful

Other income (expense), net. Other income (expense), net increased approximately $1.4 million for the three months ended March 31, 2020 as compared to the same period in 2019. This change was primarily driven by the change in fair value of the Company's derivative related to the Antara debt.

Income Taxes

	Three months ended March 31,		
($ in thousands)	**2020**	**2019**	**Percent Change**
Benefit (provision) for income taxes	$ 85	$ (23)	(469.6)%

Income taxes. For the three months ended March 31, 2020, a tax benefit of $85 thousand was recorded which primarily relates to the Company's uncertain tax positions, as well as state income and franchise taxes. As of March 31, 2020, the Company had a total unrecognized income tax benefit of $0.2 million. The Company is actively working with the tax 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 provision is based upon actual loss before income taxes for the three months ended March 31, 2020, 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, 2019, a tax provision of $23 thousand was recorded which primarily relates to state income and franchise taxes. The provision is based upon actual loss before income taxes for the three months ended March 31, 2019, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

Reconciliation of Net Loss to Adjusted EBITDA

($ in thousands)	Three months ended March 31, 2020	2019
Net loss	$ (9,295)	$ (4,306)
Less: interest income	(411)	(348)
Plus: interest expense	683	913
Plus (less): income tax provision (benefit)	(85)	23
Plus: depreciation expense	916	1,143
Plus: amortization expense	784	784
EBITDA	(7,408)	(1,791)
Plus: stock-based compensation	421	421
Less: change in fair value of derivative	(1,070)	—
Plus: litigation related professional expenses	2,138	186
Plus: investigation and restatement expenses	—	1,408
Plus: integration and acquisition costs	—	24
Adjustments to EBITDA	1,489	2,039
Adjusted EBITDA	$ (5,919)	$ 248

As used herein, Adjusted EBITDA represents net income (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 and activist related expenses, changes in the fair value of our derivative, and stock-based compensation expense.

We have excluded the non-cash expense, stock-based compensation, as it does not reflect our cash-based operations. Consistent with the exclusion of debt interest expense from EBITDA, the debt-related derivative gain recorded for the third quarter was also excluded from adjusted EBITDA. 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 and the activist related matters 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.

Reconciliation of Net Loss to Non-GAAP Net Loss

	Three months ended March 31,	
($ in thousands)	**2020**	**2019**
Net loss	$ (9,295)	$ (4,306)
Non-GAAP adjustments:		
Non-cash portion of income tax provision	5	5
Amortization expense	784	784
Stock-based compensation	421	421
Change in fair value of derivative	(1,070)	—
Litigation related professional fees	2,138	186
Investigation and restatement expenses	—	1,408
Integration and acquisition costs	—	24
Non-GAAP net loss	$ (7,017)	$ (1,478)

As used herein, non-GAAP net loss represents GAAP net loss excluding costs or benefits relating to any non-cash portions of the Company's income tax 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, class-action litigation or activist related expenses, changes in the fair value of our derivative, and stock-based compensation expense.

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 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.

Nine Months Ended March 31, 2020 Compared to Nine Months Ended March 31, 2019

Revenue and Gross Profit

($ in thousands)	Nine months ended March 31, 2020	2019	Percent Change
Revenue:			
License and transaction fees	$ 105,324	$ 89,919	17.1 %
Equipment sales	25,184	16,039	57.0 %
Total Revenue	130,508	105,958	23.2 %
Costs of sales:			
Cost of services	66,912	58,141	15.1 %
Cost of equipment	28,420	17,371	63.6 %
Total costs of sales	95,332	75,512	26.2 %
Gross profit:			
License and transaction fees	38,412	31,778	20.9 %
Equipment sales	(3,236)	(1,332)	(142.9)%
Total gross profit	$ 35,176	$ 30,446	15.5 %

Revenue. Total revenue increased $24.6 million for the nine months ended March 31, 2020 compared to the same period in 2019. The growth in total revenue resulted from a $15.4 million increase in license and transaction fee revenue for the nine months ended March 31, 2020 compared to the same period in 2019, mostly driven by the increase in connection count which generated an increase in license fee and processing fees, and a $9.1 million increase in equipment revenue for the nine months ended March 31, 2020 compared to the same period in 2019 driven primarily by the 120,000 new net connections delivered for the nine months ended March 31, 2020 compared to 98,000 new net connections delivered in the same period in 2019. This 22,000 increase in new net connections represents a 22 percent increase year over year.

Cost of sales. Cost of sales increased $19.8 million for the nine months ended March 31, 2020 compared to the same period in 2019. The increase was driven by a $8.8 million increase in cost of services driven by an increase in transaction processing costs following the increase in transactions processed for the period and a $11.0 million increase in cost of equipment sales, resulting from higher shipments compared to the same period last year.

Gross margin. Total gross margin decreased 1.8%, from 28.7% for the nine months ended March 31, 2019 to 27.0% for the nine months ended March 31, 2020. The decrease was driven primarily by a lower equipment margin resulting from a large equipment sale made to a strategic customer during the first three quarters of fiscal year 2020, reflecting our strategy of using equipment sales as an enabler for driving longer-term, higher margin license and transaction fees. License and transaction margin increased to 36.5% for the nine months ended March 31, 2020 compared to 35.3% for the same period in 2019.

Operating Expenses

Category ($ in thousands)	Nine months ended March 31, 2020	2019	Percent Change
Selling, general and administrative expenses	$ 56,876	$ 31,537	80.3 %
Investigation and restatement expenses	4,303	13,122	*(67.2)%*
Integration and acquisition costs	—	1,127	*NM*
Depreciation and amortization	3,209	3,359	(4.5)%
Total operating expenses	$ 64,388	$ 49,145	31.0 %

NM — not meaningful

Selling, general and administrative expenses. Selling, general and administrative expenses increased approximately $25.3 million for the nine months ended March 31, 2020, as compared to the same period in 2019. This change was primarily driven by a $15.3

million increase in professional services costs primarily related to the Company's restatement project and related audit and legal activities that were not included in one-time costs, a $6.3 million increase in employment related costs, and a $2.6 million legal contingency accrual related to ongoing litigation.

Investigation and restatement expenses. Investigation and restatement expenses were incurred beginning in the first quarter of fiscal year 2019 through the second quarter of fiscal year 2020 in connection with the Audit Committee's investigation, 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. The Company did not incur integration and acquisition costs for the nine months ended March 31, 2020. Integration and acquisition costs were $1.1 million for the nine months ended March 31, 2019 due to the completion of the Cantaloupe acquisition.

Depreciation and amortization. Depreciation and amortization expense was consistent with the same period in 2019.

Other Income (Expense), Net

	Nine months ended March 31,		
($ in thousands)	**2020**	**2019**	**Percent Change**
Other income (expense):			
Interest income	$ 988	$ 1,245	(20.6)%
Interest expense	(1,981)	(2,518)	(21.3)%
Change in fair value of derivative	1,070	—	*NM*
Total other income (expense), net	$ 77	$ (1,273)	(106.0)%

NM — not meaningful

Other income (expense), net. Other income (expense), net increased approximately $1.4 million for the nine months ended March 31, 2020 as compared to the same period in 2019. This change was primarily driven by the change in fair value of the Company's derivative related to the Antara debt.

Income Taxes

	Nine months ended March 31,		
($ in thousands)	**2020**	**2019**	**Percent Change**
Provision for income taxes	$ (46)	$ (60)	(23.3)%

Income taxes. For the nine months ended March 31, 2020, a tax provision of $46 thousand was recorded which primarily relates to the Company's uncertain tax positions, as well as state income and franchise taxes. As of March 31, 2020, the Company had a total unrecognized income tax benefit of $0.2 million. The Company is actively working with the tax 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 provision is based upon actual loss before income taxes for the nine months ended March 31, 2020, 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, 2019, a tax provision of $60 thousand was recorded which primarily relates to state income and franchise taxes. The provision is based upon actual loss before income taxes for the nine months ended March 31, 2019, as the use of an estimated annual effective income tax rate does not provide a reliable estimate of the income tax provision.

Reconciliation of Net Loss to Adjusted EBITDA

($ in thousands)	Nine months ended March 31, 2020	2019
Net loss	$ (29,181)	$ (20,032)
Less: interest income	(988)	(1,245)
Plus: interest expense	1,981	2,518
Plus: income tax provision	46	60
Plus: depreciation expense	2,840	3,530
Plus: amortization expense	2,353	2,369
EBITDA	(22,949)	(12,800)
Plus: stock-based compensation	2,453	1,393
Less: change in fair value of derivative	(1,070)	—
Plus: litigation related professional expenses	3,367	289
Plus: investigation and restatement expenses	4,303	13,122
Plus: integration and acquisition costs	—	1,127
Adjustments to EBITDA	9,053	15,931
Adjusted EBITDA	$ (13,896)	$ 3,131

As used herein, Adjusted EBITDA represents net income (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 and activist related expenses, changes in the fair value of our derivative, and stock-based compensation expense.

We have excluded the non-cash expense, stock-based compensation, as it does not reflect our cash-based operations. Consistent with the exclusion of debt interest expense from EBITDA, the debt-related derivative gain recorded for the third quarter was also excluded from adjusted EBITDA. 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 and the activist related matters 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.

Reconciliation of Net Loss to Non-GAAP Net Loss

($ in thousands)	Nine months ended March 31, 2020	2019
Net loss	$ (29,181)	$ (20,032)
Non-GAAP adjustments:		
Non-cash portion of income tax provision	15	14
Amortization expense	2,353	2,369
Stock-based compensation	2,453	1,393
Change in fair value of derivative	(1,070)	—
Litigation related professional fees	3,367	289
Investigation and restatement expenses	4,303	13,122
Integration and acquisition costs	—	1,127
Non-GAAP net loss	$ (17,760)	$ (1,718)

As used herein, non-GAAP net loss represents GAAP net loss excluding costs or benefits relating to any non-cash portions of the Company's income tax 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, class-action litigation or activist related expenses, changes in the fair value of our derivative, and stock-based compensation expense.

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 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.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities was $17.6 million for the nine months ended March 31, 2020 compared to cash used of $25.7 million in the same period in fiscal year 2019. The change reflects a change in net expense for non-cash operating activities of $1.7 million, and net cash provided by the change in various operating assets and liabilities of $18.9 million. The change in operating assets and liabilities is primarily driven by the change of accounts receivable of $8.4 million and change of inventory of $7.6 million.

Cash used in investing activities was $1.7 million for the nine months ended March 31, 2020 compared to cash used of $3.1 million in the same period in fiscal year 2019, primarily driven by a decrease in equipment purchases for rental equipment compared to the same period last year.

Cash provided by financing activities was $17.7 million for the nine months ended March 31, 2020 compared to cash used of $22.4 million in the same period in fiscal year 2019. The change was primarily due to proceeds received from the Term Facility and equity financing provided by Antara, offset by payments of issuance fees for the Term Facility and the repayment of the Term Loan and Revolving Credit Facility.

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 Company entered into various agreements with JPMorgan Chase Bank, N.A. ("Lender"), 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 were 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 September 30, 2019. Additionally, during the quarter ended March 31, 2019 the Company prepaid $20.0 million of the balance outstanding 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. On October 31, 2019, the Company repaid the outstanding balance on the Revolving Credit Facility.

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 gross proceeds 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. 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. In connection with the Stock Purchase Agreement, the Company also entered into a registration rights agreement with Antara, pursuant to which the Company agreed, at its expense, to file a registration statement under the Act with the Securities and Exchange Commission covering the resale of the shares by Antara. Subsequently, Antara and the Company agreed to terminate the obligation of the Company to register the shares in exchange for a payment of approximately $1.2 million by the Company to Antara which was made during the three months ended March 31, 2020.

On October 9, 2019, the Company also entered into a commitment letter (“Commitment Letter”) with Antara, pursuant to which Antara committed to extend to the Company a $30.0 million senior secured term loan facility (“Term Facility”). 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. On October 31, 2019, the Company entered into a Financing Agreement with Antara to draw $15.0 million on the Term Facility and agreed to draw an additional $15.0 million at any time between July 31, 2020 and April 30, 2021, subject to the terms of the Financing Agreement. The outstanding amount of the draws under the Term Facility bear interest at 9.75% per annum, payable monthly in arrears. The proceeds of the initial draw were used to repay the outstanding balance of the revolving line of credit loan due to JPMorgan Chase Bank, N.A. in the amount of $10.1 million, including accrued interest payable, and to pay transaction expenses, and the Company intends to utilize the balance for working capital and general corporate purposes. The outstanding principal amount of the loan must be paid in full by no later than the maturity date of October 31, 2024.

We may prepay any principal amount outstanding on the Term Facility plus a prepayment premium of 5% (if prepaid on or prior to December 31, 2020), 3% (between January 1, 2021 - December 31, 2021), 1% (between January 1, 2022 - December 31, 2022) and 0% thereafter. Under the Term Facility we are subject to mandatory prepayments as a result of certain asset sales, insurance proceeds, issuances of disqualified capital stock, and issuances of debt. These mandatory prepayments are subject to the prepayment premium that applies to voluntary prepayments. We are also subject to annual mandatory prepayments ranging from 0% of excess cash flow to 75% of excess cash flow depending upon the consolidated total leverage ratio measured at the end of each fiscal year beginning with the fiscal year ending June 30, 2020. These mandatory prepayments are not subject to the aforementioned prepayment premium.

The Company is required to be in compliance with financial covenants related to the minimum fixed charge coverage ratio beginning with the fiscal quarter ending June 30, 2020, maximum capital expenditures beginning with the fiscal quarter ending December 31, 2019, and minimum consolidated EBITDA beginning with the fiscal year ending June 30, 2020. As of March 31, 2020, the Company was in compliance with its capital expenditures financial covenant.

The Company is evaluating its options with respect to the Financing Agreement, including all rights and remedies that may be available to it. Based upon the current financial forecast for the fourth quarter of fiscal year 2020, without a refinancing or modification of existing terms within the Term Facility, the Company anticipates that as of June 30, 2020, it is highly likely the Company will not be in compliance with the minimum fixed charge coverage ratio and the minimum consolidated EBITDA of its Term Facility. Unless the Commitment Letter is rescinded, amended, or replaced, noncompliance would represent an event of default under the Term Facility, and, following the request of the Required Lenders (as such term is defined in the Term Facility), all unpaid principal of $15.0 million and accrued interest to Antara would immediately become due, in addition to a $0.8 million prepayment premium. In addition, all of the Company's unamortized issuance costs and debt discount related to the Term Facility would be recognized upon repayment of the loan as interest expense in the period of repayment, which as of March 31, 2020 was $2.7 million.

As of June 30, 2019 the Company disclosed potential sales tax and related interest liabilities, which the Company estimated to be $18.2 million in the aggregate as of March 31, 2020. The Company has since engaged additional advisors to help evaluate such potential liabilities and the amount and timing of any such payments.

During the three months ended March 31, 2020, the Company reached a settlement of a shareholder class action lawsuit pending in federal court, and anticipates the payment of approximately $2.6 million toward that settlement in addition to amounts to be paid by the Company's insurers. As discussed in Note 13, those amounts are contingent upon certain future events, but are expected to be paid during the next 12 months.

The Company has the following primary sources of capital available: (1) cash and cash equivalents on hand of $25.9 million as of March 31, 2020; (2) the cash which may be provided by operating activities; and (3) an aggregate amount of $15 million under the Term Facility to be drawn between July 31, 2020 and April 30, 2021 as described above, if the Term Facility were to be modified with similar draw terms. In addition, management has recently implemented efficiencies in working capital that are designed to increase our cash balances.

The Company is currently evaluating a variety of financing alternatives, including but not limited to negotiating modifications to the existing Term Facility. The Company has received a communication from an investor that it will provide sufficient financing in the event that the Company and Antara fail to agree to modifications to the existing Term Facility and other financing alternatives are not in place. The Company believes that its current financial resources, together with cash generated by operations and the financing available from the investor, if needed, will be sufficient to fund its current twelve-month operating budget from the date of issuance of these consolidated financial statements, alleviating any substantial doubt raised by the potential breach in our Term Facility with Antara.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to market risk related to changes in interest rates on our cash investments, which earn a floating rate of interest. The uncertainty that exists with respect to the economic impact of the global coronavirus (COVID-19) pandemic has introduced significant volatility in the financial markets. We invest our excess cash in money market funds that we believe are highly liquid and marketable in the short term. These investments 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.

In addition, as described above under Item 1A - "Risk Factors", there may be implications on our business with regard to the COVID-19.

Market risks related to fluctuations of foreign currencies are not material.

Item 4. Controls and Procedures.

(a) Disclosure Controls and Procedures

Our management evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness as of the end of the period covered by this Form 10-Q of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). We maintain disclosure controls and procedures to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure. Based on this evaluation, our management, including our chief executive officer and chief financial officer, has concluded that our disclosure controls and procedures were not effective as of the end of such period as a result of the material weaknesses in our internal control over financial reporting, which are described in Item 9A. of our 2019 Form 10-K.

(b) Changes in Internal Control over Financial Reporting

Other than the remediation actions disclosed in Item 9A. of the 2019 Form 10-K, there were no changes in our internal controls over financial reporting that occurred during the quarter ended March 31, 2020 that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. As discussed in Item 9A. of our 2019 Form 10-K, we have implemented a broad range of remedial procedures to address the material weaknesses in our internal control over financial reporting. These remedial procedures entailed significant changes in our internal control over financial reporting throughout the course of the fiscal year ended June 30, 2019 and were not complete as of March 31, 2020, and will continue through fiscal year 2020, with the goal to fully remediate all remaining material weaknesses by fiscal year end.

Part II - Other Information

Item 1. Legal Proceedings.

Eastern District of Pennsylvania Consolidated Shareholder Class Actions

As previously reported, various putative shareholder class action complaints had been filed in the United States District Court for the District of New Jersey against the Company, its chief executive officer and chief financial officer at the relevant time, its directors at the relevant time, and the investment banks who served as underwriters in the May 2018 follow-on public offering of the Company (the "Underwriters"). These complaints alleged violations of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. These various actions were consolidated by the Court into one action (the "Consolidated Action"), and the Court granted the Motion to Transfer filed by the Company and its former chief executive officer, and transferred the Consolidated Action to the United States District Court for the Eastern District of Pennsylvania, Docket No. 19-cv-04565. On November 20, 2019, Plaintiff filed an amended complaint, and defendants filed motions to dismiss on February 3, 2020. The Court has not yet ruled on the motions to dismiss. The parties participated in a private mediation on February 27, 2020 which resulted in a settlement. On May 29, 2020, the plaintiffs filed documents with the Court seeking preliminary approval of the settlement, with the defendants supporting approval of the settlement. On June 9, 2020, the Court granted preliminary approval of the settlement and issued a scheduling order for further action on the settlement. The settlement provides for a payment of $15.3 million which includes all administrative costs and plaintiff's attorneys' fees and expenses. The Company's insurance carriers are anticipated to pay approximately $12.7 million towards the settlement and the Company is anticipated to pay approximately $2.6 million towards the settlement, which has been recorded as a liability in the accompanying condensed consolidated financial statements. Payments will not be distributed pursuant to the settlement until and unless an opt-out process is completed successfully and the Court grants final approval of the settlement. The Company expects but cannot assure that those events will occur later in the calendar year. Should the settlement not be approved the parties will resume litigation of the claims.

Chester County, Pennsylvania Class Action

As previously reported, a putative shareholder class action complaint was filed against the Company, its chief executive officer and chief financial officer at the relevant time, its directors at the relevant time, and the Underwriters, in the Court of Common Pleas, Chester County, Pennsylvania, Docket No. 2019-04821-MJ. The complaint alleged violations of the Securities Act of 1933, as amended. As also previously reported, on September 20, 2019 the Court granted the defendants' Petition for Stay and stayed the Chester County action until the Consolidated Action reaches a final disposition. On October 18, 2019, plaintiff filed an appeal to the Pennsylvania Superior Court from the Order granting defendants' Petition for Stay, Docket No. 3100 EDA 2019. On December 6, 2019, the Pennsylvania Superior Court issued an Order stating that the Stay Order does not appear to be final or otherwise appealable and directed plaintiff to show cause as to the basis of the Pennsylvania Superior Court's jurisdiction. The plaintiff filed a Response to the Order to Show Cause on December 16, 2019, and the defendants filed an Application to Quash Appeal on December 26, 2019. On February 20, 2020, the Pennsylvania Superior Court quashed the appeal.

Subpoena

During the three months ended March 31, 2020, the Company responded to a subpoena received from the U.S. Department of Justice that sought records regarding Company activities that occurred during prior financial reporting periods, including restatements. The Company is cooperating fully with the agency's queries.

HEC Master Fund LP Lawsuit

On November 15, 2019, HEC filed a lawsuit against the Company and its directors at the relevant time in the Court of Common Pleas of Chester County, Pennsylvania, Docket No. 2019-11640-MJ. The lawsuit alleged that the directors' adoption of an amendment to the Company's bylaws that prohibited shareholders from calling a special meeting of shareholders until the Company's next annual meeting of shareholders, along with other efforts by the directors to prevent HEC from soliciting consents to call a special meeting of shareholders, constituted impermissible entrenchment and interference with the shareholder franchise in violation of Pennsylvania law. On November 22, 2019, the Court, with the consent of HEC and the Company, ordered the Company to call and hold its annual meeting of shareholders on or before April 30, 2020. The Court also ordered that the directors stand for election at the annual meeting in accordance with the bylaws and prohibited the board of directors from making further amendments of any kind to the bylaws prior to the annual meeting. Following the entry of that order, HEC voluntarily discontinued the lawsuit. On March 27, 2020, HEC moved to strike the discontinuance and hold the Company in contempt of the Court's November 22, 2019 order. On April 26, 2020, the parties entered into a Letter Agreement pursuant to which HEC's action was dismissed with prejudice.

HEC Master Fund LP Shareholder Demand

By letter dated February 12, 2020, HEC demanded that the Board of Directors investigate, remedy and commence proceedings against certain of the Company's current and former officers and directors and other responsible parties for breach of fiduciary duties. The matters alleged to constitute breaches of duty related to the matters raised by HEC during the contest for the election of directors at the 2020 annual meeting. On April 26, 2020, the parties entered into a Letter Agreement pursuant to which HEC withdrew its shareholder demand for board action.

Item 1A. Risk Factors.

Our results of operations may be adversely impacted by the COVID-19 pandemic depending on when the pandemic is contained.

The global spread of the COVID-19 pandemic has created significant volatility, uncertainty and economic disruption on our business. Electronic payment transaction volume within unattended markets has decreased significantly since the pandemic accelerated in the United States in March 2020, as government authorities have imposed forced closure of non-essential businesses and social distancing protocols, significantly reducing foot traffic to distributed assets containing our electronic payment solutions and reducing discretionary spending by consumers.

The extent to which the COVID-19 pandemic impacts our business, operations and financial results will depend on numerous evolving factors that we are not able to accurately predict, including: the duration and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; and the impact of the pandemic on economic activity and actions taken in response. Furthermore, even after containment measures are lifted there can be no assurance as to the time required to regain operations and sales at levels prior to the pandemic. There may also be increased marketplace consolidation as companies are challenged to respond to the COVID-19 impact.

A sustained downturn may also result in a decrease in the fair value of our goodwill or other intangible assets, causing them to exceed their carrying value. This may require us to recognize an impairment to those assets. The effects of the pandemic, including remote working arrangements for employees, may also impact our financial reporting systems and internal control over financial reporting, including our ability to ensure information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Further, the COVID-19 pandemic could decrease consumer spending, adversely affect demand for our technology and services, cause one or more of our customers and partners to file for bankruptcy protection or go out of business, cause one or more of our customers to fail to renew, terminate, or renegotiate their contracts, affect the ability of our sales team to travel to potential customers, impact expected spending from new customers and negatively impact collections of accounts receivable, all of which could adversely affect our business, results of operations and financial condition. Subsequent to March 31, 2020, in response to the outbreak, we have agreed to concessions regarding modifications to price and/or payment terms with certain customers who have been negatively impacted by COVID-19, and may negotiate additional concessions or other contract amendments regarding modifications to price and/or payment terms.

It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, results of operations or financial condition at this time.

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

The Term Facility contains financial covenants requiring compliance with financial covenants related to the minimum fixed charge coverage ratio beginning with the fiscal quarter ending June 30, 2020, maximum capital expenditures beginning with the fiscal quarter ending December 31, 2019, and minimum consolidated EBITDA beginning with the fiscal year ending June 30, 2020. Based upon the current financial forecast for the fourth quarter of fiscal year 2020, without a refinancing, rescission of the Commitment Letter, or modification of existing terms within the Term Facility, the Company anticipates that as of June 30, 2020, it is highly likely the Company will not be in compliance with the minimum fixed charge coverage ratio and the minimum consolidated EBITDA of its Term Facility.

Without a refinancing or modification of existing terms within the Term Facility, noncompliance with the Commitment Letter's covenants could have materially adverse impacts on the Company's financial condition and would represent an event of default under the Term Facility, and, following the request of the Required Lenders (as such term is defined in the Term Facility), all unpaid principal and accrued interest would immediately become due. We are currently evaluating our options with respect to the Financing Agreement, including all rights and remedies that may be available to us. There is no guarantee that we will be able to reach any agreement with our lenders under the Term Facility in relation to a potential breach of our minimum fixed charge coverage ratio and the minimum consolidated EBITDA, or otherwise maintain compliance with all applicable covenants under our financial arrangements.

A failure to comply with our covenants, including our minimum fixed charge coverage ratio and the minimum consolidated EBITDA under the Term Facility, if they are not modified, may result in an event of default and have a material adverse impact on our business, liquidity position and financial position. If we are subject to and unable to comply with such covenants, we may have to enter into another credit agreement or debt financing arrangements which may contain restrictive covenants or limitations on our ability to efficiently manage our balance sheet. If we decide to raise additional capital through an equity offering, such an offering would dilute existing holders of our common stock who do not participate in the offering.

We may not be entitled to forgiveness of our recently received Paycheck Protection Program Loan, and our application for the Paycheck Protection Program Loan could in the future be determined to have been impermissible.

In the fourth quarter of fiscal year 2020, we received loan proceeds of approximately $3.1 million (the "PPP Loan") pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") administered by the U.S. Small Business Administration (the "SBA"). We intend to use the PPP Loan in accordance with the provisions of the CARES Act. The PPP Loan, if not forgiven, bears interest at a rate of 1.00% per annum, and is subject to the standard terms and conditions applicable to loans administered by the SBA under the CARES Act.

Under the CARES Act, as amended in June 2020, loan forgiveness is generally available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the Covered Period, which is 8 weeks or 24 weeks (at the election of the Company) beginning on the date of the first disbursement of the PPP Loan. The amount of the PPP Loan eligible to be forgiven may be reduced in certain circumstances, including as a result of certain headcount or salary reductions. We will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, and we cannot provide any assurance that we will be eligible for loan forgiveness, that we will apply for forgiveness, or that any amount of the PPP Loan will ultimately be forgiven by the SBA.

In order to apply for the PPP Loan, we were required to certify, among other things, that the current economic uncertainty made the PPP Loan request necessary to support our ongoing operations. We made this certification in good faith after analyzing, among other things, the maintenance of our workforce, our need for additional funding to continue operations, and our ability to access alternative forms of capital in the current market environment to offset the effects of the COVID -19 pandemic. Following this analysis, we believe that we satisfied all eligibility criteria for the PPP Loan, and that our receipt of the PPP Loan is consistent with the broad objectives of the CARES Act. The certification described above is subject to interpretation.

On April 23, 2020, the SBA issued guidance stating that it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith. The lack of clarity regarding loan eligibility under the Paycheck Protection Program has resulted in significant media coverage and controversy with respect to public companies applying for and receiving loans. If, despite our good-faith belief that given our circumstances we satisfied all eligible requirements for the PPP Loan, we are later determined to have not been in compliance with these requirements or it is otherwise determined that we were ineligible to receive the PPP Loan, we may be required to repay the PPP Loan in its entirety and/or be subject to additional penalties. Should we be audited or reviewed by federal or state regulatory authorities as a result of filing an application for forgiveness of the PPP Loan or otherwise, such audit or review could result in the diversion of management's time and attention and the incurrence of additional costs. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

In addition to the other information set forth in this report, you should carefully consider the risks set forth in the risk factors described in Part I, Item 1A of the Company's June 30, 2019 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our June 30, 2019 Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or operating results.

Item 3. Defaults Upon Senior Securities.

There were no defaults on any senior securities. On February 1, 2020, an additional $334 thousand of dividends were accrued on our cumulative Series A Convertible Preferred Stock. The total accrued and unpaid dividends on our Series A Convertible Preferred Stock as of March 31, 2020 was $20.8 million. The dividend accrual dates for our Preferred Stock are February 1 and August 1. The annual cumulative dividend on our Preferred Stock is $1.50 per share.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation, as amended through May 29, 2020 (Redline version).
3.2	Amended and Restated Bylaws, as amended through May 4, 2020 (Redline version).
4.1	Amendment No. 1 to Rights Agreement, dated April 28, 2020, by and between USA Technologies and American Stock Transfer & Trust Company, LLC, as rights agent (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on April 28, 2020) (File No. 001-33365).
10.1**	Payment Solutions Agreement between the Company, First Data Merchant Services LLC and Wells Fargo Bank, N.A., dated March 20, 2020 (portions of this exhibit were redacted pursuant to a confidential treatment request).
10.2*	Employment Agreement between the Company and Michael Wasserfuhr dated February 28, 2020.
10.3*	Employment Agreement between the Company and Glen E. Goold dated March 2, 2020.
10.4*	Employment Agreement between the Company and William T. Haines dated January 7, 2020.
10.5*	Employment Agreement dated February 28, 2020, by and between the Company and Donald W. Layden, Jr.(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on March 2, 2020) (File No. 001-33365).
10.6*	First Amendment to Employment Agreement, dated April 26, 2020, by and between USA Technologies, Inc. and Donald W. Layden, Jr (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on April 27, 2020) (File No. 001-33365).
10.7*	Separation Agreement and Release, dated May 10, 2020, between USA Technologies, Inc. and Donald W. Layden, Jr. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on May 13, 2020) (File No. 001-33365).
10.8*	Employment Agreement, dated May 8, 2020, between USA Technologies, Inc. and Sean Feeney (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on May 13, 2020) (File No. 001-33365).
10.9*	Non-Qualified Stock Option Agreement, dated May 8, 2020, between USA Technologies, Inc. and Sean Feeney (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on May 13, 2020) (File No. 001-33365).
10.10*	First Amendment to the USA Technologies, Inc. 2018 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on May 26, 2020) (File No. 001-33365).
10.11*	Restricted Stock Unit Award Agreement, dated May 29, 2020, between USA Technologies, Inc. and Anant Agrawal (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 3, 2020) (File No. 001-33365).
10.12	Amendment to Registration Rights Agreement by and between the Company and Antara Capital Master Fund LP dated January 31, 2020 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on February 6, 2020) (File No. 001-33365).

10.13	Letter Agreement, dated April 26, 2020, by and between USA Technologies, Inc. and Hudson Executive Capital LP (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 27, 2020) (File No.001-33365).
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 of 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 of the Chief Financial Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, filed with the SEC on June 24, 2020, formatted in Extensible Business Reporting Language (XBRL): (1) the Consolidated Balance Sheets as of March 31, 2020 and June 30, 2019, (2) the Consolidated Statements of Operations for the three-month and nine-month periods ended March 31, 2020 and 2019, (3) the Consolidated Statements of Shareholders' Equity for the nine-month periods ended March 31, 2020 and 2019, (4) the Consolidated Statements of Cash Flows for the nine-month periods ended March 31, 2020 and 2019, and (5) the Notes to Consolidated Financial Statements.
*	*Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 6 of this report.*
**	*Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10).*

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

USA TECHNOLOGIES, INC.

Date: June 24, 2020

/s/ Sean Feeney

Sean Feeney

Chief Executive Officer

Date: June 24, 2020

/s/ Michael Wasserfuhr

Michael Wasserfuhr

Chief Financial Officer

USA TECHNOLOGIES, INC.

AMENDED AND RESTATED
ARTICLES OF INCORPORATION,
AS AMENDED THROUGH MAY 29, 2020

1. The name of the corporation is USA TECHNOLOGIES, INC.

2. The address of the corporation's current registered office in the Commonwealth is 100 Deerfield Lane, Suite 140, Malvern, PA 19355, Montgomery County.

3. The corporation is incorporated under the Business Corporation Law of 1988.

4. Capital Stock.

(A) Classes of Stock. The aggregate number of shares which the corporation shall have authority to issue is 641,800,000 shares, consisting of 640,000,000 shares of Common Stock, without par value, and 1,800,000 shares of Series Preferred Stock, without par value.

(B) Rights, Preferences and Restrictions of Series Preferred Stock. The Series Preferred Stock authorized by these Articles may be issued from time to time in one or more series. The Board of Directors of the corporation shall have the full authority permitted by law to establish one or more series and the number of shares constituting each such series and to fix by resolution full, limited, multiple or fractional, or no voting rights, and such designations, preferences, qualifications, privileges, limitations, restrictions, options, conversion rights and other special or relative rights of any series of the Series Preferred Stock that may be desired. Excluding the Series A Preferred Stock referred to hereinafter and subject to the limitation on the total number of shares of Series Preferred Stock which the corporation has authority to issue hereunder, the Board of Directors is also authorized to increase or decrease the number of shares of any series, subsequent to the issue of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

(C) Designation of Series A Convertible Preferred Stock. There is hereby established a series of the Series Preferred Stock designated "Series A Convertible Preferred Stock" (herein referred to as "Series A Preferred Stock"), consisting of 900,000 shares, having the relative rights, designations, preferences, qualifications, privileges, limitations, and restrictions applicable thereto as follows:

1. Dividend Provisions.

(a) The holders of shares of Series A Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, prior and in preference to any declaration or payment of any dividend (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock of this corporation) on the Common Stock of this corporation, at the rate of $1.50 per share per annum, payable when, as and if declared by the Board of Directors. Such dividends shall be cumulative, but accumulations of dividends shall not bear interest.

(b) No deposit, payment, or distribution of any kind shall be made in or to any purchase or redemption requirement applicable to any class or series of junior shares unless all accumulations of dividends earned on the Series A Preferred Stock as of the last day of the most recently ended year shall have been paid. So long as any Series A Preferred Stock shall remain outstanding, no dividend (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock of this corporation) or other distribution (except in junior shares) shall be paid or made on the Common Stock of the corporation or on other junior shares of the corporation and no share of Common Stock or other junior shares shall be purchased or otherwise acquired by the corporation or any subsidiary of the corporation other than upon exercise of the corporation's rights under any restricted stock purchase agreement or by exchange therefor of junior shares or out of the proceeds of the substantially concurrent sale of junior shares, unless (whether or not there shall be funds legally available therefor) all accumulations of dividends earned on the Series A Preferred Stock as of the last day of the most recently ended year shall have been paid. The term "junior shares" shall mean any class or series of stock junior to the Series A Preferred Stock as to dividends and the distribution of assets upon liquidation, dissolution, bankruptcy, reorganization or other insolvency proceeding, and upon the winding up of the corporation.

Subject to the above limitations, dividends may be paid on the Common Stock or any other junior shares out of any funds legally available for such purpose when and as declared by the Board of Directors.

Notwithstanding anything set forth to the contrary in this subsection (b), the corporation shall have the right to purchase, redeem, or otherwise acquire shares of Common Stock of the corporation from time to time regardless of whether or not all accumulations of dividends earned on the Series A Preferred Stock as of the last day of the most recently ended year shall have been paid.

2. Liquidation Preference.

(a) In the event of any liquidation, dissolution or winding up of the corporation, either voluntary or involuntary, the holders of Series A Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of this corporation to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the sum of (i) $10.00 for each outstanding share of Series A Preferred Stock and (ii) all accumulations of unpaid dividends on each, share of Series A Preferred Stock (such amount being referred to herein as the "Premium"). If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series A Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire assets and funds of the corporation legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Stock in proportion to the amount of such stock owned by each such holder.

(b) After the distribution described in subsection (a) has been paid, and subject to any distributions to be made to any holders of junior shares, the remaining assets of the corporation available for distribution to shareholders shall be distributed among the holders of Common Stock pro rata based on the number of shares of Common Stock held by each such holder.

(c) A consolidation or merger of this corporation with or into any other corporation or corporations, or a sale, conveyance or disposition of all or substantially all of the assets of this corporation or the effectuation by the corporation of a transaction or series of related transactions in which more than 50% of the voting power of the corporation is disposed of, shall be deemed to be a liquidation, dissolution or winding up within the meaning of this Section 2, if the holders of at least 50% of the outstanding Series A Preferred Stock elect to have such transaction treated as a liquidation.

3. Conversion. The holders of the Series A Preferred Stock shall have conversion rights as follows:

(a) Conversion Rights.

(i) Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of this corporation or any transfer agent for the Series A Preferred Stock, into such number of fully paid and no assessable shares of Common Stock as is determined by dividing $1.00 (provided, however, that such number shall be $1.20 rather than $1.00 for each share of Series A Preferred Stock converted into shares of Common Stock during the period of time from March 24, 1997 through December 31, 1997) by the Conversion Price at the time in effect for such share. The initial Conversion Price per share for shares of Series A Preferred Stock shall be $.10; provided, however, that the Conversion Price for the Series A Preferred Stock (the "Conversion Price") shall be subject to adjustment as set forth in Subsection 3(c).

(ii) Upon conversion of any Series A Preferred Stock, any accrued but unpaid dividends on such Series A Preferred Stock may at the option of the holder of such Series A Preferred Stock be converted into fully paid and nonassessable shares of Common Stock at the price of $1.00 per share of Common Stock; provided, however, that during the period of time from March 24, 1997 through December 31, 1997, the price shall be $.83 for each share of Common Stock. The price at which shares of Common Stock may be acquired pursuant to this subparagraph (ii) shall be appropriately increased or decreased from time to time to reflect any split, subdivision or combination of the issues and outstanding Common Stock as the case may be.

(b) Mechanics of Conversion. Before any holder of Series A Preferred Stock shall be entitled to convert the same into shares of Common Stock, he shall surrender the certificate or certificates therefor, duly endorsed, at the office of the corporation or of any transfer agent for the Series A Preferred Stock, and shall give written notice by mail, postage prepaid, to the corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. The corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series A Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of whole shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series A Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date, If the conversion is in connection with an underwritten offer of securities registered pursuant to the Securities Act of 1933, the conversion may at the option of any holder tendering Series A Preferred Stock for conversion, be conditioned upon the closing with the underwriter of the sale of the securities pursuant to such offering, in which event the person(s) entitled to receive the Common Stock issuable upon such conversion of the Series A Preferred Stock shall not be deemed to have converted such Series A Preferred Stock until immediately prior to the closing of the sale of such securities.

(c) Conversion Price Adjustments of Preferred Stock. The Conversion Price shall, be subject to adjustment from time to time as follows:

(i) (A) If the corporation shall issue any Additional Stock (as defined below) for a consideration per share less than the Conversion Price in effect immediately prior to the issuance of such Additional Stock, the Conversion Price in effect immediately prior to each such issuance shall forthwith (except as otherwise provided in this clause (i)) be adjusted to a price for such series determined by multiplying such Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of shares of Common Stock which the aggregate consideration received by the corporation for all such Additional Stock so issued would purchase at such Conversion Price in effect immediately prior to the issuance of such Additional Stock, and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of shares of such Additional Stock; provided that, for the purpose of this subsection 3(c)(1)(A), all shares of Common Stock (except as otherwise provided in this clause (i)) issuable upon conversion of all outstanding shares of Series A Preferred Stock shall be deemed to be outstanding, and immediately after any shares of Additional Stock are deemed to be issued pursuant to subsection 3(c)(i)(E), Such shares of Additional Stock shall be deemed to be outstanding.

(B) No adjustment of the Conversion Price for the Series A Preferred Stock shall be made in an amount less than one cent per share, provided that any adjustments which are not required to be made by reason of this sentence shall be carried forward and shall be either taken into account in any subsequent adjustment made prior to 3 years from the date of the event giving rise to the adjustment being carried forward, or, if no such adjustment is made, shall be made at the end of 3 years from the date of the event giving rise to the adjustment being carried forward. Except to the limited extent provided for in subsections (E)(3) and (E)(4), no adjustment of such Conversion Price pursuant to this subsection 3(c)(i) shall have the effect of increasing the Conversion Price above the Conversion Price in effect immediately prior to such adjustment.

(C) In the case of the issuance of Common Stock for cash, the consideration shall be deemed to be the amount of cash paid therefor before deducting any discounts, commissions or other expenses allowed, paid or incurred by the corporation for any underwriting or otherwise in connection with the issuance and sale thereof.

(D) In the case of the issuance of the Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as reasonably determined by the Board of Directors, irrespective of any accounting treatment.

(E) In the case of the issuance of options to purchase or rights to subscribe for Common Stock, securities by their terms convertible into or exchangeable for Common Stock or options to purchase or rights to subscribe for such convertible or exchangeable securities (which are not excluded from the definition of Additional Stock), the following provisions shall apply:

1. The aggregate maximum number of shares of Common Stock deliverable upon exercise of such options to purchase or rights to subscribe for Common Stock shall be deemed to have been issued at the time such options or rights were issued and for a consideration equal to the consideration (determined in the manner provided in subsections 3(c)(i)(C) and(c)(i)(D)), if any, received by the corporation upon the issuance of such options or rights plus the minimum purchase price provided in such options or rights for the Common Stock covered thereby.

2. The aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable securities or upon the exercise of options to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof shall be deemed to have been issued at the time such securities were issued or such options or rights were issued and for a consideration equal to the consideration, if any, received by the corporation for any such securities and related options or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the additional consideration, if any, to be received by the corporation upon the conversion or exchange of such securities or the exercise of any related options or rights (the consideration in each case to be determined in the manner provided in subsections 3(c)(i)(C) and (c)(i)(D).

3. In the event of any change in the number of shares of Common Stock deliverable or any increase in the consideration payable to the corporation upon exercise of such options or rights or upon conversion of or in exchange for such convertible or exchangeable securities, including, but not limited to, a change resulting from the antidilution provisions thereof, the Conversion Price of the Series A Preferred Stock obtained with respect to the adjustment which was made upon the issuance of such options, rights or securities, and any subsequent adjustments based thereon, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the exercise of any such options or rights or the conversion or exchange of such securities.

4. Upon the expiration of any such options or rights, the termination of any such rights to convert or exchange or the expiration of any options or rights related to Such convertible or exchangeable securities, the Conversion Price of the Series A Preferred Stock obtained with respect to the adjustment which was made upon the issuance of such options, rights or securities or options or rights related to such securities, and any subsequent adjustments based thereon, shall be recomputed to reflect the issuance of only the number of shares of Common Stock actually issued upon the exercise of

such options or rights, upon the conversion or exchange of such securities or upon the exercise of the options or rights related to such securities.

(ii) "Additional Stock" shall mean any shares of Common Stock issued (or deemed to have been issued pursuant to subsection (3)(c)(i)(E)) by this corporation after October 1, 1992 (the "Purchase Date") other than

(A) Common Stock issued pursuant to a transaction described in subsection 3(c)(iii) hereof,

(B) shares of Common Stock issuable or issued (or deemed to have been issued pursuant to subsection 3(c)(i)(E)) after the Purchase Date to employees, officers, directors, or consultants of this corporation directly or pursuant to a stock option plan or restricted stock plan approved by the shareholders and directors of this corporation, or

(C) Common Stock issued or issuable upon conversion of the Series A Preferred Stock.

(iii) In the event the corporation should at any time or from time to time after the Purchase Date fix a record date for the effectuation of a split or subdivision of the outstanding shares of common stock or the determination of holders of common stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as "Common Stock Equivalents") without payment of any consideration by such holder for the additional shares of common stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Conversion Price of the Series A Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase of outstanding shares determined in accordance with subsection 3(c)(i)(E).

(iv) If the number of shares of common stock outstanding at any time after the Purchase Date is decreased by a combination of the outstanding shares of Common Stock, then following the record date of such combination, the Conversion Price for the Series A Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.

(c) Other Distributions. In the event the corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by the corporation or other persons, assets (excluding cash dividends) or options or rights not referred to in subsection 3(c)(1), then, in each such case for the purpose of this subsection 3(d), the holders of the Series A Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of the corporation into which their shares of Series A Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of the corporation entitled to receive such distribution.

(d) Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 3) provision shall be made so that the holders of the Series A Preferred Stock shall thereafter be entitled to receive upon conversion of the Series A Preferred Stock the number of shares of stock or other securities or property of the corporation or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 3 with respect to the rights of the holders of the Series A Preferred Stock after the recapitalization to the end that the provisions of this Section 3 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series A Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(e) No Impairment. The corporation will not, by amendment of its Articles or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times, in good faith assist in the carrying out of all the provisions of this Section 3 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series A Preferred Stock against impairment.

(f) No Fractional Shares; Certificate as to Adjustments.

(i) No fractional shares shall be issued upon conversion of the Series A Preferred Stock, and the number of shares of Common Stock to be issued shall be rounded to the nearest whole share. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Series A Preferred Stock the holder is at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

(ii) Upon the occurrence of each adjustment or readjustment of the Conversion Price of Series A Preferred Stock pursuant to this Section 3, the corporation, at its expense, shall promptly compute such adjustment or

readjustment in accordance with the terms hereof and prepare and furnish to each holder of Series A Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment, or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price at the time in effect, and (C) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of Series A Preferred Stock.

(g) Notices of Record Date. In the event of any taking by the corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock or any class of any other securities or property, or to receive any other right, this corporation shall mail to each holder of Series A Preferred Stock, at least 20 days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

(h) Reservation of Stock Issuable Upon Conversion. This corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of the Series A Preferred Stock such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series A Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Preferred Stock, in addition to such other remedies as shall be available to the holder of such Preferred Stock, this corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

(i) Notices. Any notice required by the provisions of this Section 3 to be given to the holders of shares of Series A Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each, holder of record at his address appearing on the books of this corporation.

4. Voting Rights. The holder of each share of Series A Preferred Stock shall have the right to one vote for each share of Common Stock into which such Series A Preferred Stock could then be converted (with any fractional share determined on an aggregate conversion basis being rounded to the nearest whole share), and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall be entitled, notwithstanding any provision hereof, to notice of any shareholders' meeting in accordance, with the by-laws of this corporation, and shall be entitled to vote, together with holders of Common Stock, with respect to any question upon which holders of Common Stock have the right to vote.

5. Status of Converted Stock. In the event any shares of Series A Preferred Stock shall be converted pursuant to Section 3 hereof, the shares so converted shall be cancelled and shall not be reissuable by the corporation, and the Articles of this corporation shall be appropriately amended to affect the corresponding reduction in the corporation's authorized capital stock.

6. Optional Redemption. The Series A Preferred Stock may be called for redemption and redeemed at the option of the corporation by resolution of the Board of Directors, in whole at any time or in part at any time or from time to time, but in no event earlier than January 1, 1998, upon notice given to the record holders of any such shares, by the payment therefor of $11.00 per share of such Series A Preferred Stock, plus an amount equal to the accrued and unpaid cumulative dividends thereon to the date fixed by the Board of Directors as the redemption date. The record holders of any such shares to be redeemed pursuant to this subsection (C)6 may convert, each such share (as well as any accrued and unpaid cumulative dividends thereon) pursuant to subsection (C)3 Conversion of Article 4 of the Articles of Incorporation at any time prior to the date of such redemption.

(D) Common Stock.

1. Dividend Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any assets of the corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

2. Liquidation Rights. Subject to the prior rights of holders of, all classes of stock at the time outstanding having prior rights as to liquidation, upon the liquidation, dissolution or winding up of the corporation, the assets of the corporation shall be distributed to the holders of Common Stock.

3. Redemption. The Common Stock is not redeemable.

4. Voting Rights. The holder of each share of Common Stock shall have the right to one vote, and shall be entitled to notice of any shareholders' meeting in accordance with the by-laws of this corporation, and shall be entitled to vote upon such other matters and in such manner as may be provided by law.

(E) Uncertificated Shares. Any or all classes and series of shares of the corporation, or any part thereof, may be represented by uncertificated shares, except that the foregoing shall not apply to shares represented by a certificate until the certificate is

surrendered to the corporation. Within a reasonable time after the issuance or transfer of uncertificated shares, the corporation shall send to the registered owner thereof a written notice containing the information required by applicable law to be set forth or stated on certificates. Except as otherwise expressly provided by law, the rights and obligations of the holders of shares represented by certificates and the rights and obligations of the holders of uncertificated shares of the same class and series shall be identical.

5. The date of its incorporation is January 16, 1992.

6. The shareholders of the corporation shall not have the right to cumulate their votes for the election of the directors of the corporation.

7. The following provisions of the Pennsylvania Business Corporation Law shall not apply to the corporation (in the case of clause (b) from and after the date that is 18 months following the 2020 annual meeting of shareholders [corresponding to November 21, 2021]):

(A) Subchapter 25E, "Control Transactions";

(B) Subchapter 25F, "Business Combinations."

Exhibit 3.2

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: (i) 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); (ii) all completed and signed questionnaires prepared by the corporation (including those questionnaires required of the corporation's directors and any other questionnaire the corporation determines is necessary or advisable to assess whether a nominee will satisfy any qualifications or requirements imposed by any law, rule, regulation or listing standard that may be applicable to the corporation, and the corporation's corporate governance policies and guidelines) (all of which will be promptly provided by the corporation to any requesting shareholder following a request therefor); and (iii) such other information that the corporation may deem to be necessary to permit the corporation to determine the eligibility of such person as serve as a director of the corporation, including information relevant to a determination whether such person can be considered an independent director.

(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; (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; (vi) a description of any agreement, arrangement or understanding (including, without limitation, any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the Nominating Shareholder's notice by, or on behalf of, such Nominating Shareholder or Beneficial Owner, the effect or intent of which

is to mitigate loss, manage risk or benefit from changes in the share price of any class or series of the corporation's stock, or maintain, increase or decrease the voting power of the Nominating Shareholder or Beneficial Owner with respect to securities of the corporation; and (vii) such other information related to such Nominating Shareholder that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required to be disclosed by such Nominating Shareholder in a proxy statement, in each case pursuant to Regulation 14A under the Exchange Act.

(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; (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; (viii) a description of any agreement, arrangement or understanding (including, without limitation, any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the Proposing Shareholder's notice by, or on behalf of, such Proposing Shareholder or Beneficial Owner, the effect or intent of which is to mitigate loss, manage risk or benefit from changes in the share price of any class or series of the corporation's stock, or maintain, increase or decrease the voting power of the Proposing Shareholder or Beneficial Owner with respect to securities of the corporation; and (vii) such other information related to such Proposing Shareholder that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required to be disclosed by such Proposing Shareholder in a proxy statement, in each case pursuant to Regulation 14A under the Exchange Act.

(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. Notwithstanding anything to the contrary in these Bylaws, a special meeting of the shareholders may not be called or otherwise requested by any shareholder or shareholders before the first annual meeting of shareholders that is held after November 8, 2019.

(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.

(4) Any shareholder directly or indirectly soliciting proxies from other shareholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the board of directors of the corporation.

(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.

(1) 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.~~ Directors shall be elected by a majority of the votes cast at a meeting at which a quorum is present. For purposes of this bylaw, a majority of the votes cast shall mean that the number of votes "for" a director's election exceeds the number of votes "against" that director's election. Votes cast shall exclude abstentions with respect to that director's election. Notwithstanding the foregoing, in the event of an election of directors in which the number of nominees for election as directors at the meeting exceeds the number of directors to be elected, then directors shall be elected by the vote of a plurality of the votes cast at the meeting at which a quorum is present. 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.

(2) In order for any person to be nominated as a director of the corporation, such person must have submitted to the board of directors prior to the shareholder meeting for which the person is nominated an irrevocable conditional resignation from the board of directors, to take effect upon the occurrence of all of the following conditions: (i)such person stood for election to the board of directors at a shareholder meeting where the number of nominees did not exceed the number of directors to be elected; (ii) at such shareholder meeting the votes by the shareholders entitled to vote in the election cast against such person's reelection (excluding abstentions) exceeded the votes cast for such person's reelection; and (iii) such resignation having been accepted by the board of directors. Not later than ninety (90) days after the certification of an election by shareholders satisfying clauses (i) and (ii) the board of directors will decide, after receipt of a recommendation of the Nominating and Corporate Governance Committee, whether to accept such conditional resignation. The director whose conditional resignation is being considered shall not participate in the recommendation of the Nominating and Corporate Governance Committee or the decision of the board of directors with respect to his or her conditional resignation. If there are not sufficient unaffected members of the Nominating and Corporate Governance Committee to form a quorum, the unaffected independent directors shall name a committee made up solely of unaffected independent directors to make recommendations to the board of directors as to the acceptance of tendered resignation(s). If the number of unaffected independent directors is three (3) or fewer, all directors may participate, with or without the naming of such committee as the directors may deem appropriate, in the decision as to whether to accept the tendered resignations. If the incumbent director's resignation is not accepted by the board of directors, such director shall continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier resignation or removal.

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 may, but shall not be required to, 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. The chairman of the board may also serve as the chief executive officer and/or as another officer of the Company.

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).

ARTICLE IX

FORUM FOR ADJUDICATION OF DISPUTES

Section 9.01 Forum. Unless the corporation, in writing, selects or consents to the selection of an alternative forum, the sole and exclusive forum for any internal corporate claims (as defined below), to the fullest extent permitted by law, and subject to applicable jurisdictional requirements, shall be the Court of Common Pleas of Chester County, Pennsylvania (or, if that forum is not available for any jurisdictional reason, the United States District Court for the Eastern District of Pennsylvania or, if that forum is not available, any other federal or state court within the Commonwealth of Pennsylvania). For purposes of this Article IX, internal corporate claims means claims, including claims in the right of the corporation: (a) that are based upon a violation of a duty by a current or former director, officer, employee or shareholder in such capacity; (b) that arise pursuant to any provision of the Business Corporation Law or as to which the Business Corporation Law confers jurisdiction upon any court; or (c) that are governed by the internal affairs doctrine.

Dated: ~~November 11, 2019~~ May 4, 2020

Exhibit 10.1

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Payment Solutions Agreement

This Payment Solutions Agreement (**Agreement**) is among **USA Technologies, Inc.** (**Company**); **First Data Merchant Services LLC** (**First Data**); and **Wells Fargo Bank, N.A.** (**Bank**).

The parties agree:

1 **Services**. First Data (along with the Bank or Debit Sponsor Bank, as described in this Agreement) will provide the Company with services according to the terms of this Agreement, as well as additional services that the parties agree to in writing (together, **Services**). First Data may provide the Services itself or through its affiliates; and, except for the Bank's or Debit Sponsor Bank's specific responsibilities described in this Agreement, First Data is solely responsible for the Services.

2 **Acquiring Services**.

2.1 Bank's Role. The Bank is a member of the Visa and Mastercard Networks, permitting it to acquire Visa and Mastercard payment transactions. The Bank sponsors First Data as a Member Service Provider under the Network Rules, allowing First Data to process payment authorizations, transmissions, and settlement activities for Visa and Mastercard transactions under the Bank's direction. With respect to Visa and Mastercard transactions that are part of the Acquiring Services described below, references to **First Data** include the Bank; however, ***the Bank's responsibilities are limited solely to the sponsorship and settlement of certain card transactions submitted in accordance with this Agreement and the Visa and Mastercard Network Rules, and Bank will not have any obligation or liability of any nature in connection with any services of any kind provided by First Data or its affiliates***. *Specifically, the Bank is: (1) the only entity approved to extend Visa and Mastercard product acceptance to merchants; (2) responsible for educating merchants on applicable Visa and Mastercard Network Rules (available, respectively, at: http://usa.visa.com/merchants/operations/op_regulations.html and http://www.mastercard.com/us/merchant/support/rules.html), which may be provided through First Data; and (3) responsible for all funds derived from settlement that are held in reserve*. The Bank's interests or obligations under this Agreement may be assigned or otherwise transferred to another financial institution that is a member of the Networks; further, Bank may assign any of its rights or delegate any of its obligations under this Agreement to a subsidiary, affiliate, or entity that is acquiring all or any portion of its assets.

2.2 First Data will acquire the Company's electronic transactions for payment organizations and networks (together, **Networks**) identified below (**Acquiring Services**). First Data will be the Company's primary provider of the Services during the Term of this Agreement; provided, however, that (i) Company may continue to honor its contractual obligations to other providers of similar services; and (ii) at such time that Company can terminate such contractual obligations without penalty, Company will do so and begin processing such transaction volume through First Data. "Primary provider" will mean that Company will process at least [***] of its transaction volume through First Data, excluding (a) any periods during which Company suffers an outage of Services and (b) any transaction volume that First Data is unable or unwilling to process.

2.3 Networks. First Data will provide the Company with Acquiring Services for the following Networks:

(1) Visa
(2) Mastercard
(3) American Express
(4) Discover

2.4 Additional Card Acquiring Services.

2.4.1 Additional Cards. First Data, and not the Bank, will provide the Acquiring Services to the Company for its transactions that are initiated with Cards issued by Networks other than Visa and Mastercard, and that are identified in this Agreement. A **Card** is a card, code, device, or other means allowing access to a credit, debit, prepaid, stored value, or similar account. An **Additional Card** is a Card issued by a Network other than Visa or Mastercard

2.4.2 Additional Card Network Agreements. Payment transactions for Additional Cards are subject to separate agreements between the Company and the Additional Card issuing Networks (**Additional Card Network Agreements**). The Company will comply with the terms of its Additional Card Network Agreements and obtain any consents required by these Networks to submit Additional Card transactions to First Data for processing. The Company will promptly notify First Data if any of its Additional Card Network Agreements expire or terminate. First Data will not be obligated to process the Company's Additional Card transactions if Company does not have an effective Additional Card Network Agreement with the applicable Network. ***First Data and the Bank have no responsibility to the Company for a Network's performance obligations, responsibilities, or liabilities to the Company under their Additional Card Network Agreements***.

2.4.3 Processing. First Data will only provide the Company with data capture and authorization processing services for transactions initiated with Additional Cards; First Data will not provide settlement services for the Additional Card Networks. First Data will submit settlement files for Additional Card transactions to the appropriate Networks on behalf of the Company. Additional Card transactions will be settled directly between the Company and the corresponding Network according to their Additional Card Network Agreements.

2.5 Debit Transactions. First Data will also provide the Company with Acquiring Services for its debit Card transactions (**Debit Services**). First Data will process the Company's debit Card transactions based on: (1) availability of the debit Networks; (2) whether a debit Card is enabled for a particular debit Network; or (3) other factors. First Data will have discretion to choose any available debit Network when routing a particular debit Card transaction for the Company, subject to applicable Laws. First Data will provide the Debit Services using a financial institution (**Debit Sponsor Bank**) that is a member of a debit Network that is accessible to the Company and can sponsor acceptance of the Company's debit Card transactions within the debit Network. First Data will choose the financial institution that acts as the Debit Sponsor Bank for the Company's transactions. The Debit Sponsor Bank may assign its interests or obligations under this Agreement to another financial institution that is a member of the debit Networks. First Data may also substitute, or assign, the Debit Sponsor Bank's interest or obligations under this Agreement to another financial institution that is a Member of the debit Networks. References to the term "Bank" in this Agreement include the Debit Sponsor Bank with respect to the Debit Services; however, the financial institution that is the Debit Sponsor Bank is only responsible for the performance obligations described as the Bank's under this Agreement with respect to the Company's debit Card transactions.

2.6 Network Rules. The Company and First Data will comply with all rules, requirements, and standards of each of the Networks (together, **Network Rules**). Company acknowledges receipt of First Data's current payments acceptance guide (**Payment Acceptance Guide**), which will assist the Company with properly accepting and submitting its transactions for processing. Under Network Rules, the Company does not own the Card account, Cardholder, personal, or other payment transaction information generated when a payment transaction is processed using the Acquiring Services. The Company will not use, retain, disclose, sell, or disseminate any Card or Cardholder information: including, without limitation, a) names, b) addresses, and c) Card account numbers obtained in connection with payment transactions except for (1) authorizing, processing, and settling transactions; or (2) resolving chargebacks, retrieval requests, or similar issues related to its transaction. The Company will not reproduce electronically captured Cardholder signatures except as requested by First Data or

the Networks. A **Cardholder** is the individual who was issued a Card. Nothing in this paragraph is intended to restrict Company from using information it has obtained from sources other than a Card, including such information that may overlap with Card or Cardholder information.

2.7 Locations. First Data will perform the Acquiring Services for payment transactions submitted from all the Company's retail locations in the United States (excluding Puerto Rico, and other U.S. territories).

2.8 Excluded Transaction Types. The Company must inform First Data if it wants to accept telephone, mail order, or transactions in Puerto Rico, other US territories or outside of the US; all of which must be approved in writing by First Data and may be subject to additional requirements and fees.

2.9 Submitting Transactions. The Company is responsible for:

2.9.1 properly transmitting the transaction data (including all transaction detail required by the Networks) to First Data's systems using the format and specifications provided by First Data (the Company will maintain and update the systems that it uses to accommodate changing Network requirements as specified by First Data);

2.9.2 all payment transactions submitted for processing under its merchant identification numbers (**MIDs**), including, without limitation, all returns, refunds, or chargebacks, whether charged back by Cardholders or Card issuers;

2.9.3 preventing its employees, agents, and others from submitting returns or refunds that do not reflect valid returns or refunds corresponding to prior transactions;

2.9.4 retaining transaction records according to the timelines required by the Network Rules or applicable Laws; and

2.9.5 maintaining transaction fraud and chargeback rates below thresholds established by the Networks.

2.10 Transaction Acceptance. The Company will only accept and submit transactions where:

2.10.1 the transaction represents a genuine sale of goods or services to the Cardholder;

2.10.2 the transaction is not materially different than the transactions the Company has described to First Data with regard to the products or services sold, the procedures for payments acceptance, or the fulfillment of obligations to the Cardholder;

2.10.3 the transaction complies with all requirements of the applicable Network Rules, the laws of all relevant jurisdictions, and all other requirements of this Agreement;

2.10.4 the transaction is not a duplicate of any other transaction;

2.10.5 the transaction is authorized by the rightful Cardholder for the amount of the transaction in satisfaction of the Cardholder's obligations to the Company;

2.10.6 the transaction is in payment of goods or services provided simultaneously with the payment transaction (except for delayed delivery, advance deposit, or other partial transactions specifically allowed under the Network Rules and explicitly authorized by First Data in writing);

2.10.7 the transaction is not a refinancing of an existing obligation;

2.10.8 the transaction is valid, collectible, and is not subject to any dispute, setoff, or counterclaim; and

2.10.9 in the case of a refund, the transaction is submitted to reimburse the Cardholder for a sale transaction that was previously submitted.

The Company represents and warrants that each transaction that it submits will comply with this Section.

2.11 Sales Drafts. The Company will provide First Data a copy of any sales draft(s) upon request.

2.12 Settlement.

2.12.1 The Company will identify a bank account held in the Company's name (the **Settlement Account**) that First Data will use in connection with all Services. The Company authorizes First Data to initiate: (1) credits to the Settlement Account for proceeds of transactions submitted, and (2) debits to the Settlement Account for any amounts that may be owed or required to be paid under this Agreement as set forth in Section 5. First Data will process credits to the Settlement Account via Automated Clearing House (**ACH**) entry unless the parties agree to transfer funds by wire. Company hereby authorizes First Data to process debits to the Settlement Account via ACH entry amounts that may be owed or required to be paid under this Agreement as set forth in Section 5.

2.12.2 The Company may identify more than one bank account as the Settlement Account. If the Company designates more than one Settlement Account, credits to any of these Settlement Accounts will satisfy First Data's obligations, and successful debits to any of the Settlement Accounts will satisfy the Company's obligations under this Agreement.

2.12.3 First Data will initiate a transfer to the Settlement Account of the funds that the Networks deliver for the Company's Card payment transactions on the same day or next banking day, less any amounts due from Company for fees, refunds, chargebacks, pass through expenses, and its other obligations under this Agreement as set forth in Section 5.

2.12.4 The Company does not have a property or ownership interest in any proceeds of transactions or funds received by First Data in connection with the Company's Card transactions (including any funds held in a Reserve) until those funds are transferred to the Settlement Account. First Data's obligations to fund the Company represent a general obligation and not a property interest in any specific funds.

2.12.5 All deposits into the Settlement Account are provisional. Cardholders, Card issuers, and the Networks have the right to require reimbursement of transactions, to impose obligations relating to violations of the Network Rules, to assess additional interchange or other assessments, and to impose fees, fines, or charges relating to the qualification of transactions.

2.12.6 The Company must promptly notify First Data if it fails to receive any settlement funding or if there are any changes to the Settlement Account. Transfer of settlement funds may be delayed or misdirected if the Company provides inaccurate information about, or fails to notify First Data of changes to, the Settlement Account. First Data is not responsible for settlement errors that arise if the Company provides inaccurate information about, or fails to notify First Data of changes to, the Settlement Account.

2.13 MATCH Reporting. Under some circumstances, First Data may be required to report the Company to the Member Alert to Control High Risk (**MATCH**) listing or similar listings maintained by the Networks. The Company agrees that First Data will not be liable for any losses, damages, or liabilities that may result from that reporting.

2.14 Mark License, Network Decals.

2.14.1 First Data grants the Company a revocable, royalty free, non-exclusive, limited license that cannot be assigned, transferred, or further sublicensed to use the Networks' trademarks and service marks

(together, **Protected Marks**) in the United States according to the applicable Network Rules. This license does not grant the Company any other intellectual property right, title, interest, or claim (express or implied, by estoppel, or otherwise) to the Protected Marks. The Company will not take any action that impairs an owner's intellectual property rights in its Protected Marks.

2.14.2 The Company will discontinue use of the Networks' decals, Protected Marks, promotional, or other materials immediately after termination of this Agreement, except to the extent Company has rights independent of this Agreement to do so..

2.14.3 The Company will not indicate that its products or services are endorsed by any of the Networks.

2.15 Development Items. As part of the implementation of the Services for the Company, First Data will provide reconciliation files with the details identified in the Development Items Schedule attached hereto.

3 **Financial Information; Audit**. To the extent the Company ceases to be a publicly held company, Company will promptly provide any financial or other information reasonably requested by First Data to perform credit risk, security, qualification, and other reviews related to the provision of the Services, transactions submitted, fulfillment of obligations to First Data or Cardholders, or the financial condition of the Company. The Company authorizes First Data to obtain information from third parties when performing credit risk, security, qualification, and other reviews. First Data, the Bank, or their designees may perform a reasonable audit of the Company's records related to its performance under this Agreement with 30 days' advance written notice to the Company, during the Company's normal business hours, and at First Data's or the Bank's expense, provided that in no event may such audits be performed more frequently than once per twelve (12) month period unless (i) required by the Bank, a Network, or an applicable regulatory authority, or (ii) a previous audit discovered material non-compliance with this Agreement.

4 **Notice of Material Changes; Third Parties**. The Company will provide First Data with reasonable advance notice of any material change in the nature of the Company's business (including any change in control or merger, any liquidation, any transfer or sale of substantially all of its assets, or any change to the Company's operations that would materially affect the products or services sold, the procedures for payments acceptance, or the fulfillment of obligations to a Cardholder). First Data will provide the Company reasonable advance notice of any material change in the nature of the Services provided. The Company will provide First Data with copies of its SOX audit reports.

5 **The Company's Payment Obligations**. The Company will pay First Data for:

(1) all fees and charges for the Services;

(2) all transactions that are charged back by Cardholders, Card issuers, or the Networks;

(3) all refunds submitted in connection with the Company's transactions;

(4) all costs, liabilities, or other obligations imposed on First Data by the Networks or other third parties with jurisdiction to impose fines (such as NACHA, regulators, PCI DSS, and other similar entities) as a result of transactions submitted by the Company or the actions taken (or not taken) by the Company or its third party service providers, to the extent that such amounts are not caused by First Data's or the third parties within First Data's reasonable control's gross negligence, willful misconduct, or breach of applicable law; and

(5) the Early Termination Fee.

6 **Reserve**.

6.1 If Company experiences a Default Event, Company materially breaches the terms of this Agreement, or if either party provides notice of termination of this Agreement, First Data may require the Company to fund a cash reserve (**Reserve**) in an amount that reflects First Data's assessment of risk, as it may determine in its discretion

from time-to-time, provided, however, that the initial amount of such Reserve will not exceed the sum of [***]. The calculation for the credits and chargebacks portion of the Reserve will be based upon Company's average monthly chargebacks and credits history. The Reserve is a payment obligation of First Data, established by holding back transaction proceeds or debiting the Settlement Account in order to potentially offset any obligations that the Company may have to First Data. The Reserve is not a segregated fund that the Company may claim to own. First Data is obligated to pay to the Company any amounts remaining from the Reserve after all other then-current and contingent liabilities or obligations related to the Company's payment transactions have expired (as provided for under the Network Rules).

6.2 The obligations due to the Company from the Reserve will not accrue interest unless required by applicable Laws.

6.3 First Data will notify the Company if a Reserve is established (including its amount) or if the amount of the Reserve is modified.

6.4 First Data may set off any amounts that may be owed or required to be paid under this Agreement as set forth in Section 5.

6.5 Although the Company acknowledges that the Reserve is a general obligation of First Data, and not a specifically identifiable fund, if any person claims that the Reserve is an asset of the Company that is held by First Data, the Company grants and acknowledges that First Data has a security interest in the Reserve and, at First Data's request, will provide documentation to reflect this security interest.

7 **Setoff and Priority**. All funds that First Data owes to the Company under this Agreement are subject to the Company's payment obligations under this Agreement. First Data may set off amounts the Company owes to First Data amounts that may be owed or required to be paid under this Agreement as set forth in Section 5 against any funds that First Data owes to the Company.

8 **Statements, Reporting**. First Data will provide the Company with statements or electronic reporting (**Statements**) reflecting the fees, settlement amounts, and other information related to the Services, in form and format as provided in Attachment 1. The Company must review the Statements and inform First Data of any errors within 120 days following the date that the error was, or should have been, reported. The reporting of any errors will enable First Data to recover amounts or prevent the errors from continuing. First Data will have no obligation to provide refunds for errors that the Company reports more than 120 days after they were, or should have been, reported. The Company and First Data will work together to resolve issues or disputes that arise in connection with the Statements, or the funds credited or debited to the Settlement Account.

9 **Term**.

9.1 This Agreement commences on the later of the dates it is signed by First Data or Company (that date, the **Effective Date**). The six months following the Effective Date are referred to in this Agreement as the **Implementation Period**, and, following the Implementation Period, this Agreement will continue for an initial term of 5 years (**Initial Term**), unless terminated as allowed under the terms of this Agreement. This Agreement will renew for successive 1-year periods (each a **Renewal Term**), unless either party gives the other 90 days' advance written notice of non-renewal before the end of the Initial Term. Either party may terminate this Agreement for any reason (without cause) during a Renewal Term by giving the other party 90 day's advance written notice of termination. Together, the Initial Term and any Renewal Term(s) are the Term of this Agreement.

9.2 This Agreement's "primary provider" requirements will not apply and Company will not be charged any Acquiring Fees during the Implementation Period until Company processes its first transaction through First Data.

9.3 Either Party may terminate this Agreement by providing 30 days' notice if the Services have not been fully implemented by December 31, 2020. "Fully implemented" will mean that the First Data is processing live transactions in a production environment and is technically capable of processing at least [***] of Company's then current transaction volume. If First Data is not processing at least [***] of Company's transaction volume by December 31, 2020 due to Company's failure to submit transactions to First Data despite full implementation, neither party will have a termination right under this Section 9.3. This termination right must be exercised on or before January 31, 2021.

10 Confidential Information.

10.1 Confidentiality. No party will disclose non-public information about another party's business (including the terms of this Agreement, technical specifications, customer lists, or information relating to a party's operational, strategic, or financial matters) (together, **Confidential Information**). Confidential Information does not include information that: (1) is or subsequently becomes publicly available (through no fault of the recipient); (2) the recipient lawfully possesses before its disclosure; (3) is independently developed without reliance on the discloser's Confidential Information; or (4) is received from a third party that is not obligated to keep it confidential. Each party will implement and maintain reasonable safeguards to protect the other party's Confidential Information. No party will use the other party's Confidential Information except in connection with performing its obligations or exercising its rights under this Agreement.

10.2 Disclosure. The recipient may disclose another's party's Confidential Information: (1) to its directors, officers, personnel, and representatives (including those of its subsidiaries, affiliates, subcontractors or vendors) that need to know it in connection with the recipient's performance under this Agreement, and are bound by confidentiality obligations materially similar to those required under this Agreement; and (2) in response to a subpoena, court order, request from a regulator, or as required under applicable Laws or Network Rules.

11 Data Security.

11.1 The Company is responsible for any unauthorized access to any transaction data from the Company or from third parties retained by or on behalf of the Company.

11.2 First Data is responsible for any unauthorized access to the Company's transaction data on First Data's systems or from third parties retained by or on behalf of First Data.

11.3 The Company must comply with Payment Card Industry Data Security Standards (**PCI DSS**) and obtain timely certification of its systems and processes (which must be maintained during the Term) as required under the Network Rules. The Company will comply with all additional standards that the Networks may require. The Company will allow the Networks, First Data, or the Bank to audit its PCI DSS compliance and information technology systems related to the Services provided under this Agreement with 30 days' advance written notice to the Company, during the Company's normal business hours, and at First Data's or the Bank's expense, provided that in no event may such audits be performed more frequently than once per twelve (12) month period unless required by the Bank, a Network, or an applicable regulatory authority.

11.4 First Data must comply with all PCI DSS requirements and the Network Rules that apply to its performance under this Agreement.

11.5 Security Incident.

11.5.1 If the Company becomes aware that there has been unauthorized access to transaction data (a **Security Incident**), it will promptly notify First Data. If requested by First Data, the Company will retain a reputable firm that is certified and approved by the Networks that provides forensic information security services and risk assessments in order to: (1) assess the nature and scope of the Security Incident; and

(2) identify the access controls or transaction data involved in the Security Incident. The Company will take appropriate steps to contain, control, stop, and remediate any Security Incident.

11.5.2 The Company will provide reasonable details regarding the Security Incident to, and cooperate with, First Data, any Networks, and the forensics firms that are involved in the investigation and remediation of a Security Incident. The will take all actions that the Networks require in connection with the investigation and remediation of a Security Incident.

11.5.3 The Company will reimburse First Data and/or the Bank for all fines, fees, penalties, assessments, or other obligations of any kind imposed by a Network or a regulator on First Data or the Bank due to a Security Incident caused by the Company or its third party service providers (together, **Network Security Fees**).

11.5.4 If First Data becomes aware of an actual loss or unauthorized use, disclosure, alteration, destruction or other compromise or unauthorized acquisition of or access to any personal information in First Data's possession (**a First Data Security Incident**), First Data will: (a) assess the nature and scope of the First Data Security Incident; (b) promptly take appropriate steps to contain and control the First Data Security Incident to prevent further unauthorized access to or misuse of the information; (c) promptly conduct a reasonable investigation to identify what systems and types of information have been accessed and to determine the likelihood that the information has been or could likely be misused; (d) promptly notify Company of the material details of the First Data Security Incident that are known at the time of notification that impact Company or Company's Transaction Data, subject to a request by law enforcement or other government agency to withhold such notice; and (e) continue to provide information relating to the investigation and resolution of the First Data Security Incident until First Data reasonably determines the First Data Security Incident has been resolved.

11.6 Data Use. First Data may use transaction data obtained from providing the Services to the Company to fulfill performance obligations under this Agreement and investigate fraud, or suspected fraud, related to the Company's transactions. First Data may also use transaction data obtained from providing the Services under this Agreement in aggregated and anonymized form (as required by applicable Laws) for research and development, or to provide services generally.

12 General Suspension; Termination.

12.1 General Termination. Either the Company or First Data may terminate this Agreement by giving 30 days' advance written notice if the other materially breaches this Agreement and fails to remedy the breach within 30 days of receiving notice of it.

12.2 Risk Termination. First Data may immediately suspend or terminate this Agreement, in its discretion, upon notice if the Company:

12.2.1 engages in fraud, misrepresentation, or intentional misconduct related to its performance under this Agreement;

12.2.2 subject to a 10 day cure period, experiences excessive chargebacks, irregular, or fraudulent payment transactions (based on Network thresholds), or engages in business practices creating excessive risk for Cardholders or First Data;

12.2.3 subject to a 10 day cure period, experiences a material adverse change in its financial condition (including the failure to pay any of its debts or if the Company's accountants fail to deliver an unqualified audit opinion with respect to the Company's and its consolidated subsidiaries' annual financial statements when requested by First Data);

12.2.4 fails to provide notice of a material change in the nature of its business;

12.2.5 fails to disclose the third parties or systems it uses in connection with the transaction information or payment data processed under this Agreement;

12.2.6 subject to a 3 day cure period, fails to fund a Reserve when required under this Agreement;

12.2.7 experiences a Security Incident;

12.2.8 subject to a 10 day cure period, fails to comply with PCI DSS or a material Network requirement;

12.2.9 subject to a 10 day cure period, materially changes its operations, products, services, or procedures for payments acceptance;

12.2.10 sells substantially all of its assets, undergoes a change in ownership or control, merges, or effects an assignment without complying with Section 22;

12.2.11 defaults under any other agreement it has with First Data or its affiliates subject to such other agreement's applicable cure period; or

12.2.12 a Network, a governmental authority, or the Bank instructs First Data to suspend its performance under or terminate this Agreement (in which case the Early Termination Fee will not apply).

Together, the events described in this Section are **Default Events**. First Data will suspend services instead of immediately terminating this Agreement for a Default Event where, in First Data's reasonable discretion, doing so will not expose First Data to material harm. During such suspension First Data will work in good faith with Company to reasonably assist in curing any Default Event (to the extent curable). The preceding two sentences will not apply to Section 12.2.12. Any suspension shall be promptly lifted as soon as (i) the corresponding default has been cured; and (ii) First Data determines in its reasonable discretion that resuming provision of Services will not subject First Data to material harm.

13 Early Termination Fee. First Data will suffer substantial injury, and it would be difficult to determine the damages, if this Agreement is terminated before the end of the Term by First Data, as set forth in Section 12, or by Company, other than pursuant to Section 12.1 above (an **ETF Termination**). First Data and the Company agree an accurate reflection of the damages caused by an ETF Termination of this Agreement is an amount equal to [***].

14 Indemnification.

14.1 The Company will indemnify First Data and the Bank (including their respective affiliates, directors, officers, managers, and employees) for losses, damages, costs, or expenses (together, **Losses**) due to third party claims that result from the Company's or their third party service providers gross negligence willful misconduct, or breach of applicable Law or Network Rules. First Data will indemnify the Company (including its respective affiliates, directors, officers, managers, and employees) for Losses due to third party claims that result from First Data's gross negligence, willful misconduct, or breach of applicable Law or Network Rules.

14.2 The indemnified party will promptly notify the indemnifying party of any third party claim that is subject to indemnification under this Agreement. The indemnifying party will have the opportunity to defend these claims using counsel it selects and will have the authority to enter into a settlement for monetary damages provided that it pays such amounts. The parties will cooperate with regard to any other conditions of settlement as well as in providing records, access to personnel or other information reasonably necessary to defend any indemnified claims.

15 **Exclusion of Damages**. First Data, the Bank, and the Company will not be liable to each other for lost profits, revenues, or business opportunities, nor any exemplary, punitive, special, indirect, incidental, or consequential damages (whether direct or indirect) under this Agreement; regardless of whether these damages were foreseeable or a party was advised they were possible. Network Security Fees, the Early Termination Fee, indemnification obligations, and amounts imposed by a regulatory authority that are specifically due to a party's failure to perform its obligations under this Agreement are not excluded by this Section.

16 **Limitation of Liability**. First Data's and the Company's aggregate liability to the other for losses arising from any cause (regardless of the form of action or legal theory) in connection with this Agreement will be limited to the lesser of (a) $500,000.00 or (b) fees received pursuant to this Agreement by First Data, excluding any pass-through fees (including, without limitation, Network Fees and amounts imposed by a regulatory authority) during the twelve (12) months preceding the event giving rise to the claim (**Liability Cap**). The Liability Cap will not apply to: (1) First Data's obligation to remit the proceeds of the Company's transactions that are processed under this Agreement (after accounting for all offsetting obligations); (2) the Company's payment obligations related to the Services, Network Security Fees, Network Fees, the Early Termination Fee, and amounts imposed by a regulatory authority that are specifically due to Company's failure to perform its obligations under this Agreement); or (3) either party's obligations to indemnify the other for third party claims. The Bank will have no liability to Company except for what is set forth in Section 2.1.

17 **Notices**. Written notices (other than normal operations) required under this Agreement will be sent by email, certified mail, or courier (all with tracking and delivery confirmation). Notices will be effective upon receipt.

Notices to the Company will be sent to:

USA Technologies, Inc., Attn: Chief Accounting Officer, 100 Deerfield Lane, Suite 300, Malvern, Pennsylvania 19355

with a copy to:

USA Technologies, Inc., Attn: Controller, 100 Deerfield Lane, Suite 300, Malvern, Pennsylvania 19355

Notices to First Data will be sent to:

First Data Merchant Services LLC, Attn: Executive Vice President – Operations, 5565 Glenridge Connector NE, Atlanta, Georgia 30342;

with a copy to:

First Data Merchant Services LLC, Attn: General Counsel's Office, 3975 NW 120th Avenue, Coral Springs, FL 33065.

Emailed notices to First Data will be sent to: legalpapers@firstdata.com

Notices to the Bank will be sent to:

Wells Fargo Bank, P.O. Box 6079, Concord, CA 94524.
The Bank's phone number is: 844-284-6834.

18 **Third Party Beneficiaries, Providers**. There are no third party beneficiaries to this Agreement other than First Data's or the Bank's subsidiaries and affiliates involved in providing the Services to the Company. Each party is responsible for the performance of any third parties it uses in connection with the Services, and their compliance with the terms of this Agreement.

19 **Waivers**. A party's waiver of a breach of this agreement will not be considered a waiver of a subsequent breach.

20 **Compliance with Law, Choice of Law, Waiver of Jury Trial**. The parties will comply with all laws, rules (including Network Rules), and regulations (together **Laws**) that are applicable to their respective performance obligations under this Agreement. This Agreement will be governed by New York law (without regard to its choice of law provisions). The courts

of New York, New York will be the proper venue for legal proceedings brought in connection with this Agreement. ***First Data and the Company each waive their right to a jury trial for claims arising in connection with this Agreement***.

21 **Entire Agreement, Amendment, Counterparts**. The defined term **Agreement** includes its schedules, addenda, and any amendments (capitalized terms used in the schedules, addenda, or amendments without definition will have the meanings given to them in this Agreement). This Agreement is the entire agreement between the parties and replaces any prior agreements or understandings (written or oral) with respect to its subject matter. Schedules, addenda, amendments, or any other modifications to this Agreement related to Services that are provided solely by First Data and not the Bank need only be executed by the Company and First Data (references in these Schedules to "party" or "parties" will mean First Data and the Company, as applicable, and not the Bank). This Agreement and any addenda, or amendments may be executed electronically and in counterparts, each of which constitutes one agreement when taken together. Electronic and other copies of the executed Agreement are valid.

22 **Assignment**. Neither party may assign its rights or delegate its obligations under this Agreement without the other's prior written consent, which will not be unreasonably withheld; provided, however, that consent is not needed for Company to assign this Agreement in connection with any assignment or change of control in connection a merger, investment, consolidation or similar transaction between Company and a third party, or a sale of all or substantially all of Company's assets to a third party, as long as (i) Company remains obligated for any obligations accruing or arising under this Agreement prior to the effective date of such assignment, and the assignee agrees in writing to be bound by this Agreement and executes any documents that First Data reasonably requires to memorialize this obligation; (ii) the assignee does not operate in an industry that is prohibited by First Data's credit policy; and (iii) the assignee is subject to First Data's credit review within 45 days post-assignment, it being understood that in connection with any assignment under this clause First Data may (A) establish a Reserve in its reasonable credit judgment and/or (B) terminate this Agreement if in the reasonable judgment of First Data such assignee is of lesser credit quality than Company following such credit review, provided any such termination shall be upon at least 90 days' advance written notice. First Data may, however, assign any or all of its rights or delegate any or all of its obligations to an affiliate or to an entity that is acquiring all or substantially all of the assets of First Data.

23 **Publicity**. First Data and the Company may publicly indicate they have entered into a contract with each other. The Company must obtain prior written approval for any publicity related to the Bank and its role in connection with this Agreement.

Authorized Signatures:

USA Technologies, Inc.

By: /s/ Anant Agrawal
Name: Anant Agrawal
Title: EVP Corporate Development
Date: 3/19/2020

First Data Merchant Services LLC

By: /s/ Joseph Profeta
Name: Joseph Profeta
Title: Vice President
Date: 3/19/2020

Wells Fargo Bank, N.A.

By: /s/ Joseph Profeta
Name: Joseph Profeta
Title: Vice President
Date: 3/19/2020

Acquiring Fee Schedule

1 **Acquiring Fees**. The Company will pay First Data the fees described below (**Acquiring Fees**) for the Acquiring Services. The Acquiring Fees are based on the Company's business methods and the types of transactions it will submit for processing that the Company disclosed to First Data. First Data may modify the Acquiring Fees if the Company materially changes its business methods or the types of transactions that it submits for processing.

Acquiring Fees	Amount	Driver
Tier 1 Transactions[1] [***]	[***]	per transaction
Tier 2 Transactions[1] [***]	[***]	per transaction
Tier 3 Transactions[1] [***]	[***]	per transaction
Chargeback	[***]	per chargeback
Retrieval	[***]	per retrieval
Adjustment	[***]	per adjustment
ACH Deposit	[***]	per deposit
ACH Reject	[***]	per rejection
Wire Deposit[2]	[***]	per wire
ClientLine Reporting	[***]	per month
Implementation Fee	[***]	per project
Application Fee	[***]	per application
Maintenance Fee	[***]	per month
Merchant ID Set-Up Fee	[***]	per MID
Merchant ID Monthly Fee	[***]	per MID
PCI Compliance Program Fee (per MID)	[***]	per year
PCI Non-Compliance Fee (per MID)	[***]	per month

1: This amount is charged for each authorization attempt (whether approved or declined), purchases, reversals, or returns. This amount includes authorization and data capture for Visa, Mastercard, American Express, and Discover transactions; and settlement for Visa and Mastercard transactions. American Express and Discover may charge settlement processing fees separately to the Company under separate agreements these Networks have with Company, as applicable. Qualification for the applicable transaction tiers is measured on an annual basis and rates can go up or down based on volume achievement. All transactions are priced at the rate in the qualified tier. [***]. *The number of transactions will be reviewed within 30 days of the end of each Service Year, and each subsequent Service Year's pricing will be determined based on the number of transactions during the prior Service Year. The effective date for any adjustments to the transaction fees will be the first day of the following Service Year. A* ***Service Year*** *is the 12 month period beginning on the first day Company processes transactions under this Agreement in a live production environment and ending on each anniversary thereafter.*
2:Wires are limited to two per day

2 **Network Fees**. The Networks and other third parties impose fees on the Company's transactions, some of which are charged to First Data. The Company will pay First Data for all fees and charges that are imposed by the Networks and other third parties (together **Network Fees**) on the gross amount of Company's transactions that are processed using the Acquiring Services. The Networks and other third parties may modify their Network Fees during the Term of this Agreement. Modifications to the Network Fees will be effective on the dates set by the Networks or other third parties. Network Fees are in addition to the Acquiring Fees and include:

Interchange
Excessive Chargebacks
Dues and Assessments
Access Fees
Debit Network Fees
Other Fees (including Network Security Fees)

3 Incentives.

3.1. Signing Bonus. First Data will pay to Company a one-time lump-sum amount of [***] within the 30 days following both parties' execution of this Agreement pursuant to wire instructions to be provided by Company.

3.2. First Implementation Bonus. Within 30 days following the first month in which Company's annualized transactions submission rate exceeds [***] transactions per year, First Data will pay to Company a one-time lump-sum amount of [***] pursuant to wire instructions to be provided by Company.

3.3. Second Implementation Bonus. Within 30 days following the first month in which Company's annualized transactions submission rate exceeds [***] transactions per year, First Data will pay to Company a one-time lump-sum amount of [***] pursuant to wire instructions to be provided by Company.

3.4. "Annualized transaction submission rate" will be calculated after the end of each calendar month by multiplying the average monthly transactions submitted to First Data for processing over the immediately preceding 3 months and multiplying that average by 12.

3.5. Payment of the **Incentives** set forth in this Section 3.1 to 3.4 are subject to repayment terms set forth in Section 13 of the Agreement.

3.6. Implementation Protection. [***].

3.7. Flex Credit. [***].

3.8. Rapid Connect Integration Assistance. First Data will provide professional services, free of charge, to facilitate the integration of Company's systems with the Rapid Connect solution.

Debit Routing Savings Service Schedule

Background

- This Schedule adds the Debit Routing Savings service to the Payment Solutions Agreement (**Agreement**) between First Data and Company. The terms of the Agreement and this Schedule apply to the Debit Routing Savings service, but if anything in this Schedule conflicts with the Agreement this Schedule will control. The Debit Routing Savings service is a **Service** under the Agreement and is provided by First Data and not by Bank. Bank is not a party to this Schedule and is not liable to Company in connection with the Service or this Schedule.

- Capitalized words or phrases that are not defined in this Schedule use the definitions given to them in the Agreement.

1 Service Description

1.1 Company delegates to First Data the authority to determine where to route eligible debit transactions that Company submits to First Data for authorization and settlement (**Eligible Debit Transactions**). Subject to (1) applicable legal requirements, (2) First Data's system capabilities and configurations, and (3) network requirements and changes, First Data will use its discretion in routing Eligible Debit Transactions over available networks.

1.2 The Service will not be available and First Data will not be required to provide it (1) until implementation of the Service for Company is complete, (2) during system or network down-times, (3) if First Data does not have access to network pricing information at the time of authorization, (4) if the final amount of a debit transaction is not known at the time of authorization, or (5) if any law or regulation dictates the network to which a debit transaction must be routed.

2 Savings Guaranty

2.1 [***].

2.2 First Data will provide Company with a quarterly savings report within 30 days after the end of each Savings Period. The savings report will be the basis for the Billed Rate Credit and Negotiated Rate Credit calculations and as such, Company will notify First Data of any discrepancies in the savings report within 15 days of receipt of report and will actively work with First Data in good faith to resolve such discrepancies. First Data is not obligated to adjust the savings report, Negotiated Rate Credit, or Billed Rate Credit for discrepancies if Company does not provide notice within such 15-day period.

3 Disclaimer

First Data makes no promise, and disclaims all warranties of any kind (express or implied), that (1) Company's use of the Service will result in Eligible Debit Transactions being routed to the least-cost network, (2) the interchange and/or network fees applicable to each Eligible Debit Transaction individually will be the lowest interchange or network fees available, (3) Eligible Debit Transactions will be routed to a particular network, or (4) the Service will operate uninterrupted or error-free.

Development Items Schedule

Reconciliation Files.

First Data shall provide to Company a daily reconciliation file that includes all details for the previous day, including (together with the associated Company transaction ID): (a) transactions (such as authorizations), (b) completions, (c) refunds, (d) chargebacks, (e) all fee details (including First Data's fees, interchange, assessment, downgrade and any other fees that First Data is charging or will charge Company), and (f) other appropriate or commonly provided details, each in electronic format (fixed width) or other format reasonably approved by Company.

Enhancements Requirement within 180 days of Implementation:

Within the 180 days of the Acquiring Services being fully implemented (as defined in Section 9.3) First Data shall provide to Company enhancements to the daily reconciliation file that will include assessment, downgrade and any other fees that First Data is charging or will charge Company, including transaction-level details for fees per transaction, so that the total transaction amount and total fee amount would match the sum of all individual transaction amounts and individual fee amounts), and other appropriate or commonly provided details, each in electronic format (.csv) or other format reasonably approved format by Company.

Exhibit 10.2

March 2, 2020

Mr. Michael Wasserfuhr
4566 Jett Road
Atlanta, Georgia 30327

Dear Michael:

This will confirm your employment with USA Technologies, Inc. ("USAT" or "the Company") as Chief Financial Officer ("CFO") starting on February 28, 2020. In your role as CFO you will report to me.

The following are the terms of your employment:

- Your bi-weekly base salary will be $13,461.54, which annualized is $350,000.04.

- You will work approximately eighty (80) percent from one of the USAT's offices.

- You will participate in the Short-Term Incentive ("STI") Plan for USAT's executive officers. If the target goals would be achieved, you would earn a cash bonus equal to fifty percent (50%) of your base salary. This award is subject to the terms and conditions of the STI Plan. For fiscal year 2020, your STI award would be pro-rated from your hire date through the end of USAT's fiscal year ended June 30, 2020.

- You will participate in the Long-Term Incentive Stock Plan ("LTI") for USAT's executive officers. If the year-over-year percentage target goals would be achieved, you would earn an equity award with a value on the last day of the applicable fiscal year equal to One Hundred Percent (100%) of your base salary. This award is subject to the terms and conditions of the LTI Plan. For fiscal year 2020, your LTI award would be pro-rated from your hire date through the end of USAT's fiscal year ended June 30, 2020.

- The Compensation Committee of USAT's Board of Directors, in consultation with the Chief Executive Officer, shall annually review your compensation.

- You would be covered by and entitled to all of the fringe benefits that are generally available to USAT employees, including health insurance, dental insurance, group life and disability insurance, and matching 401(k) plan. Please note that USAT's benefits program is subject to change and any such change would supersede this letter.

- You are entitled to accrue 2.084 days of Paid-Time-Off (PTO) per month, (up to twenty-five (25) days of PTO annually (calendar year), in accordance with other provisions of the USAT's PTO policy.

- You will be covered as an executive officer of USAT under our Directors and Officers liability insurance policy.

- You have been awarded 16,767 shares of USAT restricted common stock on February 28, 2020, which represents a value, as of the closing price on February 28, 2020 ($8.35), of approximately forty (40%) percent of your annualized base salary. The shares would vest over a three-year period as follows, provided that you are employed at USAT on the respective vesting dates: 5,589 on the first annual anniversary of the date of the grant; 5,589 on the second annual anniversary of the date of the grant; and 5,559 on the third annual anniversary of the date of the grant. The award would be evidenced by a standard restricted stock award agreement and would be subject to the terms of the equity incentive plan of the Company.

- In the event of a Change in Control (as defined below), and your employment is terminated Without Cause (as defined below) or you terminate your employment for Good Reason (as defined below), you will be paid eighteen (18) months of your base salary in a lump sum. This payment shall be conditioned upon your signing and delivering to the acquiring person, entity, or group (and not revoking) a release of any and all claims, suits, or causes of action against the acquiring person, entity, or group, in such form as shall be provided to you by the person, entity, or group.

- For purposes of this Agreement, the term " Change in Control " shall mean:

  (i) the acquisition by any person, entity or group required to file (or which would be required to file if the Corporation had been subject to such provisions) a Schedule 13D or Schedule 14d-1 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") or any acquisition by any person entitled to file (or which would be entitled to file if the Corporation had been subject to such provisions) a Form 13G under the Exchange Act with respect to such acquisition of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 51% or more of the Company's then-outstanding voting securities entitled to vote generally in the election of directors (the "Outstanding Shares"); provided that a person, entity or group shall not be deemed to "beneficially own" any security under this clause (i) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding arises solely from a revocable proxy, agent designation or consent given in response to a public proxy, agent designation or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Exchange Act, including the disclosure requirements of Schedule 14A thereunder; or

(ii) (A) the consummation of a merger, reorganization, or consolidation of the Corporation with any other entity, whether or not the Corporation is the surviving entity in such transaction; (B) the approval by the shareholders of a plan or proposal for the liquidation or dissolution of the Corporation; or (C) the sale, transfer, lease or other disposition of all or substantially all of the assets of the Corporation (hereinafter collectively, a "Business Combination").
Notwithstanding subsection (ii) above, and other than in connection with a liquidation or dissolution of the Company referred to in subsection (ii)(B) above, a Business Combination described in subsection (ii) above shall not constitute a Change in Corporate Control if, following such Business Combination: (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Shares immediately prior to such Business Combination beneficially own, directly or indirectly, more than 51% of the Outstanding Shares of the entity resulting from such business combination (including without limitation, an entity which as a result of such transactions owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries); and (B) no person owns, directly or indirectly, 49% or more of the Outstanding Shares of the entity resulting from such Business Combination except for intermediate holding companies of the ultimate parent entity or to the extent that such ownership existed prior to the Business Combination.

Notwithstanding the foregoing, if a Change in Corporate Control constitutes a payment event with respect to any benefits that provides for the deferral of compensation that is subject to Section 409A of the Code, then, to the extent required to avoid the imposition of additional taxes under Section 409A of the Code, the transaction or event described in subparagraph (i) or (ii) above, with respect to such benefits, shall only constitute a Change in Corporate Control for purposes of the payment timing of such benefits if such transaction also constitutes a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5).

- For purposes of this Agreement, the term "Cause" shall mean any of the following have occurred or exist as determined by USAT: (A) your fraud, gross malfeasance, or willful misconduct, with respect to USATs business; (B) any material breach by you of this letter or any policy of USAT; (C) any violation by you 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; (D) conviction of or the entry of a guilty plea or plea of no contest to any felony or to any other crime involving moral turpitude; (E) any intentional misapplication by you of USATs funds, or any material act of dishonesty committed by you; or (F) any other action by you that, in the reasonable judgment of USAT, is damaging or detrimental in a significant way to USAT's business or reputation. For the purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, whether on the date of this letter or in the future, including but not limited to Cantaloupe Systems, Inc.

- For purposes of this Agreement, "Good Reason" shall mean within thirteen (13) months of the date of this Agreement: (1) the assignment of you to a position other than the Chief Financial Officer of the Company; (2) the assignment of duties materially inconsistent with such position if such change in assignment constitutes: (a) a material diminution in your total compensation opportunity, authority, duties or responsibilities; or (b) a change in the reporting structure such that you are directed to report to anyone other than the Chief Executive Officer; or (3) a material breach by the Company of this Agreement; provided, however, that you must not have consented to any such act or omission that could give rise to a claim for Good Reason. In order for Good Reason to exist, you must have notified the Company in writing within the first thirty (30) days following the occurrence of any of the foregoing

events and the Company must have failed to substantially cure such breach within thirty (30) days following its receipt of such notice from you; and provided further, you must have resigned under this paragraph within ninety (90) days following the occurrence of the event giving rise to Good Reason.

- You will devote your full time, energy, skills and attention to the business of USAT, and shall not be engaged or employed in any other business activity whatsoever, whether or not such activity is pursued for gain, profit or other pecuniary advantage. However, you are permitted to continue your involvement with American Transaction Processors Coalition, Payments 20, Inc. and Verady, Inc. provided these activities do not take substantial time or interfere with your responsibilities for USAT.

- Employment with USAT is at-will, which means that either you or USAT may end the relationship at any time for any or no reason. Notwithstanding the foregoing, if your employment shall be terminated by USAT for any reason other than for Cause (as defined above) or death, you shall be entitled to receive a severance payment equal to eighteen (18) months of your base bi-weekly salary. The severance payment shall be conditioned upon your signing and delivering to USAT (and not revoking) a release of any and all claims, suits, or causes of action against USAT and its affiliates, in such form as shall be provided to you by USAT. The severance payment would be paid to you over an eighteen (18) month period in accordance with USAT's regular employee payroll practices and would be subject to standard and customary payroll deductions.

- Except in connection with your duties as CFO, you shall not, directly or indirectly, at any time from and after the date hereof, and whether or not your employment with USAT has been terminated or has expired 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, financial information, financial projections, documents, process, procedures, know-how, data, marketing information, marketing methods, marketing means, software information, intellectual property, special arrangement, or any other confidential information concerning the business or policies of USAT, or concerning USAT's customers, clients, accounts, or suppliers, that you learned as a result of, in

connection with, through your employment with, or through your affiliation with USAT, but not information that can be shown through documentary evidence to be in the public domain, or information that falls into the public domain, unless such information falls into the public domain by your direct or indirect disclosure or other acts. You agree to use your best endeavors to prevent the unauthorized disclosure or publication of confidential information and not to copy nor remove confidential information from USAT's premises, whether physically or electronically, without the express written permission of USAT. For any and all purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, whether on the date of this letter or in the future, including but not limited to Cantaloupe Systems, Inc.

- For a one-year period following termination or expiration of your employment with USAT for any reason whatsoever, you will not (a) directly or indirectly, solicit for hire for any business entity other than USAT, any person employed by USAT as of the date of termination or expiration of your employment; or (b) directly or indirectly interfere with USATs relations with any person employed by USAT as of the date of termination or expiration of your employment with USAT. Such restriction shall not limit any employee or candidate responding to a general job posting. For all purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, whether on the date of this letter or in the future, including but not limited to, Cantaloupe Systems, Inc.

- For a one-year period following termination or expiration of your employment with USAT for any reason whatsoever, you will be prohibited from soliciting any of USAT's customers in connection with engaging in a business competing with or similar to that of USAT as conducted as of the date of the termination or expiration of your employment, including but not limited to, delivering services or products to unattended retail locations, and any related production, promotion, marketing, or sales activities relating thereto. For all purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, whether on the date of this letter or in the future, including but not limited to, Cantaloupe Systems, Inc.

- For a one-year period following the termination or expiration of your employment with USAT for any reason whatsoever, you will be prohibited from competing within any geographic area in which USAT's business was conducted as of the date of termination or expiration of your employment, with the business of USAT, as presently or as hereinafter conducted as of the termination or expiration of your employment, including but not limited to, delivering services or products to unattended retail locations, and any related production, promotion, marketing, or sales activities. The term "competing" means acting, directly or indirectly, as a partner, principal, stockholder, joint venture, 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 paragraph. For any and all purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, including but not limited to, Cantaloupe Systems, Inc.

- You acknowledge that any breach by you of the obligations set forth in this letter 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, you agree that in the event of any breach or any threatened breach by you of any of the provisions of this letter, 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 you of all costs and expenses incurred by USAT in enforcing the provisions thereof, including attorneys' fees. The remedies granted to USAT in this letter are cumulative and are in addition to remedies otherwise available to USAT at law or in equity.

- You acknowledge that you will be subject to the following policies of USAT: Employee Manual; Code of Business Conduct and Ethics; Blackout Period and Notification Policy; and Stock Ownership Guidelines for Directors and Executive Officers as well as any other applicable policies that may be adopted by USAT from time to time. As CFO, you would also be required to file statements of beneficial ownership of USAT securities pursuant to Section 16(a) of the Securities Exchange Act of 1934.

- Nothing in this letter prohibits or prevents you 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. You further understand that this letter does not limit your ability to make any disclosures that are protected under the whistleblower provisions of federal law or regulation. This letter does not limit your right to receive an award for information provided to any governmental agencies.

- If any term or provision of this letter or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this letter 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 letter shall be valid and enforceable to the fullest extent permitted by law.

- You represent and warrant to USAT that you are not as of the date of this letter a party to or subject to any employment, non-compete, or similar agreement that would limit or prohibit, in whole or in part, the performance of your employment duties or responsibilities.

Except for the November 2, 2019 Non-Disclosure Agreement that you previously signed on behalf of MWBT, LLC, this letter constitutes our entire agreement and understanding regarding the matters addressed herein, and merges and supersedes all prior or contemporaneous discussions, agreements and understandings of every nature between us regarding these matters. This letter may only be modified by an agreement in writing executed by both USAT and you. USAT has no further obligation to make monthly payments provided for in the November 3, 2019 Agreement between USAT and MWBT, LLC.

This letter will be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to the application of the principles of conflicts of laws.

The rights and obligations of both parties under this Agreement shall inure to the benefit of, and shall be binding upon, their respective personal representatives, heirs, successors and assigns. This Agreement, or any part hereof, may be assigned by USAT without your consent. This Agreement, or any part thereof, may not be assigned by you.

Your employment with USAT will also be subject to a satisfactory background investigation to be conducted by USAT.

Michael, we are very much looking forward to your joining the USAT team! Please indicate your written acceptance by signing this letter and returning it to me by email.

Sincerely,

USA Technologies, Inc.

By: /s/ Donald W. Layden, Jr.
Donald W. Layden, Jr., President and Chief Executive Officer

Accepted and Agreed to:

/s/ Michael Wasserfuhr
Michael Wasserfuhr

Dated: March 3, 2020

Exhibit 10.3

March 2, 2020

Mr. Glen Goold
116 Mountain Laurel Lane
Malvern PA 19355

Dear Glen:

This will confirm your employment with USA Technologies, Inc. ("USAT" or "the Company") as Chief Accounting Officer ("CAO") acting as principal accounting officer effective February 28, 2020. In your role as CAO you will report to USAT's Chief Financial Officer.

The following are the terms of your employment:

- Your bi-weekly base salary will be $9,615.39, which annualized is $250,000.14.

- You will participate in the Short-Term Incentive ("STI") Plan for USAT's executive officers. If the target goals would be achieved, you would earn a cash bonus equal to thirty percent (30%) of your base salary. This award is subject to the terms and conditions of the STI Plan. For fiscal year 2020, your STI award would be pro-rated from your hire date through the end of USAT's fiscal year ended June 30, 2020.

- You will participate in the Long-Term Incentive Stock Plan ("LTI") for USAT's executive officers. If the year-over-year percentage target goals would be achieved, you would earn an equity award with a value on the last day of the applicable fiscal year equal to thirty percent (30%) of your base salary. This award is subject to the terms and conditions of the LTI Plan. For fiscal year 2020, your LTI award would be pro-rated from your hire date through the end of USAT's fiscal year ended June 30, 2020.

- You have been awarded 8,982 shares of USAT restricted common stock on February 28, 2020, which represents a value, as of the closing price on February 28, 2020 ($8.35), of approximately thirty (30%) percent of your annualized base salary. The shares would vest over a three-year period as follows, provided that you are employed at USAT on the respective vesting dates: 2,994 on the first annual anniversary of the date of the grant; 2,994 on the second annual anniversary of the date of the grant; and 2,994 on the third annual anniversary of the date of the grant. The award would be evidenced by a standard restricted stock award agreement and would be subject to the terms of the equity incentive plan of the Company.

- USAT will continue to allow you to use the leased premises at 116 Mountain Laurel Lane, Malvern PA 19355 until July 27, 2020.

- The Compensation Committee of USAT's Board of Directors, in consultation with the Chief Executive Officer, shall annually review your compensation.

- You would be covered by and entitled to all of the fringe benefits that are generally available to USAT employees, including health insurance, dental insurance, group life and disability insurance, and matching 401(k) plan. Please note that USAT's benefits program is subject to change and any such change would supersede this letter.

- As an exception, you are entitled to accrue 2.084 days of Paid-Time-Off (PTO) per month, (up to twenty-five (25) days of PTO annually (calendar year), in accordance with other provisions of the USAT's PTO policy.

- You will be covered as an executive officer of USAT under our Directors and Officers liability insurance policy.

- You will devote your full time, energy, skills and attention to the business of USAT, and shall not be engaged or employed in any other business activity whatsoever, whether or not such activity is pursued for gain, profit or other pecuniary advantage.

- Employment with USAT is at-will, which means that either you or USAT may end the relationship at any time for any or no reason. Notwithstanding the foregoing, if your employment shall be terminated by USAT for any reason other than for Cause (as defined below) or death, you shall be entitled to receive a severance payment equal to six (6) months of your base bi-weekly salary. The severance payment shall be conditioned upon your signing and delivering to USAT (and not revoking) a release of any and all claims, suits, or causes of action against USAT and its affiliates, in such form as shall be provided to you by USAT. The severance payment would be paid to you over a six (6) month period in accordance with USAT's regular employee payroll practices and would be subject to standard and customary payroll deductions. The term "Cause" shall mean any of the following have occurred or exist as determined by USAT: (A) your fraud, gross malfeasance, or willful misconduct, with respect to USAT's business; (B) any material breach by you of this letter or any policy of USAT; (C) any violation by you 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; (D) conviction of or the entry of a guilty plea or plea of no contest to any felony or to any other crime involving moral turpitude; (E) any intentional misapplication by you of USATs funds, or any material act of dishonesty committed by you; or (F) any other action by you that, in the reasonable judgment of USAT, is damaging or detrimental in a significant way to USAT's business or

reputation. For the purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, whether on the date of this letter or in the future, including but not limited to Cantaloupe Systems, Inc.

- Except in connection with your duties as CAO, you shall not, directly or indirectly, at any time from and after the date hereof, and whether or not your employment with USAT has been terminated or has expired 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, financial information, financial projections, documents, process, procedures, know-how, data, marketing information, marketing methods, marketing means, software information, intellectual property, special arrangement, or any other confidential information concerning the business or policies of USAT, or concerning USAT's customers, clients, accounts, or suppliers, that you learned as a result of, in connection with, through your employment with, or through your affiliation with USAT, but not information that can be shown through documentary evidence to be in the public domain, or information that falls into the public domain, unless such information falls into the public domain by your direct or indirect disclosure or other acts. You agree to use your best endeavors to prevent the unauthorized disclosure or publication of confidential information and not to copy nor remove confidential information from USAT's premises, whether physically or electronically, without the express written permission of USAT. For any and all purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, whether on the date of this letter or in the future, including but not limited to Cantaloupe Systems, Inc.

- For a one-year period following termination or expiration of your employment with USAT for any reason whatsoever, you will not (a) directly or indirectly, solicit for hire for any business entity other than USAT, any person employed by USAT as of the date of termination or expiration of your employment; or (b) directly or indirectly interfere with USATs relations with any person employed by USAT as of the date of termination or expiration of your employment with USAT. Such restriction shall not limit any employee or candidate responding to a general job posting. For all purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, whether on the date of this letter or in the future, including but not limited to, Cantaloupe Systems, Inc.

- For a one-year period following termination or expiration of your employment with USAT for any reason whatsoever, you will be prohibited from soliciting any of USAT's customers in connection with engaging in a business competing with or similar to that of USAT as conducted as of the date of the termination or expiration of your employment, including but not limited to, delivering services or products to unattended

retail locations, and any related production, promotion, marketing, or sales activities relating thereto. For all purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, whether on the date of this letter or in the future, including but not limited to, Cantaloupe Systems, Inc.

- For a one-year period following the termination or expiration of your employment with USAT for any reason whatsoever, you will be prohibited from competing within any geographic area in which USAT's business was conducted as of the date of termination or expiration of your employment, with the business of USAT, as presently or as hereinafter conducted as of the termination or expiration of your employment, including but not limited to, delivering services or products to unattended retail locations, and any related production, promotion, marketing, or sales activities. The term "competing" means acting, directly or indirectly, as a partner, principal, stockholder, joint venture, 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 paragraph. For any and all purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, including but not limited to, Cantaloupe Systems, Inc.

- You acknowledge that any breach by you of the obligations set forth in this letter 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, you agree that in the event of any breach or any threatened breach by you of any of the provisions of this letter, 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 you of all costs and expenses incurred by USAT in enforcing the provisions thereof, including attorneys' fees. The remedies granted to USAT in this letter are cumulative and are in addition to remedies otherwise available to USAT at law or in equity.

- You acknowledge that you will be subject to the following policies of USAT: Employee Manual; Code of Business Conduct and Ethics; Blackout Period and Notification Policy; and Stock Ownership Guidelines for Directors and Executive Officers as well as any other applicable policies that may be adopted by USAT from time to time. As CAO, you would also be required to file statements of beneficial ownership of USAT securities pursuant to Section 16(a) of the Securities Exchange Act of 1934.

- Nothing in this letter prohibits or prevents you 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. You further understand that this letter does not limit your ability to make any disclosures that are protected under the whistleblower provisions of federal law or regulation. This letter does not limit your right to receive an award for information provided to any governmental agencies.

- If any term or provision of this letter or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this letter 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 letter shall be valid and enforceable to the fullest extent permitted by law.

- You represent and warrant to USAT that you are not as of the date of this letter a party to or subject to any employment, non-compete, or similar agreement that would limit or prohibit, in whole or in part, the performance of your employment duties or responsibilities.

Except for the Confidentiality Agreement between you and Randstad Professionals, US, LLC d/b/a Tatum, that you previously signed, this letter constitutes our entire agreement and understanding regarding the matters addressed herein, and merges and supersedes all prior or contemporaneous discussions, agreements and understandings of every nature between us regarding these matters. This letter may only be modified by an agreement in writing executed by both USAT and you.

This letter will be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to the application of the principles of conflicts of laws.

The rights and obligations of both parties under this Agreement shall inure to the benefit of, and shall be binding upon, their respective personal representatives, heirs, successors and assigns. This Agreement, or any part hereof, may be assigned by USAT without your consent. This Agreement, or any part thereof, may not be assigned by you.

Your employment with USAT will also be subject to a satisfactory background investigation to be conducted by USAT.

Glen, we are very much looking forward to your joining the USAT team! Please indicate your written acceptance by signing this letter and returning it to me by email.

Sincerely,

USA Technologies, Inc.

By: /s/ Donald W. Layden, Jr.
Donald W. Layden, Jr., President and Chief Executive Officer

Accepted and Agreed to:

/s/ Glen Goold
Glen Goold
Dated: 3/2/2020

Exhibit 10.4

January 2, 2020

Mr. William Haines
370 Grieson Road
Honey Brook, PA 19344

Dear Tim:

We are pleased to extend to you an offer of employment to join USA Technologies, Inc. ("USAT") as Chief Human Resources Officer ("CHRO"). In your rote as CHRO you will report to me. Your first day of employment will be January 13, 2020.

The following are the terms of your employment:

- Your annual base salary will be $210,000.

- Signing bonus of 7,500 restricted shares of USAT common stock which would vest as follows: one-third on the first annual anniversary of your employment commencement date; one-third on the second annual anniversary of your employment commencement date; and one-third on the third annual anniversary of your employment commencement date. The award of the restricted shares would be subject to and contingent upon approval by the USAT Board of Directors.

- You will participate in the Short-Term Incentive ("STI") Plan for USAT's executive officers. If the target goals would be achieved, you would earn a cash bonus equal to 30% of your base salary. This award is subject to the terms and conditions of the STI Plan. For fiscal year 2020, your STI award would be pro-rated from your start date through the end of USAT's fiscal year ended June 30, 2020.

- You will participate in the Long-Term Incentive Stock Plan ("LTI") for USAT's executive officers. If the year-over-year percentage target goals would be achieved, you would earn an equity award with a value on the last day of the applicable fiscal year equal to 30% of your base salary. This award is subject to the terms and conditions of the LTI Plan. For fiscal year 2020, your LTI award would be pro-rated from your start date through the end of USAT's fiscal year ended June 30, 2020.

- The Compensation Committee of USAT's Board of Directors, in consultation with the Chief Executive Officer, shall annually review your compensation.

- You would be covered by and entitled to all of the fringe benefits that are generally available to USAT employees, including health insurance, dental insurance, group life

and disability insurance, and matching 401(k) plan. Please note that USAT's benefits program is subject to change and any such change would supersede this letter. You shall be entitled to an initial PTO benefit of 23 days effective upon the commencement of your employment with USAT.

- You will be covered as an executive officer of USAT under our Directors and Officers liability insurance policy.

- Employment with USAT is at-will, which means that either you or USAT may end the relationship at any time for any or no reason. Notwithstanding the foregoing, and other than a termination of your employment for cause (which shall not require any prior notice), USAT will provide you with at least sixty (60) days prior notice of the termination of your employment for any or no reason. The term "cause" shall mean any of the following have occurred or exist as determined by USAT: (A) your fraud, gross malfeasance, or willful misconduct, with respect to USATs business; (B) any material breach by you of this letter or any policy of USAT; (C) any violation by you 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; (D) conviction of or the entry of a guilty plea or plea of no contest to any felony or to any other crime involving moral turpitude; (E) any intentional misapplication by you of USATs funds, or any material act of dishonesty committed by you; or (F) any other action by you that, in the reasonable judgment of USAT, is damaging or detrimental in a significant way to USAT's business or reputation. For the purposes of the foregoing sentence, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, whether on the date of this letter or in the future, including but not limited to Cantaloupe Systems, Inc.

  Notwithstanding the foregoing, if your employment shall be terminated by USAT for any reason other than for cause (as defined above) or death, you shall be entitled to receive a severance payment equal to six (6) months of your base monthly salary (in addition to the minimum of sixty (60) days prior notice of termination referred to above). The severance payment shall be conditioned upon your signing and delivering to USAT (and not revoking) a release of any and all claims, suits, or causes of action against USAT and its affiliates, in such form as shall be provided to you by USAT. The severance payment would be paid to you over a six (6) month period in accordance with USAT's regular employee payroll practices and would be subject to standard and customary payroll deductions.

- You will devote your full time, energy, skills and attention to the business of USAT, and shall not be engaged or employed in any other business activity whatsoever, whether or not such activity is pursued for gain, profit or other pecuniary advantage.

- Except in connection with your duties as CHRO, you shall not, directly or indirectly, at any time from and after the date hereof, and whether or not your employment with USAT has been terminated or has expired 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, financial information, financial projections, documents, process, procedures, know-how, data, marketing information, marketing methods, marketing means, software information, intellectual property, special arrangement, or any other confidential information concerning the business or policies of USAT, or concerning USAT's customers, clients, accounts, or suppliers, that you learned as a result of, in connection with, through your employment with, or through your affiliation with USAT, but not information that can be shown through documentary evidence to be in the public domain, or information that falls into the public domain, unless such information falls into the public domain by your direct or indirect disclosure or other acts. You agree to use your best endeavors to prevent the unauthorized disclosure or publication of confidential information and not to copy nor remove confidential information from USAT's premises, whether physically or electronically, without the express written permission of USAT. For any and all purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, whether on the date of this letter or in the future, including but not limited to Cantaloupe Systems, Inc.

- For a one-year period following termination or expiration of your employment with USAT for any reason whatsoever, you will not (a) directly or indirectly, solicit for hire for any business entity other than USAT, any person employed by USAT as of the date of termination or expiration of your employment; or (b) directly or indirectly interfere with USATs relations with any person employed by USAT as of the date of termination or expiration of your employment with USAT. Such restriction shall not limit any employee or candidate responding to a general job posting. For all purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, whether on the date of this letter or in the future, including but not limited to, Cantaloupe Systems, Inc.

- For a one-year period following termination or expiration of your employment with USAT for any reason whatsoever, you will be prohibited from soliciting any of USAT's customers in connection with engaging in a business competing with or similar to that of USAT as conducted as of the date of the termination or expiration of your employment, including but not limited to, delivering services or products to unattended retail locations, and any related production, promotion, marketing, or sales activities relating thereto. For all purposes of this paragraph, the term USAT shall mean and include any affiliate (as such term is defined in Rule 144 under the Securities Act of 1933) of USAT, whether on the date of this letter or in the future, including but not limited to, Cantaloupe Systems, Inc.

- You acknowledge that any breach by you of the obligations set forth in this letter would substantially and materially impair and irreparably harm your 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, you agree that in the event of any breach or any threatened breach by you of any of the provisions of this letter, 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 you of all costs and expenses incurred by USAT in enforcing the provisions thereof, including attorneys' fees. The remedies granted to USAT in this letter are cumulative and are in addition to remedies otherwise available to USAT at law or in equity.

- You acknowledge that you will be subject to the following policies of USAT: Employee Manual; Code of Business Conduct and Ethics; Blackout Period and Notification Policy; and Stock Ownership Guidelines for Directors and Executive Officers as well as any other applicable policies that may be adopted by USAT from time to time. As CHRO, you would also be required to file statements of beneficial ownership of USAT securities pursuant to Section 16(a) of the Securities Exchange Act of 1934.

- Nothing in this letter prohibits or prevents you 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. You further understand that this letter does not limit your ability to make any disclosures that are protected under the whistleblower provisions of federal law or regulation. This letter does not limit your right to receive an award for information provided to any governmental agencies.

- If any term or provision of this letter or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this letter 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 letter shall be valid and enforceable to the fullest extent permitted by law.

- You represent and warrant to USA that you are not as of the date of this letter a party to or subject to any employment, non-compete, or similar agreement that would limit or prohibit, in whole or in part, the performance of your employment duties or responsibilities.

This letter constitutes our entire agreement and understanding regarding the matters addressed herein, and merges and supersedes all prior or contemporaneous discussions, agreements and understandings of every nature between us regarding these matters. This letter may only be modified by an agreement in writing executed by both USAT and you.

This letter will be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to the application of the principles of conflicts of laws.

The rights and obligations of both parties under this Agreement shall inure to the benefit of, and shall be binding upon, their respective personal representatives, heirs, successors and assigns. This Agreement, or any part hereof, may be assigned by USAT without your consent. This Agreement, or any part thereof, may not be assigned by you.

Your employment with USAT will also be subject to a satisfactory background investigation to be conducted by USAT.

Tim, we are very much looking forward to your joining the USA team! Please indicate your written acceptance by signing this letter and returning it to me by email.

Sincerely,

USA Technologies, Inc.

By: /s/ Donald W. Layden, Jr.
Donald W. Layden, Jr., Interim Chief Executive Officer

Accepted and Agreed to:

/s/ William Haines
William Haines

Dated: 1/7/2020

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sean Feeney, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 issuer 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 issuer's most recent fiscal quarter (the issuer's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer'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 issuer'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 issuer'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 issuer's internal control over financial reporting.

Date: June 24, 2020

/s/ Sean Feeney

Sean Feeney

Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Wasserfuhr, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 issuer 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 issuer's most recent fiscal quarter (the issuer's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer'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 issuer'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 issuer'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 issuer's internal control over financial reporting.

Date: June 24, 2020

/s/ Michael Wasserfuhr

Michael Wasserfuhr

Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the accompanying Quarterly Report of USA Technologies, Inc., (the "Company") on Form 10-Q for the period ended March 31, 2020 (the "Report"), I, Sean Feeney, Chief Executive Officer of the Company, hereby certify 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: June 24, 2020

/s/ Sean Feeney

Sean Feeney
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the accompanying Quarterly Report of USA Technologies, Inc., (the "Company") on Form 10-Q for the period ended March 31, 2020 (the "Report"), I, Michael Wasserfuhr, Chief Financial Officer of the Company, hereby certify 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: June 24, 2020

/s/ Michael Wasserfuhr

Michael Wasserfuhr
Chief Financial Officer