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

FORM 10-K

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

For the fiscal year ended June 30, 2015

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 000-50054

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 140, 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	Name Of Each Exchange On Which Registered
Common Stock, no par value	The NASDAQ Stock Market LLC
Series A Convertible Preferred Stock	

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

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

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

Indicate by check mark whether the registrant 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 (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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company x

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

The aggregate market value of the voting common equity securities held by non-affiliates of the Registrant was $55,098,386 as of the last business day of the most recently completed second fiscal quarter, December 31, 2014, based upon the closing price of the Registrant's Common Stock on that date.

As of September 15, 2015, there were 35,854,655 outstanding shares of Common Stock, no par value.

USA TECHNOLOGIES, INC.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

USA TECHNOLOGIES, INC.

PART I

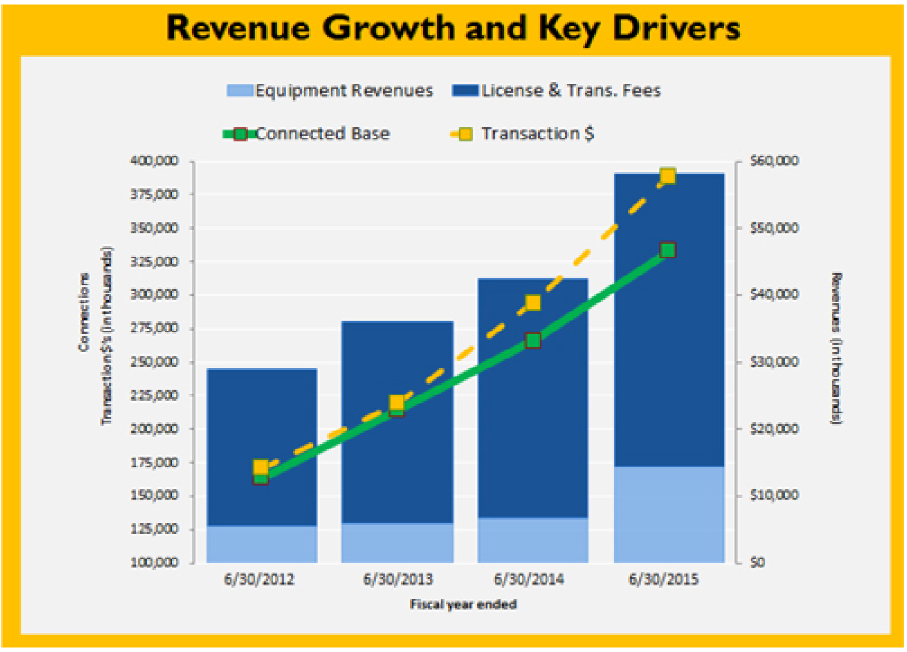
Item 1. Business.

OVERVIEW

USA Technologies, Inc. (the "Company", "We", "USAT", or "Our") was incorporated in the Commonwealth of Pennsylvania in January 1992. We are a provider of technology-enabled solutions and value-added services that facilitate electronic payment transactions primarily within the unattended Point of Sale ("POS") market. We are a leading provider in the small ticket, beverage and food vending industry 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 machine-to-machine ("M2M") 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.

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. Connections to our service stem from the sale or lease of our POS electronic payment devices or certified payment software or the servicing of similar third-party installed POS terminals. The majority of ePort Connect customers pay a monthly fee plus a blended transaction rate on the transaction dollar volume processed by the Company. Connections to the ePort Connect service, therefore, are the most significant driver of the Company's revenues, particularly revenues from license and transaction fees.

As of June 30, 2015, the Company had approximately 333,000 connections to its ePort Connect service, compared to approximately 266,000 connections as of June 30, 2014, representing a 25% increase. During the fiscal year ended June 30, 2015, the Company processed approximately 217 million cashless transactions totaling approximately $389 million in transaction dollars, representing a 28% increase in transaction volume and a 32% increase in dollars processed from the 169 million cashless transactions totaling approximately $294 million during the previous fiscal year ended June 30, 2014.



The above chart shows the increases over the last four fiscal years in the number of connections, revenues and the dollar value of transactions handled by us. The vertical bars depict total revenues, segmented by license and transaction fees and equipment revenues. The solid line depicts the number of connections to our ePort Connect service, as of the end of each of the last four fiscal years, as indicated by the dot at the mid-point on the revenue bar for each year. Similarly, the dollar value of transactions handled by us during each of the last four fiscal years is indicated by the dotted line and the dot at the mid-point on the revenue bar for each year.

Our solutions and services have been designed to simplify the transition to cashless for traditionally cash-only based businesses. As such, they are turnkey and include our comprehensive ePort Connect service and POS electronic payment devices or certified payment software, which are able to process traditional magnetic stripe credit and debit cards, contactless credit and debit cards and mobile payments. Standard services through ePort Connect are maintained on our proprietary operating systems and include merchant account setup on behalf of the customer, automatic processing and settlement, sales reporting and 24x7 customer support. Other value-added services that customers can choose from include things such as cashless deployment planning, cashless performance review and loyalty products and services. Our solutions also provide flexibility to execute a variety of payment applications on a single system, transaction security, connectivity options, compliance with certification standards, and centralized, accurate, real-time sales and inventory data to manage distributed assets (wireless telemetry and M2M).

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

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

THE INDUSTRY

We operate primarily in the small ticket electronic payments industry and, more specifically, the unattended POS market. We also have the ability to accept cashless payment "on the go" through mobile-based payment services, which are generally higher ticket transactions. Our solutions and services facilitate electronic payments in industries that have traditionally relied on cash transactions. We believe the following industry trends are driving growth in demand for electronic payment systems in general and more specifically within the markets we serve:

- Ongoing shift toward electronic payment transactions and away from cash and checks;
- Increasing demand for electronic transaction functionality from both consumers and merchant/operators; and
- Improving POS technology and NFC equipped mobile phone payment technology.

Shift toward electronic payment transactions and away from cash and checks

There has been an ongoing shift away from paper-based methods of payment, including cash and checks, towards electronic-based methods of payment. According to The Nilson Report, December 2012, paper-based methods of payment continued to decline in 2010, representing 38.97% of transaction dollars measured compared to 50.45% in 2005. The four card-based systems—credit, debit, prepaid, and electronic benefits transfer—generated $4.22 trillion in the United States in 2011, 50.6% of transaction dollars measured, compared to 42.3% in 2006. The Nilson Report projects that by 2016 spending at merchants in the U.S., from the four card-based system will grow to $6.5 trillion, or 62.8% of total transaction dollars measured.

Increase in Consumer and Merchant/Operator Demand for Electronic Payments

Increase in Consumer Demand. The unattended, vending and kiosk POS market has historically been dominated by cash purchases. However, oftentimes, cash purchases at unattended POS locations represent a cumbersome transaction for the consumer because they do not have the correct monetary value (paper or coin), or the consumer does not have the ability to convert their bills into coins. We believe electronic payment system providers such as USA Technologies that can meet consumers' demand within the unattended market will be able to offer retailers, card associations, card issuers and payment processors and business owners an expanding value proposition at the POS.

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

Increase in Demand for Networked Assets. M2M (machine-to-machine) technology includes capturing value from wireless modules and electronic devices to improve business productivity and customer service. The term M2M describes any kind of 2-way communication system between geographically distributed devices through a centrally managed software application without human intervention and as such, the Company's integrated POS and ePort Connect remote data management capabilities fall into this category of solution. In addition, networked assets can provide valuable information regarding consumers' purchasing patterns and payment preferences, allowing operators to more effectively tailor their offerings to consumers. According to a Verizon Wireless 2011 whitepaper, titled "When Machines Talk, Businesses Listen", within ten years, the number of machines that can be connected should exceed sixty billion units. The Company believes that its expertise in integrating cashless payments, its scalable network data capacity, its proven ability to handle high transaction volume, and its high quality and reliable data management capabilities make it well suited for the growing opportunities in the M2M market.

POS Technology and NFC Equipped Mobile Phone Payment Improvements

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

With over 70% of the Company's connections contactless enabled to accept NFC payments (in addition to magnetic stripe cards) as of June 30, 2015, we believe that we are well-positioned to benefit from this emerging space.

OUR TECHNOLOGY-BASED SOLUTION

Our solutions have been designed to be turnkey and includes the ePort Connect service, POS electronic payment devices, certified payment software able to process traditional magnetic stripe credit and debit cards, contactless credit and debit cards, and NFC equipped mobile phones that allow consumers to make payments with their cell phones. We believe that our ability to bundle our products and services, as well as the ability to tailor and customize them to individual customer needs, makes it easy and efficient for our customers to adopt and deploy our technology, and results in a service unmatched in the small-ticket, unattended retail market today.

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

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

The Connectivity Mediums. The client devices (described above) are interconnected for the transfer of our customers' data through our ePort Connect network that provides multiple connectivity options such as phone line, ethernet, and wireless. Increased wireless connectivity options, coverage and reliability have allowed us to service a greater number of geographically dispersed customer locations. Additionally, we make it easy for our customers to deploy wireless solutions by acting as a single point of contact. We have contracted with Verizon Wireless and in the United States and Rogers Wireless in Canada in order to supply our customers with wireless network coverage.

Data Security. We are listed on the VISA Global Registry of Service Providers, meaning that VISA has reviewed and accepted our Report on Compliance (RoC) from an authorized Payment Card Industry ("PCI") assessor as a PCI Level 1 Service Provider. Our entry on this is renewed annually, and our current entry is valid through January 31, 2016. The VISA listing can be found online at http://www.visa.com/splisting/searchGrsp.do

OUR SERVICES

For the fiscal year ended June 30, 2015, license and transaction fees generated by our ePort Connect service represented 75% of the Company's revenues. Our ePort Connect solution provides customers with all of the following services, under one cohesive service umbrella:

- Diverse POS options. Ability to connect to a broad product line of cashless acceptance devices or software.

- Card Processing Services. Through our existing relationships with card processors and card associations, we provide merchant account and terminal ID set up, pre-negotiated discounted fees on small ticket purchases, and direct electronic funds transfers (EFTs) to our customers' bank accounts for all settled card transactions as well as ensure compliance with current processing regulations.

- Wireless Connectivity. We manage the wireless account activation, distribution, and the relationship with wireless providers for our customers, if needed.

- Customer/Consumer Services. We support our installed base by providing 24-hour help desk support, repairs, and replacement of impaired system solutions. In addition, all inbound billing inquiries are handled through a 24-hour help desk, thereby eliminating the need for our customers to deal with consumer billing inquiries and potential chargebacks.

- Online Sales Reporting. Via the USALive online reporting system, we provide customers with a host of sales and operational data, including information regarding their credit and cash transactions, user configuration, reporting by machine and region, by date range and transaction type, data reports for operations and finance, graphical reporting of sales, and condition monitoring for equipment service, as well as activation of new devices and redeployments.

- M2M Telemetry and DEX data transfer. DEX, an acronym for digital exchange, is the Vending Industry's standard way to communicate information such as sales, cash in bill validators, coins in coin boxes, sales of units by selection, pricing, door openings, and much more. USA Technologies is able to remotely transfer and push DEX data to customers' route management systems through its DEX partner program. USA Technologies operates within the VDI (Vending Data Interchange) standards established by NAMA (National Automatic Merchandising Association) and sends DEX files compatible with most major remote management software systems.

- Over-the-Air Update Capabilities. Automatic over-the-air updates to software, settings, and security protocol from our network to our ePort card reader keep our customers' hardware up-to-date and enable customers to benefit from any advancement made after their hardware or software purchase.

- Value-added Services. Access to additional services such as ***MORE***, our loyalty program, two-tier pricing, special promotions such as our nationwide Apple Pay mobile payment and loyalty promotion for vending customers, as well as a menu of hardware purchasing options including JumpStart, our terminal-included service option and hardware leasing options through third parties.

- Deployment Planning. Access to services to help operators successfully deploy cashless payment systems and integrated solutions that is based on our extensive market and customer experience data.

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

The Company counts its ePort connections upon shipment of an active terminal to a customer under contract, at which time activation on its network is performed by the Company, and the terminal is capable of conducting business via the Company's network and related services. An ePort connection does not necessarily mean that the unit is actually installed by the customer on a machine, or that the unit has begun processing transactions, or that the Company has begun receiving monthly service fees in connection with the unit. Rather, at the time of shipment of the ePort, the customer becomes obligated to pay the one-time activation fee (if applicable), and is obligated to pay monthly service fees and lease payments (if applicable) in accordance with the terms of the customer's contract with the Company.

OUR PRODUCTS

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

- ePort Edge™ is a one-piece design and is intended for those customers who require a magnetic swipe-only cashless system with basic features at a lower price point.
- ePort G-8 is a two-piece design that supports traditional magnetic stripe credit/debit cards and contactless cards. The ePort G8 telemeter is also available as a stand-alone DEX telemetry solution.
- ePort G-9 has been designed to offer all the features of the G-8 plus additional new features that support expanded acceptance options, consumer engagement offerings and advanced diagnostics.
- QuickConnect is a Web service that allows a client application to securely interface with the Company’s ePort Connect service. QuickConnect essentially replaces ePort SDK (software development kit), which captured our ePort technology in software form for PC-based devices such as kiosks.

Other forms of our ePort technology include:

- eSuds, our solution developed for the commercial laundry industry that enables laundry operators to provide customers cashless transactions via the use of their credit cards, debit cards and other payment mediums such as student IDs. Effective with the April 2013 mutually exclusive agreement with Setomatic Systems, we are no longer selling the entire eSuds solution to new customers, but we continue to provide processing services for laundry machines equipped with cashless hardware supplied by Setomatics Systems.
- ePort Mobile is a mobile acceptance solution for credit and debit cards that is supported by USAT’s ePort Connect service. ePort Mobile is available as a download from the iTunes and Google Play Store and is also available as an All-In-One solution that includes the phone and data plan.

SPECIFIC MARKETS WE SERVE

Our current customers are primarily in the self-serve, small ticket retail markets including beverage and food vending and kiosk, commercial laundry, car wash, tolls, amusement and gaming, and office coffee. While these industry sectors represent only a small fraction of our total market potential, as described below, these are the areas where we have gained the most traction to date. In addition to being our current primary markets, we believe these sectors serve as a proof-of-concept for other unattended POS industry applications.

Vending. According to Vending Times’ 2012 Census of the Industry, annual U.S. sales in the vending industry sector were estimated to be approximately $43 billion in 2011 transacted by over 6 million machines. The Company believes these machines represent a significant market opportunity for electronic payment conversion when compared to the Company’s existing ePort Connect service base and the overall low rate of industry adoption to date. For example, in another study conducted by Automatic Merchandiser (State of the Vending Industry, June 2013) that included a representative 5.4 million machines, cashless adoption was projected at only 7% in 2012, up from 4% in 2011. The increase was attributed to higher product price points, increased acceptance of debit and credit in retail for smaller purchases, Gen X and Y/millennials joining the workforce to become vending consumers and the growing research about how cashless payment systems can increase sales. With the continued shift to electronic payments and the advancement in mobile and POS technology, we believe that the traditional beverage and food vending industry will continue to look to cashless payments and telemetry systems to improve their business results.

Kiosk. According to IHL Consulting Group’s August 2012 North American Self-Service Kiosks Market Study, which defines, for purposes of their study, a kiosk as a self-standing, technology-based, unmanned device deployed across six retail and hospitality environments, approximately $926 billion was going to be transacted through self-service kiosks in 2013, with compound annual growth for the subsequent three years of seven percent (7%). We believe that kiosks are becoming increasingly popular as credit, debit or contactless payment options enable kiosks to sell an increased variety of items. In addition, the study points to the increasing trend toward self-sufficiency, where time is the most important commodity of the consumer. As merchants continue to seek new ways to reach their customers through kiosk applications, we believe the need for a reliable cashless payment provider experienced with machine integration, PCI compliance and cashless payment services designed specifically for the unattended market will be of increasing value in this market. Our existing kiosk customers integrate with our cashless payment services via our QuickConnect Web service using one of our encrypted readers or ePort POS technologies.

Laundry. Our primary targets in laundry consist of the coin-operated commercial laundry and multi-housing laundry markets. According to the Coin Laundry Association, the U.S. commercial laundry industry was comprised of 30,000-35,000 laundromats in 2015 that our partner, Setomatic Systems, estimated translates to roughly 2.5 million commercial washers and dryers. The Coin Laundry Association estimated gross revenue in the laundromat market at nearly $5 billion annually.

Mobile Merchant. New mobile-based payment acceptance technology has made a transformational impact on an entire base of merchants that previously had almost no access to electronic-based payments. Goldman Sachs (Equity Research Report, June 19, 2012) sees the arrival of mobile technology at the micro/small merchant level addressing an estimated 13 million U.S.-based micro merchants that are likely to benefit from the ability to accept electronic payment from mobile devices. The Company believes that its mobile-based acceptance product and existing turnkey service platform align well with the market’s need for integrated, mobile payment solutions.

OUR COMPETITIVE STRENGTHS

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

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

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

3. *Market Leadership.* We believe we have the largest installed base of unattended POS electronic payment systems in the unattended small-ticket retail market for food and beverage vending and we are continuing to expand to other adjacent markets such as laundry, amusement and gaming and kiosks. As of June 30, 2015, we had approximately 333,000 connections to our network. Our installed base supports our sales and marketing initiatives by enhancing our ability to establish or expand our market position. Finally, we believe our installed base provides multiple opportunities for referrals for new business, either from the merchant or operator of the deployed asset or through one of our several strategic relationships.

4. *Attractive Value Proposition for Our Customers*. We believe that our solutions provide our customers an attractive value proposition. Our solutions and services make possible increased purchases by consumers who in the past were limited to the physical cash on hand while making a purchase at an unattended terminal, thereby increasing the universe of potential customers and the buying activity of those customers. In addition, value-added offerings and services such as Two-Tier Pricing, which allows the operator to charge different amounts for the same product depending upon how the consumer chooses to pay, and M2M telemetry provide operators with the ability to pursue additional opportunities to reduce costs and improve operating efficiencies. Lastly, new consumer engagement services further extend the potential for customers to build new revenue opportunities, customer loyalty and brand distinction.

5. *Increasing Scale and Financial Stability.* Due to the continued growth in connections to the Company's ePort Connect service, during the 2015 fiscal year, 75% of the Company's revenues were from licensing and processing fees which are recurring in nature. We believe that this growing scale provides us improved financial stability and the footprint to market and distribute our products and services more effectively and in more markets than most of our competitors.

6. *Customer-Focused Research and Development.* Our research and development initiatives focus primarily on adding features and functionality to our electronic payment solutions based on customer input and emerging market trends. Since we began operations in 1992 and through June 30, 2015, we have been granted 89 patents (US and International) and currently have 12 patent applications pending. We have generated considerable intellectual property and know-how associated with creating a seamless, end-to-end experience for our customers.

OUR GROWTH OPPORTUNITY

Our primary objective is to continue to enhance our position as a leading provider of technology that enables electronic payment transactions and value-added services primarily at small-ticket, self-service retail locations such as vending, kiosks, commercial laundry, and other similar markets. The Company believes its service-approach business model can create a high-margin stream of recurring revenues that could create a foundation for long-term value and continued growth. Key elements of our strategy are to:

<u>Drive Growth in Connections</u>

Leverage Existing Customers/Partners. We have a solid base of key customers across multiple markets, particularly in vending, that have currently deployed our solutions and services to just a small portion of their deployed base. As a result, they are a key component of our plan to drive future sales. We have worked to build these relationships, drive future deployments, and develop customized network interfaces. Our customers have seen the benefits of our products and services first-hand and we believe they represent the largest opportunity to scale connections to our service.

Expand Distribution and Sales Reach. We are intently focused on driving profitable growth through efficient sales channels. Added sales resources and new distribution relationships have led to approximately 2,300 new ePort Connect customers as well as increased penetration in markets such as amusement and arcade, and commercial laundry in fiscal year 2015.

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

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

<u>Expanding the Value of our Service</u>

Capitalize on the emerging NFC and growing mobile payments trends. With over 70% of our connected base contactless enabled to accept NFC payments (including mobile wallets), the Company believes that continued increases in consumer preferences towards contactless payments, including mobile wallets like Apple Pay and Android Pay, represent a significant opportunity for the Company to further drive adoption. According to a market research study conducted in June 2015, almost one in six US consumers (15%) had used a mobile wallet in the past six months, up from 9% in the same period in 2013, and an additional 22% are likely to adopt mobile wallet functionality in the coming six months (The Future of the Mobile Wallet - Chadwick Martin Bailey). As consumers continue to adopt these new methods of cashless payments, it is our belief that adoption will continue to accelerate at a rapid pace and result in more rapid adoption of cashless solutions like USA Technologies' ePort in the markets that we serve.

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

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

Leverage Intellectual Property. Through June 30, 2015, we have been granted 89 patents which contain various claims, including claims relating to payment processing, networking and energy management devices. In addition, we own numerous trademarks, copyrights, and trade secrets. We will continue to explore ways to leverage this intellectual property in order to add value for our customers, attain an increased share of the market, and possibly generate licensing revenues.

SALES AND MARKETING

The Company's sales strategy includes both direct sales and channel development, depending on the particular dynamics of each of our markets. Our marketing strategy is diversified and includes media relations, direct mail, conferences, and client referrals. As of August 31, 2015, the Company was marketing and selling its products through its full and part-time sales staff consisting of nineteen people.

Direct Sales

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

Indirect Sales/ Distribution

As part of our strategy to expand our sales reach while optimizing resources, we also have agreements with select resellers in the car wash, amusement and arcade, and vending markets. We also have a strategic marketing relationship in the commercial laundry market that makes the Company the exclusive service provider to Setomatic Systems' POS offering, SpyderWash. We have also entered into agreements with resellers and distributors in connection with our energy management products.

Marketing

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

IMPORTANT RELATIONSHIPS

Verizon Wireless

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

On September 21, 2011, the Company and Verizon entered into a Joint Marketing Addendum (the "Verizon Agreement") which amended the agreement described above. Pursuant to the Verizon Agreement, the Company and Verizon would work together to help identify business opportunities for the Company's products and services. Verizon may introduce the Company to existing or potential Verizon customers that Verizon believes are potential purchasers of the Company's products or services, and may attend sales calls with the Company made to these customers. The Company and Verizon would collaborate on marketing and communications materials that would be used by each of them to educate and inform customers regarding their joint marketing work. Verizon has the right to list the Company's products and services in its Data Solutions Guide for use by its sales and marketing employees and in its external website. The Company has agreed to pay to Verizon a one-time referral fee for each customer introduced to the Company by Verizon that becomes a customer of the Company. The Verizon Marketing Agreement is terminable by either party upon 45 days' notice.

VISA

As of November 14, 2014, we entered into a three-year agreement with Visa U.S.A. Inc. ("Visa"), pursuant to which Visa has agreed to continue to make available to the Company certain promotional interchange reimbursement fees for small ticket debit and credit card transactions. As previously reported, following implementation of the Durbin Amendment, Visa had significantly increased its interchange fees for small ticket regulated debit card transactions effective October 1, 2011. The promotional interchange reimbursement fees provided by the aforementioned agreement will continue until October 31, 2017.

MasterCard

On January 12, 2015, we entered into a three-year MasterCard Acceptance Agreement ("MasterCard Agreement") with MasterCard International Incorporated ("MasterCard"), pursuant to which MasterCard has agreed to make available to us reduced interchange rates for small ticket debit card transactions in certain merchant category codes. As previously reported, MasterCard had significantly increased its interchange rates for small ticket regulated debit card transactions effective October 1, 2011, and as a result, the Company ceased accepting MasterCard debit card products in mid-November 2011. Pursuant to the MasterCard Agreement, however, the Company is currently accepting MasterCard debit card products for small ticket debit card transactions in the unattended beverage and food vending merchant category code. The Company and MasterCard entered into a first amendment on April 27, 2015, pursuant to which the condition under, or the transactions to, which the MasterCard custom pricing would be available, was amended. The reduced interchange rates became effective on April 20, 2015.

Chase Paymentech

The Company has entered into a five-year Third Party Payment Processor Agreement, dated April 24, 2015 with Paymentech, LLC, through its member, JPMorgan Chase Bank, N.A. ("Chase Paymentech"), pursuant to which Chase Paymentech will act as the provider of credit and debit card transaction processing services (including authorization, conveyance and settlement of transactions) to the Company and its customers. The Agreement provides that Chase Paymentech will act as the exclusive provider of transaction processing services to the Company and its customers for at least 250,000,000 transactions per year. The Agreement provides that Chase Paymentech may modify the pricing for its services upon 30-days' notice, and in connection with certain such increases, the Company has the right to terminate the Agreement upon 120-days' notice.

Compass/Foodbuy

As per its website, Compass is a $13 billion organization with locations worldwide, is the leader in vending, food service management and support services, is the largest national vending operating company, has over 500,000 associates, and is one of the leading owners and operators of vending machines in the United States. Compass is a division of UK-based Compass Group PLC.

On June 30, 2009, we entered into a Master Purchase Agreement ("MPA") with Foodbuy, LLC ("Foodbuy"), the procurement company for Compass Group USA, Inc. ("Compass") and other customers. The MPA provides, among other things, that for a period of thirty-six months, Foodbuy on behalf of Compass shall utilize USAT as the sole credit or debit card vending system hardware and related software and connect services provider for not less than seventy-five percent of the vending machines of Compass utilizing cashless payments solutions. The MPA also provides that for a period of thirty-six months from the effective date of the agreement, USAT shall be a preferred supplier and provider to Foodbuy and its customers, including Compass, of USAT's products and services. The MPA automatically renews for successive one-year periods unless terminated by either party upon sixty days' notice prior to the end of any such one year renewal period. In addition, on July 1, 2009, USAT and Compass, in conjunction with the MPA described above, also entered into a three year ePort Connect Services Agreement pursuant to which USAT will provide Compass with all card processing, data, network, communications and financial services, and DEX telemetry data services required in connection with all Compass vending machines utilizing ePorts. The agreement automatically renews for successive one year periods unless terminated by either party upon sixty days' notice prior to the end of any such one year renewal period. During the fiscal year ended June 30, 2015, Compass, represented approximately 20% of our total revenues.

AMI Entertainment

On August 22, 2011, we entered into an exclusive three-year agreement with AMI Entertainment ("AMI") as their exclusive processor of credit and debit cards and other electronic payments in connection with equipment operated on AMI's network in the U.S. and Canada. The agreement is subject to renewal for one year periods thereafter, subject to notice of non-renewal by either party; the agreement renewed for one year in August 2015. AMI manufactures various types of amusement, entertainment and music equipment for sale to third party users.

Setomatic Systems

In April 2013, we entered into an three-year exclusive agreement with Setomatic Systems ("Setomatic"), a privately owned and operated developer and manufacturer of both open and closed loop card payment systems, drop coin meters and electronic timers for the commercial laundry industry. Under the terms of the agreement, the Company, through our ePort Connect® service, will act as the exclusive service provider for all credit/debit card processing for all new customers of Setomatic's SpyderWash, a credit/debit card acceptance product. Similarly, the Company will market its ePort Connect service in the United States laundry market exclusively through Setomatic.

QUICK START PROGRAM

In order to reduce customers' upfront capital costs associated with the ePort hardware, the Company makes available to its customers the Quick Start program, pursuant to which the customer would enter into a five-year non-cancelable lease with either the Company or a third-party leasing company for the devices. At the end of the lease period, the customer would have the option to purchase the device for a nominal fee.

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

There has been a shift by our customers from acquiring our product via JumpStart, which accounted for 65% of our gross connections in fiscal year 2014, to QuickStart or a straight purchase, which was approximately 89% of gross connections for fiscal 2015. The shift to a straight purchase, along with our ability to increase cash collections under QuickStart sales by utilizing leasing companies, has improved cash provided by operating activities.

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

JUMP START PROGRAM

Pursuant to the JumpStart Program, customers acquire the ePort cashless device at no upfront cost by paying a higher monthly service fee, avoiding the need to make a major upfront capital investment. The Company would continue to own the ePort device utilized by its customer. At the time of the shipment of the ePort device, the customer is obligated to pay to the Company a one-time activation fee, and is later obligated to pay monthly ePort Connect service fees in accordance with the terms of the customer's contract with the Company, in addition to transaction processing fees generated from the device. In fiscal 2015, the Company added approximately 11% of its gross connections through JumpStart.

MANUFACTURING

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

COMPETITION

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

In the cashless laundry market, our joint solution with Setomatic Systems competes with hardware manufacturers, who provide joint solutions to their customers in partnership with payment processors, and with at least one competitor who provides an integrated hardware and payment processing solution.

CUSTOMER CONCENTRATIONS

Customer concentrations for the years ended June 30, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Trade accounts and finance receivables- one customer	35%	22%	41%
License and transaction processing revenues- two customers:			
First customer	21%	26%	26%
Second customer	(1)	(1)	11%
Equipment sales revenue- one customer	17%	(1)	(1)

(1) Less than 10%

TRADEMARKS, PROPRIETARY INFORMATION, AND PATENTS

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

Much of the technology developed or to be developed by the Company is subject to trade secret protection. To reduce the risk of loss of trade secret protection through disclosure, the Company has entered into confidentiality agreements with its key employees. There can be no assurance that the Company will be successful in maintaining such trade secret protection, that they will be recognized as trade secrets by a court of law, or that others will not capitalize on certain aspects of the Company’s technology.

Through June 30, 2015, 89 patents have been granted to the Company, including 76 United States patents and 13 foreign patents, and 6 United States and 6 international patent applications are pending. Of the 89 patents, 73 are still in force.

The Company filed for re-examination of U.S. Patent No. 7,131,575 (Reexamination Control No. 90/008,437) and for reexamination of U.S. Patent No. 6,505,095 (Reexamination Control No. 90/008,448). On January 6, 2009, the U.S. Patent Office issued an Ex Parte Reexamination Certificate in connection with U.S. Patent No. 7,131,575 confirming patentability without any amendment to the claims. On August 11, 2009, the U.S. Patent Office issued an Ex Parte Reexamination Certificate in connection with U.S. Patent No. 6,505,095 which, among other things, approved amendments to certain of the prior claims and approved twelve new claims, for a total of 43 claims.

RESEARCH AND DEVELOPMENT

Research and development expenses, which are included in selling, general and administrative expense in the Consolidated Statements of Operations, were approximately $1,457,000, $1,018,000, and $901,000 for the years ended June 30, 2015, 2014, and 2013, respectively.

EMPLOYEES

On August 31, 2015, the Company had 64 full-time employees and 2 part-time employees.

Item 1A. Risk Factors.

Risks Relating to Our Business

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

We experienced losses from inception through June 30, 2012, with net income for the years ended June 30, 2013 and June 30, 2014. However, we experienced losses for the 2015 fiscal year, and continued profitability is not assured. From our inception through June 30, 2015, our cumulative losses from operations are approximately $172 million. Until the Company's products and services can generate sufficient annual revenues, the Company will be required to use its cash and cash equivalents on hand, its line of credit, and may raise capital to meet its cash flow requirements including the issuance of Common Stock or debt financing. For the year ended June 30, 2015 and 2014, we incurred a net loss of $1,089,482 and earned a net income of $27,530,652 which includes a benefit for income taxes of $27,255,398, respectively. If we incur losses in the future, the price of our common stock can be expected to fall.

The occurrence of unusual or unanticipated non-operational expenses may require us to divert our cash resources from achieving our business plan, adversely affecting our financial performance and resulting in the decline of our stock price.

Our fiscal year 2016 business plan assumes that no material unusual or unanticipated non-operational expenses would be incurred by us. In the event we would incur any such expenses, we would anticipate diverting our cash resources from our JumpStart program in order to fund any such expenses. Any such occurrence may cause our anticipated connections, revenues, gross profits, adjusted EBITDA, and other financial metrics for the 2016 fiscal year and beyond to be materially adversely affected. In such event, the price of our common stock could be expected to fall.

The inability of our customers to utilize third party leasing companies under our QuickStart program would materially adversely affect our cash generated from operating activities and/or attaining our business plan.

The use of third party leasing companies by our customers under our QuickStart program positively affects our net cash provided by operating activities because we receive the purchase price from the leasing company at the time of the sale. There can be no assurance that we will be able to obtain such third party leasing companies. To the extent that third party leasing companies would not be available, we would lease the equipment directly to our customers. In such event, our net cash from operating activities would be adversely affected and we may be required to incur additional equity or debt financing to fund operations. In the alternative, we would not be able to attain our business plan, including anticipated connections and revenues.

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

At June 30, 2015, we had net working capital of $6,293,137. We had net cash provided by operating activities of $(1,697,742), $7,085,400, and $6,038,952 for the fiscal years ended June 30, 2015, 2014, and 2013, respectively. Although we believe that we have adequate existing resources (used in) to provide for our funding requirements through at least July 1, 2016, there can be no assurances that we will be able to continue to generate sufficient funds thereafter. Unless we maintain or grow our current level of operations, we may need additional funds to continue these operations. We may also need additional capital to update our technology or respond to unusual or unanticipated non-operational events. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences could be a material adverse effect on our business, operating results, financial condition and prospects.

Our future operating results may fluctuate.

Our future operating results will depend significantly on our ability to continue to drive revenues from license and transaction fees and our ability to develop and commercialize new products and services. Our operating results may fluctuate based upon many factors, including:

- fluctuations in revenue generated by our business;
- fluctuations in operating expenses;
- our ability to establish or maintain effective relationships with significant partners and suppliers on acceptable terms;
- the amount of debit or credit card interchange rates that are charged by Visa and MasterCard;
- the fees that we charge our customers for processing services;
- the successful operation of our network;
- the commercial success of our customers, which could be affected by such factors as general economic conditions;
- the level of product and price competition;
- the timing and cost of, and our ability to develop and successfully commercialize, new or enhanced products and services;
- activities of, and acquisitions or announcements by, competitors;
- the impact from any impairment of inventory, goodwill, fixed assets or intangibles;
- the ability to increase the number of customer connections to our network;
- marketing programs which delay realization by us of monthly service fees on our new connections;
- the material breach of security of any of the Company's systems or third party systems utilized by the Company; and

- the anticipation of and response to technological changes.

Our products may fail to gain substantial increased market acceptance. As a result, we may not generate sufficient revenues or profit margins to achieve our financial objectives or growth plans.

There can be no assurances that demand for our products will be sufficient to enable us to generate sufficient revenue or become profitable on a sustainable basis. Likewise, no assurance can be given that we will be able to have a sufficient number of ePorts® connected to our network or sell or lease equipment utilizing our network to enough locations to achieve significant revenues. Alternatively, the locations which utilize the network may not be successful locations and our revenues would be adversely affected. We may lose locations utilizing our products to competitors, or may not be able to install our products at competitors' locations, or may not obtain future locations which would be obtained by our competitors. In addition, there can be no assurance that our products could evolve or be improved to meet the future needs of the marketplace. In any such event we may not be able to achieve our growth plans, including anticipated connections and revenue growth.

We may be required to incur further debt to meet future capital requirements of our business. Should we be required to incur additional debt, the restrictions imposed by the terms of such debt could adversely affect our financial condition and our ability to respond to changes in our business.

If we incur additional debt, we may be subject to the following risks:

- our vulnerability to adverse economic conditions and competitive pressures may be heightened;
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited;
- our debt covenants may affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;
- a high level of debt may place us at a competitive disadvantage compared to our competitors that are less leveraged and therefore, may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing;
- the covenants contained in the agreements governing our outstanding indebtedness may limit our ability to borrow additional funds, dispose of assets and make certain investments;
- a significant portion of our cash flows could be used to service our indebtedness;
- we may be sensitive to fluctuations in interest rates if any of our debt obligations are subject to variable interest rates; and
- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired.

We cannot assure you that our leverage and such restrictions will not materially and adversely affect our ability to finance our future operations or capital needs or to engage in other business activities. In addition, we cannot assure you that additional financing will be available when required or, if available, will be on terms satisfactory to us.

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

We have derived, and believe we may continue to derive, a significant portion of our revenues from one large customer or a limited number of large customers. Customer concentrations for the years ended June 30, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Trade accounts and finance receivables- one customer	35%	22%	41%
License and transaction processing revenues- two customers:			
First customer	21%	26%	26%
Second customer	(1)	(1)	11%
Equipment sales revenue- one customer	17%	(1)	(1)

(1) Less than 10%

Our customers may buy less of our products or services depending on their own technological developments, end-user demand for our products and internal budget cycles. A major customer in one year may not purchase any of our products or services in another year, which may negatively affect our financial performance. If we are required to sell products to any of our large customers at reduced prices or unfavorable terms, our results of operations and revenue could be materially adversely affected. Further, there is no assurance that our customers will continue to utilize our transaction processing and related services as our customer agreements are generally cancelable by the customer on thirty to sixty days' notice.

We depend on our key personnel and if they would leave us, our business could be adversely affected.

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

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

We have entered into an employment agreement with Mr. Herbert that expires on January 1, 2016 and with Mr. DeMedio which expires on June 30, 2016, each of which contains confidentiality and non-compete agreements.

We also may be unable to retain other existing senior management, sales personnel, and development and engineering personnel critical to our ability to execute our business plan, which could result in harm to key customer relationships, loss of key information, expertise or know-how and unanticipated recruitment and training costs.

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

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

Through June 30, 2015, we had 12 pending United States and foreign patent applications, and will consider filing applications for additional patents covering aspects of our future developments, although there can be no assurance that we will do so. In addition, there can be no assurance that we will maintain or prosecute these applications. The United States Government and other countries have granted us 89 patents as of June 30, 2015. There can be no assurance that:

- any of the remaining patent applications will be granted to us;

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

If any of our products or services is found to have infringed any patent, there can be no assurance that we will be able to obtain licenses to continue to manufacture, use, sell, and license such product or service or that we will not have to pay damages and/or be enjoined as a result of such infringement. Even if a patent application is granted for any of our products, there can be no assurance that the patented technology will be a commercial success or result in any profits to us.

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

Competition from others could prevent the Company from increasing revenue and achieving its growth plans.

While we are a leading provider and believe we have the largest installed base of unattended POS electronic payment systems in the small ticket, beverage and food vending industry, our competitors are increasingly and actively marketing products and services that compete with our products and services in this vending space. The competition includes manufacturers who may include in their new vending machines their own (or another third party's) cashless payment systems and services other than our systems and services. While we believe our products and services are superior to our competitors, many of our competitors are much larger enterprises and have substantially greater revenues. In addition to these competitors, there are also numerous credit card processors that offer card processing services to traditional retail establishments that could decide to offer similar services to the industries that we serve. Competition from other companies, including those that are well established and have substantially greater resources, may reduce our profitability or reduce our business opportunities. Competition may result in lower profit margins on our products or may reduce potential profits or result in a loss of some or all of our customer base. To the extent that our competitors are able to offer more attractive technology, our ability to compete could be adversely affected.

The termination of any of our relationships with third parties upon whom we rely for supplies and services that are critical to our products could adversely affect our business and delay achievement of our business plan.

We depend on arrangements with third parties for a variety of component parts used in our products. We have contracted with various suppliers to assist us to develop and manufacture our ePort® products. For other components, we do not have supply contracts with any of our third-party suppliers and we purchase components as needed from time to time. We have contracted with a third-party data system recovery vendor to host our network in a secure, 24/7 environment to ensure the reliability of our network services. We also have contracted with multiple land-based telecommunications providers to ensure the reliability of our land-based network. If these business relationships are terminated, the implementation of our business plan may be delayed until an alternative supplier or service provider can be retained. If we are unable to find another source or one that is comparable, the content and quality of our products could suffer and our business, operating results and financial condition could be harmed.

A disruption in the manufacturing capabilities of our third-party manufacturers, suppliers or distributors would negatively impact our ability to meet customer requirements.

We depend upon third-party manufacturers, suppliers and distributors to deliver components free from defects, competitive in functionality and cost, and in compliance with our specifications and delivery schedules. Since we generally do not maintain large inventories of our products or components, any termination of, or significant disruption in, our manufacturing capability or our relationship with our third-party manufacturers or suppliers may prevent us from filling customer orders in a timely manner.

We have occasionally experienced, and may in the future experience, delays in delivery of products and delivery of products of inferior quality from third-party manufacturers. Although alternate manufacturers and suppliers are generally available to produce our products and product components, the number of manufacturers or suppliers of some of our products and components is limited, and a qualified replacement manufacturer or supplier could take several months. In addition, our use of third-party manufacturers reduces our direct control over product quality, manufacturing timing, yields and costs. Disruption of the manufacture or supply of our products and components, or a third-party manufacturer's or supplier's failure to remain competitive in functionality, quality or price, could delay or interrupt our ability to manufacture or deliver our products to customers on a timely basis, which would have a material adverse effect on our business and financial performance.

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

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

Our reliance on our wireless telecommunication service provider exposes us to a number of risks over which we have no control, including risks with respect to increased prices and termination of essential services.

The operation of our wireless networked devices depends upon the capacity, reliability and security of services provided to us by our wireless telecommunication services providers, AT&T Mobility and Verizon Wireless. We have no control over the operation, quality or maintenance of these services or whether the vendor will improve its services or continue to provide services that are essential to our business. In addition, subject to our existing contracts with them, our wireless telecommunication services providers may increase their prices, which would increase our costs. If our wireless telecommunication services providers were to cease to provide essential services or to significantly increase prices, we could be required to find alternative vendors for these services. With a limited number of vendors, we could experience significant delays in obtaining new or replacement services, which could lead to slowdowns or failures of our network. In addition, we may have to replace our existing ePort® devices that are already installed in the marketplace and which are utilizing the existing vendor’s services. This could significantly harm our reputation and could cause us to lose customers and revenues.

We may accumulate excess or obsolete inventory that could result in unanticipated price reductions and write downs and adversely affect our financial results.

Managing the proper inventory levels for components and finished products is challenging. In formulating our product offerings, we have focused our efforts on providing products with greater capability and functionality, which requires us to develop and incorporate the most current technologies in our products. This approach tends to increase the risk of obsolescence for products and components we hold in inventory and may compound the difficulties posed by other factors that affect our inventory levels, including the following:

- the need to maintain significant inventory of components that are in limited supply;
- buying components in bulk for the best pricing;
- responding to the unpredictable demand for products;
- responding to customer requests for short lead-time delivery schedules; and
- failure of customers to take delivery of ordered products.

If we accumulate excess or obsolete inventory, price reductions and inventory write-downs may result, which could adversely affect our results of operation and financial condition.

We may not be able to adapt to changing technology and our customers' technology needs.

We face rapidly changing technology and frequent new service offerings that can render existing services obsolete or unmarketable. Our future depends, in part, on our ability to enhance existing services and to develop, introduce and market, on a timely and cost effective basis, new services that keep pace with technological developments and customer requirements. Developing new products and technologies is a complex, uncertain process requiring innovation and accurate anticipation of technological and market trends. When changes to the product line are announced, we will be challenged to manage possible shortened life cycles for existing products and continue to sell existing products. Our inability to respond effectively to any of these challenges may have a material adverse effect on our business and financial success.

Security is vital to our customers and therefore breaches in the security of transactions involving our products or services could adversely affect our reputation and results of operations.

Protection against fraud is of key importance to purchasers and end-users of our products. We incorporate security features, such as encryption software and secure hardware, into our products to protect against fraud in electronic payment transactions and to ensure the privacy and integrity of consumer data. We design and test our products to industry security standards and our products and methodologies are under periodic review and improvement. We also maintain the highest level PCI validation standard as mandated by the card industry and engage third party auditors not only to ensure that we meet the highest industry standards, but also to advise us on improving our security methods. Nevertheless, our products and services and third party products and services that are utilized by us may be vulnerable to breaches in security due to defects in our security mechanisms, the operating system and applications in our hardware platform. Security vulnerabilities could jeopardize the security of information transmitted or stored using our products. The security of the information in our products is compromised, our reputation and marketplace acceptance of our products will be adversely affected, which would adversely affect our results of operations, and subject us to potential liability. If our security applications are breached and sensitive data is lost or stolen, we could incur significant costs to not only assess and repair any damage to our systems, but also to reimburse customers for losses that occur from the fraudulent use of the data. We may also be subject to fines and penalties from the credit card associations in the event of the loss of confidential card information.

Our products and services may be vulnerable to security breach.

Credit card issuers have promulgated credit card security guidelines as part of their ongoing efforts to battle identity theft and credit card fraud. We continue to work with credit card issuers to assure that our products and services comply with these rules. There can be no assurances, however, that our products and services or third party products and services utilized by us are invulnerable to unauthorized access or hacking. When there is unauthorized access to credit card data that results in financial loss, there is the potential that parties could seek damages from us, and our business reputation may be materially adversely affected.

If we fail to adhere to the standards of the Visa and MasterCard credit card associations, our registrations with these associations could be terminated and we could be required to stop providing payment processing services for Visa and MasterCard.

Substantially all of the transactions handled by our network involve Visa or MasterCard. If we fail to comply with the applicable requirements of the Visa and MasterCard credit card associations, Visa or MasterCard could suspend or terminate our registration with them. The termination of our registration with them or any changes in the Visa or MasterCard rules that would impair our registration with them could require us to stop providing payment processing services through our network. In such event, our business plan and/or competitive advantages in the market place could be materially adversely affected.

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

We rely on agreements with other large payment processing organizations, primarily Chase Paymentech, to enable us to provide card authorization, data capture, settlement and merchant accounting services and access to various reporting tools for the customers we serve. The termination by our card processing providers of their arrangements with us or their failure to perform their services efficiently and effectively may adversely affect our relationships with the customers whose accounts we serve and may cause those customers to terminate their processing agreements with us.

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

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

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

As of November 14, 2014, we entered into a three-year agreement with Visa U.S.A. Inc. ("Visa"), pursuant to which Visa has agreed to continue to make available to the Company certain promotional interchange reimbursement fees for small ticket debit and credit card transactions. Similarly, MasterCard International Incorporated ("MasterCard") has agreed to make available to us reduced interchange rates for small ticket debit card transactions pursuant to a three-year MasterCard Acceptance Agreement dated January 12, 2015, as amended by a First Amendment thereto dated April 27, 2015. If the foregoing agreements with Visa and MasterCard are not extended, our financial results would be materially adversely affected unless we are able to pass these significant additional charges to our customers.

Increases in card association and debit network interchange fees could increase our operating costs or otherwise adversely affect our operations. If we do not pass along to our customers any future increases in credit or debit card interchange fees, assessments and transaction fees, our gross profits would be reduced.

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

During the term of the Visa Agreement, the Company does not anticipate accepting any debit cards with interchange fees that are higher than the rates provided under the Visa Agreement. The Company will continue to accept Visa- and MasterCard- branded debit cards in addition to all major credit cards, including Visa, MasterCard, Discover and American Express at its current processing rates. If the Visa or MasterCard Agreements are not extended, our financial results would be materially adversely affected unless we are able to pass these significant additional charges to our customers.

The ability to recruit, retain and develop qualified personnel is critical to the Company's success and growth.

For the Company to successfully compete and grow, it must retain, recruit and develop the necessary personnel who can provide the needed expertise required in its business. In addition, the Company must develop its personnel to provide succession plans capable of maintaining continuity in the midst of the inevitable unpredictability of human capital. However, the market for qualified personnel is competitive and the Company may not succeed in recruiting additional personnel or may fail to effectively replace current personnel who depart with qualified or effective successors. The Company's effort to retain and develop personnel may also result in significant additional expenses. The Company cannot assure that key personnel, including executive officers, will continue to be employed or that it will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on the Company.

Risks Related to Our Common Stock

We do not expect to pay cash dividends in the foreseeable future and therefore investors should not anticipate cash dividends on their investment.

The holders of our common stock and series A convertible preferred stock are entitled to receive dividends when, and if, declared by our board of directors. Our board of directors does not intend to pay cash dividends in the foreseeable future, but instead intends to retain any and all earnings to finance the growth of the business. To date, we have not paid any cash dividends on our common stock or our series A convertible preferred stock and there can be no assurance that cash dividends will ever be paid on our common stock.

In addition, our articles of incorporation prohibit the declaration of any dividends on our common stock unless and until all unpaid and accumulated dividends on the series A convertible preferred stock have been declared and paid. Through September 15, 2015, the unpaid and cumulative dividends on the series A convertible preferred stock are $13,257,454. As of June 30, 2015, each share of series A convertible preferred stock was convertible into 0.1940 of a share of common stock at the option of the holder and is subject to further adjustment as provided in our Articles of Incorporation. The unpaid and cumulative dividends on the series A convertible preferred stock are convertible into shares of our common stock at the rate of $1,000 per share at the option of the holder. During the year ended June 30, 2015, none of our series A convertible preferred stock and no cumulative preferred dividends were converted into shares of common stock.

Our articles of incorporation also provide that the preferred stock has a liquidation preference over the common stock in the amount of $10 per share plus accrued and unpaid dividends. As of June 30, 2015, the liquidation preference was $17,354,908.

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

Our articles of incorporation provide that upon a merger or sale of substantially all of our assets or upon the disposition of more than 50% of our voting power, the holders of at least 60% of the preferred stock may elect to have such transaction treated as a liquidation and be entitled to receive their liquidation preference. Upon our liquidation, the holders of our preferred stock are entitled to receive a liquidation preference prior to any distribution to the holders of common stock which as of June 30, 2015 is equal to $17,354,908.

The terms of the warrants that were issued in March 2011 to acquire up to 3,900,000 shares of common stock at $2.6058 per share which expire in September 2016 provide that upon a Fundamental Transaction (as defined in the warrant) the holder shall have the right to have the warrant purchased by the Company for cash at its Black Scholes Value (as defined in the warrant). The term Fundamental Transaction includes a merger, sale of substantially all of our assets, or if any person shall acquire 50% or more of the voting power of our shares. The Black Scholes Value (as defined in the warrant) payable for the 3,900,000 warrants as of June 30, 2015 was approximately $5.3 million.

We may issue additional shares of our common stock, which could depress the market price of our common stock and dilute your ownership.

As of September 15, 2015, we had issued and outstanding warrants to purchase 4,298,000 shares of our common stock. The shares underlying 4,253,000 of these warrants have been registered and may be freely sold. Market sales of large amounts of our common stock, or the potential for those sales even if they do not actually occur, may have the effect of depressing the market price of our common stock. In addition, if our future financing needs require us to issue additional shares of common stock or securities convertible into common stock, the supply of common stock available for resale could be increased which could stimulate trading activity and cause the market price of our common stock to drop, even if our business is doing well. Furthermore, the issuance of any additional shares of our common stock including those pursuant to the exercise of warrants by the holders thereof, or securities convertible into our common stock could be substantially dilutive to holders of our common stock.

Our stock price may be volatile.

The trading price of our common stock is expected to be subject to significant fluctuations in response to various factors including, but not limited to, the following:

- variations in operating results and achievement of key business metrics;
- changes in earnings estimates by securities analysts, if any;
- any differences between reported results and securities analysts' published or unpublished expectations;
- announcements of new contracts, service offerings or technological innovations by us or our competitors;
- market reaction to any acquisitions, joint ventures or strategic investments announced by us or our competitors;
- demand for our services and products;
- shares of common stock being sold pursuant to Rule 144 or upon exercise of warrants;
- regulatory matters;
- concerns about our financial position, operating results, litigation, government regulation, developments or disputes relating to agreements, patents or proprietary rights;
- potential dilutive effects of future sales of shares of common stock by shareholders and by the Company;
- the amount of average daily trading volume in our common stock;
- our ability to obtain working capital financing; and
- general economic or stock market conditions unrelated to our operating performance.

The securities market in recent years has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations, as well as general economic conditions, may also materially and adversely affect the market price of our common stock.

The substantial market overhang of our shares may tend to depress the market price of our shares.

As of September 15, 2015, the Company has 4,253,000 of our shares underlying warrants exercisable at $2.6058 per share at any time before September 18, 2016 which are required to be registered by us for resale under applicable securities laws. Sales in the public market of a substantial number of the shares underlying these warrants, or the perception that these sales may occur, could cause the market price of our common stock to decline. In addition, the sale of these shares could impair our ability to raise capital, should we wish to do so, through the sale of additional common stock. We are unable to estimate the number of shares that may be sold because this will depend on the market price for our common stock, the personal circumstances of the sellers and other factors.

Director and officer liability is limited.

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

Our publicly-filed reports are reviewed by the SEC from time to time and any significant changes required as a result of any such review may result in material liability to us, and have a material adverse impact on the trading price of our common stock.

The reports of publicly-traded companies are subject to review by the SEC from time to time for the purpose of assisting companies in complying with applicable disclosure requirements and to enhance the overall effectiveness of companies' public filings, and comprehensive reviews of such reports are now required at least every three years under the Sarbanes-Oxley Act of 2002. SEC reviews may be initiated at any time. While we believe that our previously filed SEC reports comply, and we intend that all future reports will comply in all material respects with the published SEC rules and regulations, we could be required to modify or reformulate information contained in prior filings as a result of an SEC review. Any modification or reformulation of information contained in such reports could be significant and result in material liability to us and have a material adverse impact on the trading price of our common stock.

Item 2. Properties.

The Company conducts its operations from various facilities under operating leases. The Company leases 17,249 square feet of space located in Malvern, Pennsylvania for its principal executive office and for general administrative functions, sales activities, product development, and customer support. The lease term expires on April 30, 2016. As of June 30, 2015, the Company's rent payment for this facility is approximately $32,000 per month.

The Company also leases 11,250 square feet of space in Malvern, Pennsylvania for its product warehousing and shipping under a lease agreement, which expires on February 28, 2016. As of June 30, 2015, the Company's rent payment is approximately $5,000 per month.

Item 3. Legal Proceedings.

On January 26, 2015, Universal Clearing Solutions, LLC ("Universal Clearing"), a former non-vending customer of the Company, filed a complaint against the Company in the United States District Court for the District of Arizona. On April 10, 2015, Universal Clearing filed an amended complaint, and on June 19, 2015, Universal Clearing filed a second amended complaint, which alleged causes of action against the Company for breach of contract, breach of fiduciary duty, and defamation. The allegations in the complaint relate to an agreement entered into between the Company and Universal Clearing pursuant to which Universal Clearing could board certain sub-merchants on the Company's service. The complaint seeks monetary damages allegedly incurred by Universal Clearing as a result of, among other things, the Company's refusal to board on its service certain sub-merchants of Universal Clearing. On July 24, 2015, the Company filed an answer to the defamation count of the complaint denying the allegations, and filed a motion to dismiss the remaining counts. The court has not yet ruled on the Company's motion to dismiss.

On July 24, 2015, the Company filed a counterclaim against Universal Clearing seeking damages of approximately $680,000 which were incurred by the Company in connection with chargebacks relating to Universal Clearing's sub-merchants which had been boarded on the Company's service. The counterclaim alleges that Universal Clearing is responsible under the agreement for these chargebacks, and Universal Clearing misrepresented to the Company the business practices and other matters relating to these sub-merchants. On August 17, 2015, Universal Clearing filed an answer to the counterclaim denying that it was responsible for the chargebacks or had made any misrepresentations.

On August 7, 2015, the Company filed a third party complaint in the pending action against Steven Juliver, the manager of Universal Clearing, as well as against Universal Tranware, LLC, and Secureswype, LLC, entities affiliated with Universal Clearing. The third party complaint sets forth causes of action for fraud and breach of contract, and seeks to recover from these defendants the chargebacks relating to Universal Clearing's sub-merchants described above. On September 14, 2015, the third party defendants filed a motion to dismiss the third party complaint. The court has not yet ruled on the motion to dismiss.

The Company does not believe that the claims set forth in the second amended complaint have merit and intends to vigorously defend this matter. The Company does not believe that this action would have a material adverse effect on its financial statements, results of operations or cash flows. The Company also intends to pursue its claims for damages set forth in the counterclaim and third party complaint.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

The common stock of the Company trades on The NASDAQ Global Market under the symbol USAT. The high and low bid prices on The NASDAQ Global Market for the common stock were as follows:

Year ended June 30, 2015	High	Low
First Quarter (through September 30, 2014)	$ 2.45	$ 1.71
Second Quarter (through December 31, 2014)	$ 1.87	$ 1.42
Third Quarter (through March 31, 2015)	$ 2.76	$ 1.55
Fourth Quarter (through June 30, 2015)	$ 3.36	$ 2.61

Year ended June 30, 2014	High	Low
First Quarter (through September 30, 2013)	$ 2.18	$ 1.60
Second Quarter (through December 31, 2013)	$ 2.01	$ 1.40
Third Quarter (through March 31, 2014)	$ 2.48	$ 1.80
Fourth Quarter (through June 30, 2014)	$ 2.24	$ 1.73

On September 15, 2015, there were 614 record holders of the common stock and 306 record holders of the preferred stock.

The holders of the common stock are entitled to receive such dividends as the Board of Directors of the Company may from time to time declare out of funds legally available for payment of dividends. Through the date hereof, no cash dividends have been declared on the Company's common stock or preferred stock. No dividend may be paid on the common stock until all accumulated and unpaid dividends on the preferred stock have been paid. As of September 15, 2015, such accumulated unpaid dividends amounted to $13,257,454. The preferred stock is also entitled to a liquidation preference over the common stock which as of June 30, 2015 equaled $17,354,908.

As of June 30, 2015, equity securities authorized for issuance by the Company with respect to compensation plans were as follows:

Plan category	Number of Securities to be issued upon exercise of outstanding options and warrants (a)	Weighted average exercise price of outstanding options and warrants (b)	Number of securities remaining available for future issuance (excluding securities reflected in column (a)) (c)	
Equity compensation plans approved by security holders	513,888	$ 1.88	1,491,119	(1)

(1) Represents 1,250,000 shares of common stock issuable under the 2015 Equity Incentive Plan as approved by shareholders on June 18, 2015, and 241,119 shares of common stock issuable under the Company's 2013 Stock Incentive Plan as approved by shareholders on June 21, 2013 for use in compensating employees, officers and directors.

As of September 15, 2015, shares of common stock reserved for future issuance were as follows:

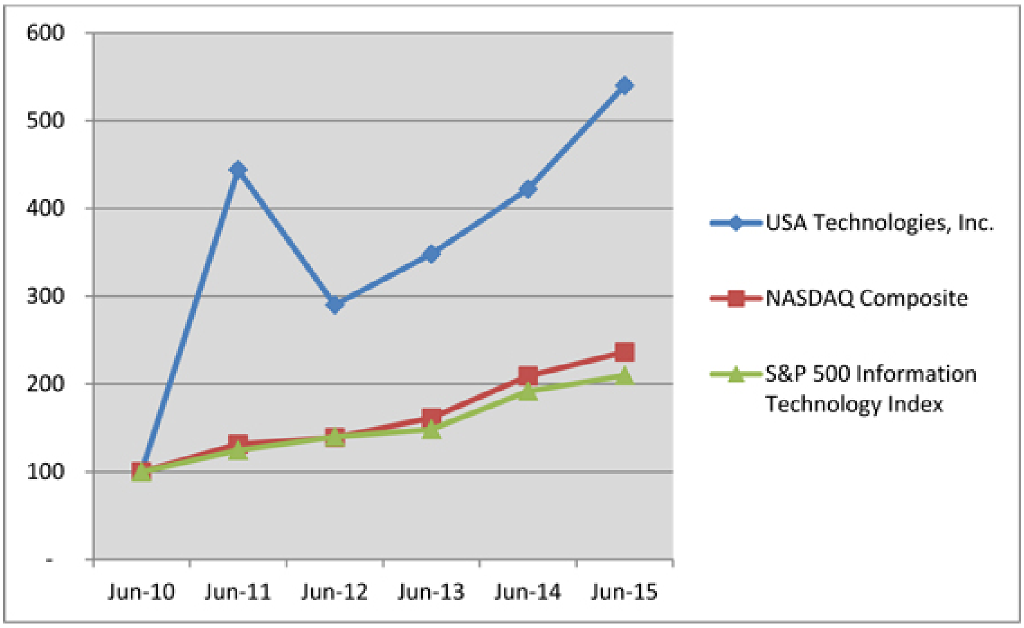
- 4,298,000 shares issuable upon the exercise of common stock warrants at exercise prices ranging from $2.10 to $2.6058 per share; all warrants were exercisable as of September 15, 2015;
- 99,193 shares issuable upon the conversion of outstanding preferred stock and cumulative preferred stock dividends;
- 241,119 shares issuable under the 2013 Stock Incentive Plan;
- 750,000 shares underlying stock options issued or to be issued under the 2014 Stock Option Incentive Plan;
- 1,250,000 shares issuable under the 2015 Equity Incentive Plan;
- 140,000 shares issuable to our former CEO upon the occurrence of a USA Transaction.

PERFORMANCE GRAPH

The following graph shows a comparison of the 5-year cumulative total shareholder return for our common stock with The NASDAQ Composite Index and the S&P 500 Information Technology Index for small cap companies in the United States. The graph assumes a $100 investment on June 30, 2010 in our common stock and in the NASDAQ Composite Index and the S&P 500 Information Technology Index, including reinvestment of dividends.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN

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



Total Return For:	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15
USA Technologies, Inc.	$ 100	$ 444	$ 290	$ 348	$ 422	$ 540
NASDAQ Composite	100	131	139	161	209	236
S&P 500 Information Technology Index	100	125	140	148	192	210

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

Item 6. Selected Financial Data.

The following selected financial data for the five years ended June 30, 2015 are derived from the audited consolidated financial statements of USA Technologies, Inc. The data should be read in conjunction with the consolidated financial statements, related notes, and other financial information.

	Year ended June 30,				
	2015	2014 (1)	2013	2012	2011
OPERATIONS DATA:					
Revenues	$ 58,077,474	$ 42,344,964	$ 35,940,244	$ 29,017,243	$ 22,868,789
Operating income (loss)	$ (240,303)	$ 436,332	$ 713,925	$ (7,000,392)	$ (5,688,217)
Net Income (loss)	$ (1,089,482)	$ 27,530,652	$ 854,123	$ (5,211,238)	$ (6,457,067)
Cumulative preferred dividends	$ (664,452)	$ (664,452)	$ (664,452)	$ (664,452)	$ (665,577)
Net income (loss) applicable to common shares	$ (1,753,934)	$ 26,866,200	$ 189,671	$ (5,875,690)	$ (7,122,644)
Net earnings (loss) per common share - basic and diluted	$ (0.05)	$ 0.78	$ 0.01	$ (0.18)	$ (0.26)
Cash dividends per common share	-	-	-	-	-
BALANCE SHEET DATA:					
Total assets	$ 73,835,195	$ 70,764,242	$ 36,576,196	$ 33,219,657	$ 36,004,005
Long-term debt	$ 2,331,946	$ 422,776	$ 369,906	$ 728,330	$ 253,061
Shareholders' equity	$ 53,310,709	$ 53,736,667	$ 23,379,191	$ 21,655,022	$ 26,125,531
CASH FLOW DATA:					
Net cash provided by (used in) operating activities	(1,697,742)	7,085,400	6,038,952	78,236	(908,227)
Net cash provided by (used in) investing activities	3,353,491	(7,917,452)	(9,180,837)	(6,232,814)	(4,554,692)
Net cash provided by (used in) financing activities	645,904	3,923,372	2,696,240	(410,288)	10,850,106
Net increase (decrease) in cash and cash equivalents	2,301,653	3,091,320	(445,645)	(6,564,866)	5,387,187
Cash and cash equivalents at beginning of period	9,072,320	5,981,000	6,426,645	12,991,511	7,604,324
Cash and cash equivalents at end of period	$ 11,373,973	$ 9,072,320	$ 5,981,000	$ 6,426,645	$ 12,991,511
CONNECTIONS AND TRANSACTION DATA (UNAUDITED)					
Net New Connections	67,000	52,000	50,000	45,000	37,000
Total Connections	333,000	266,000	214,000	164,000	119,000
New Customers Added	2,300	2,250	1,750	1,350	875
Total Customers	9,600	7,300	5,050	3,300	1,950
Total Number of Transactions (millions)	216.6	168.5	129.1	102.7	71.7
Transaction Volume ($millions)	$ 388.9	$ 293.8	$ 219.0	$ 171.3	$ 119.6

(1) Net income for the year ended June 30, 2014 includes an income tax benefit of $27,255,398 for the reduction of tax valuation allowance.

The following unaudited quarterly financial operations data for the years ended June 30, 2015 and June 30, 2014 is derived from the audited consolidated financial statements of USA Technologies, Inc. and its interim reports for the quarters therein. The data should be read in conjunction with the consolidated financial statements, related notes, and other financial information.

	UNAUDITED				
YEAR ENDED JUNE 30, 2015	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year**
Revenues	$ 12,252,602	$ 12,820,937	$ 15,357,740	$ 17,646,195	$ 58,077,474
Gross profit	$ 3,135,238	$ 3,733,256	$ 5,146,139	$ 4,808,001	$ 16,822,634
Operating income (loss)	$ (666,652)	$ 51,455	$ 731,406	$ (356,512)	$ (240,303)
Net loss	$ (60,956)	$ (260,915)	$ (566,610)	$ (201,001)	$ (1,089,482)
Cumulative preferred dividends	$ (332,226)	$ -	$ (332,226)	$ -	$ (664,452)
Net loss applicable to common shares	$ (393,182)	$ (260,915)	$ (898,836)	$ (201,001)	$ (1,753,934)
Net loss per common share - basic and diluted	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.01)	$ (0.05)
Weighted average number of common shares outstanding - basic and diluted	35,586,455	35,657,519	35,687,650	35,716,603	35,663,386

	UNAUDITED				
YEAR ENDED JUNE 30, 2014	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year**
Revenues	$ 10,123,058	$ 10,570,514	$ 10,443,932	$ 11,207,460	$ 42,344,964
Gross profit	$ 3,582,771	$ 3,830,133	$ 3,997,788	$ 3,662,144	$ 15,072,836
Operating income (loss)	$ 128,918	$ 509,690	$ 365,535	$ (567,811)	$ 436,332
Net income (loss)	$ 293,654	$ 409,191	$ 26,866,526	$ (38,719)	$ 27,530,652
Cumulative preferred dividends	$ (332,226)	$ -	$ (332,226)	$ -	$ (664,452)
Net income (loss) applicable to common shares	$ (38,572)	$ 409,191	$ 26,534,300	$ (38,719)	$ 26,866,200
Net earnings (loss) per common share - basic	$ -	$ 0.01	$ 0.75	$ -	$ 0.78
Weighted average number of common shares outstanding	33,324,295	34,136,884	35,504,911	35,517,099	34,613,497
Net earnings (loss) per common share - diluted	$ -	$ 0.01	$ 0.75	$ -	$ 0.78
Diluted weighted average number of common shares outstanding	33,324,295	34,222,731	35,504,911	35,517,099	34,613,497

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

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, commercial laundry, kiosk and smartphones via our ePort Mobile™ 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 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. In addition, the Company provides energy management products, such as its VendingMiser® and CoolerMiser™, which reduce energy consumption in vending machines and coolers.

The Company generates revenue in multiple ways. We derive the majority of our revenues from license and transaction fees related to our ePort Connect service. Connections to our service stem from the sale or lease of our POS electronic payment devices or certified payment software or the servicing of similar third-party installed POS terminals. The majority of ePort Connect customers pay a monthly fee plus a blended transaction rate on the dollar volume processed by the Company. Customers with higher expected transaction rates might pay a lower or no ePort Connect monthly fee, but a higher blended transaction rate on dollar volume processed by the Company. Connections to the ePort Connect service, therefore, are the most significant driver of the Company's revenues, particularly revenues from license and transaction fees.

The Company also generates equipment revenue through the direct sale, lease, or rental of ePort® technology as well as our stand-alone, non-networked energy management products.

CRITICAL ACCOUNTING POLICIES

GENERAL

Revenue from the sale or QuickStart lease of equipment is recognized on the terms of freight-on-board shipping point. Activation fee revenue, if applicable, is recognized when the Company's cashless payment device is initially activated for use on the Company network. Transaction processing revenue is recognized upon the usage of the Company's cashless payment and control network. License fees for access to the Company's devices and network services are recognized on a monthly basis. In all cases, revenue is only recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed and determinable, and collection of the resulting receivable is reasonably assured. The Company estimates an allowance for product returns at the date of sale and license and transaction fee refunds on a monthly basis.

ePort hardware is available to customers under the QuickStart program pursuant to which the customer would enter into a five-year non-cancelable lease with either the Company or a third-party leasing company for the devices. At the end of the lease period, the customer would have the option to purchase the device for a nominal fee.

REVENUE RECOGNITION

Revenue from the sale or QuickStart lease of equipment is recognized on the terms of freight-on-board shipping point. Activation fee revenue is recognized when the Company's cashless payment device is initially activated for use on the Company network. Transaction processing revenue is recognized upon the usage of the Company's cashless payment and control network. License fees for access to the Company's devices and network services are recognized on a monthly basis. In all cases, revenue is only recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed and determinable, and collection of the resulting receivable is reasonably assured. The Company estimates an allowance for product returns at the date of sale and license and transaction fee refunds on a monthly basis.

LONG LIVED ASSETS

In accordance with ASC 360, "Impairment or Disposal of Long-Lived Assets", the Company reviews its definite lived long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amount of an asset or group of assets exceeds its net realizable value, the asset will be written down to its fair value. In the period when the plan of sale criteria of ASC 360 are met, definite lived long-lived assets are reported as held for sale, depreciation and amortization cease, and the assets are reported at the lower of carrying value or fair value less costs to sell.

GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of cost over fair value of the net assets purchased in acquisitions. The Company accounts for goodwill in accordance with ASC 350, "Intangibles – Goodwill and Other". Under ASC 350, goodwill is not amortized to earnings, but instead is subject to periodic testing for impairment. Testing for impairment is to be done at least annually and at other times if events or circumstances arise that indicate that impairment may have occurred. The Company has selected April 1 as its annual test date.

The Company trademarks with an indefinite economic life are not being amortized. The trademarks, not subject to amortization, are related to the EnergyMiser asset group and consist of four trademarks. The Company tests indefinite-lived intangible assets for impairment using a two-step process. The first step screens for potential impairment, while the second step measures the amount of impairment. The Company uses a relief from royalty analysis to complete the first step in this process. Testing for impairment is to be done at least annually and at other times if events or circumstances arise that indicate that impairment may have occurred. The Company has selected April 1 as its annual test date for its indefinite-lived intangible assets.

Patents and trademarks, with an estimated economic life, are carried at cost less accumulated amortization, which is calculated on a straight-line basis over their estimated economic life. The Company reviews intangibles, subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

RESULTS OF OPERATIONS

FISCAL YEAR ENDED JUNE 30, 2015 COMPARED TO FISCAL YEAR ENDED JUNE 30, 2014

Results for the fiscal year ended June 30, 2015 continued to demonstrate growth toward achieving our long-term goals. Highlights of year over year improvements include:

- Record net new connections of 67,000;
- Total revenue up 37% to $58.1 million;
- Recurring license and transaction fee revenue up 22% to $43.6 million; and
- Improvements in cash flows from operating activities in third and fourth quarters, as a result of QuickStart reintroduced during the fiscal year.

Revenues for the fiscal year ended June 30, 2015 were $58,077,474, consisting of $43,633,462 of license and transactions fees and $14,444,012 of equipment sales, compared to $42,344,964 for the fiscal year ended June 30, 2014, consisting of $35,638,121 of license and transaction fees and $6,706,843 of equipment sales. The increase in total revenue of $15,732,510, or 37%, was equally attributable to the increase in equipment sales of $7,737,169 or 115% and the increase in license and transaction fees of $7,995,341, or 22%, from the prior year.

Revenue from license and transaction fees, which represented 75% of total revenue for fiscal 2015, is primarily attributable to monthly ePort Connect® service fees and transaction processing fees. Highlights for fiscal 2015 include:

- Adding 67,000 net connections to our service, consisting of 82,000 new connections to our ePort Connect service in fiscal 2015, offset by 15,000 deactivations, compared to 52,000 net connections added in fiscal 2014;
- As of June 30, 2015, the Company had approximately 333,000 connections to the ePort Connect service compared to approximately 266,000 connections to the ePort Connect service as of June 30, 2014, an increase of 67,000 net connections or 25%;
- Increases in the number of small-ticket, credit/debit transactions and dollars handled for fiscal 2015 of 29% and 32%, respectively, compared to the same period a year ago; and
- ePort Connect customer base grew 32% from June 30, 2014.

The increase in license and transaction fees was due to the growth in ePort Connect service fees and transaction dollars that stems from the increased number of connections to our ePort Connect service.

Pursuant to its agreements with customers, in addition to ePort Connect service fees, the Company earns transaction processing fees equal to a percentage of the dollar volume processed by the Company. During the year ended June 30, 2015, the Company processed approximately 216.6 million transactions totaling approximately $388.9 million compared to approximately 168.5 million transactions totaling approximately $293.8 million during the year ended June 30, 2014, an increase of approximately 29% in the number of transactions and approximately 32% in the value of transactions processed.

New customers added to our ePort® Connect service during the fiscal year ended June 30, 2015 totaled 2,300, bringing the total number of customers to approximately 9,600 as of June 30, 2015. The Company added approximately 2,250 new customers in the year ended June 30, 2014. By comparison, the Company had approximately 7,300 customers as of June 30, 2014, representing a 32% increase during the past twelve months. The Company views the total installed base of machines managed by its customers that have yet to transition to cashless payment, as a key strategic opportunity for future growth in connections. We count a customer as a new customer upon the signing of their ePort Connect service agreement. When a reseller sells our ePort, we count a customer as a new customer upon the signing of the applicable services agreement with the customer.

The $7,737,169 increase in equipment sales was a result of an increase of approximately $8,159,507 related to ePort® products, offset by decreases of approximately $433,130 in Energy Miser products. The increase in ePort products is directly attributable to selling more units, versus renting units via the JumpStart program, during the current fiscal year due to the reintroduction of the QuickStart program in September 2014. The decrease in Energy Miser products is directly attributable to selling fewer units during the current fiscal year.

Cost of sales consisted of cost of services for license and transaction fees of $29,429,385 and $23,018,001 and equipment costs of $11,825,455 and $4,254,127, for the years ended June 30, 2015 and 2014, respectively. The increase in total cost of sales of $13,982,712, or 51%, was due to an increase in cost of equipment sales of $7,571,328 due to selling more units during the period under the QuickStart program. In fiscal 2014, the JumpStart program accounted for a significant percentage of the Company's net new connections. Under this program, the cost of the device is depreciated to cost of services for license and transaction fees over the expected rental period. There was also an increase in cost of services of $6,411,384 that stemmed from the greater number of connections to the Company's ePort Connect service and increases in transaction dollars processed by those connections.

Gross profit ("GP") for the year ended June 30, 2015 was $16,822,634 compared to GP of $15,072,836 for the previous fiscal year, an increase of $1,749,798, or 12%, of which $14,204,077 is attributable to license and transaction fees GP and $2,618,557 of equipment sales GP. Overall gross profit margins decreased from 36% to 29% due to a decrease in license and transaction fees margins to 33%, from 35% in the prior fiscal year and by a decrease in equipment sales margins to 18%, from 37% in the prior fiscal year.

License and transaction fees margins decreased due to the impact of certain JumpStart connections added during the third and fourth quarters of 2014 fiscal year with fee grace periods extending into fiscal year 2015 under sales incentives, as well as approximately $1,716,000 of net rent expense during the year ended June 30, 2015 related to the Sale Leaseback transactions, which is approximately $535,000 higher than the depreciation the Company would have recorded on the ePorts during the same period had the Sale Leaseback transactions not occurred. Also contributing to the decrease of license and transaction fee margins was a charge of approximately $410,000 connection with a customer billing dispute.

The decrease in equipment revenue margins is attributable to sales under the QuickStart program, which has generally lower margins than what is recognized under a rental, or JumpStart. In addition, there were approximately $878,000 less in activation fees recorded during fiscal 2015 versus fiscal 2014, which are a higher margin revenue source, and to date have not been part of the QuickStart program.

The $166,000 increase in equipment sales GP includes one-time recoveries of $747,000 and $152,000 in the years ended June 30, 2015 and 2014, respectively. The $747,000 relates to recoveries arising from a customer agreement; and, the $152,000 was a reversal of a prior charge for equipment rebates. Excluding these one-time items, equipment sales GP decreased $429,000 from the prior year, which was mostly attributable to having $878,000 less GP from ePort activation fees, which are a higher margin revenue source and which to date are not part of the QuickStart Program and $215,000 less GP related to fewer energy miser offset by a higher dollar volume of gross profit from the large increase in equipment revenue dollars as compared to a year ago.

Selling, general and administrative ("SG&A") expenses of $16,451,255 for the fiscal year ended June 30, 2015, increased by $2,415,239 or 17%, from the prior fiscal year. Approximately $1,130,000, or 47% of the increase, were non-cash expenses. The overall increase in SG&A is attributable to increases of approximately $1,100,000 in bad debt estimates, $588,000 in employee and director compensation and benefits expenses, $552,000 in consulting and professional services, and by a net increase of $175,000 for various other expenses.

Other income and expense for the year ended June 30, 2015, primarily consisted of a $393,144 non-cash charge for the change in the fair value of the Company's warrant liabilities. The primary factor affecting the change in fair value is the increase in the Black-Scholes value of the warrants from June 30, 2014 to June 30, 2015, which factored in the increase in the Company's stock price as well as a decrease in its volatility used for this calculation during that period.

The fiscal year ended June 30, 2015 resulted in net loss of $1,089,482 compared to net income of $27,530,652 for the fiscal year ended June 30, 2014. Included in net income for the fiscal year ended June 30, 2014 is a benefit from a reduction in income tax valuation allowances of $26,713,897. After preferred dividends of $664,452 for each fiscal year, net (loss)/income applicable to common shareholders was $(1,753,934) and $26,866,200 for the fiscal years ended 2015 and 2014, respectively. For the fiscal year ended June 30, 2015, net loss per common share (basic and diluted) were $0.05, compared to net earnings per common share (basic and diluted) of $0.78.

Non-GAAP net loss was $470,262 for the year ended June 30, 2015, compared to non-GAAP net income of $188,804 for the year ended June 30, 2014. Management believes that non-GAAP net income is an important measure of USAT's business. Management uses the aforementioned non-GAAP measures to monitor and evaluate ongoing operating results and trends and to gain an understanding of our comparative operating performance. We believe that non-GAAP financial measures serve as useful metrics 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 (United States' Generally Accepted Accounting Principles) financial measures and our reconciliations, enhance investors' overall understanding of our current and future financial performance.

A reconciliation of net income to Non-GAAP net income for the years ended June 30, 2015 and 2014 is as follows:

	Year ended June 30,	
	2015	**2014** (1)
Net income (loss)	$ (1,089,482)	$ 27,530,652
Non-GAAP adjustments:		
Non-cash portion of income tax provision (benefit)	226,076	(27,276,419)
Fair value of warrant adjustment	393,144	(65,429)
Non-GAAP net income (loss)	$ (470,262)	$ 188,804
Net income (loss)	$ (1,089,482)	$ 27,530,652
Cumulative preferred dividends	(664,452)	(664,452)
Net income (loss) applicable to common shares	$ (1,753,934)	$ 26,866,200
Non-GAAP net income (loss)	$ (470,262)	$ 188,804
Cumulative preferred dividends	(664,452)	(664,452)
Non-GAAP net loss applicable to common shares	$ (1,134,714)	$ (475,648)
Net earnings (loss) per common share - basic and diluted	$ (0.05)	$ 0.78
Non-GAAP net loss per common share - basic and diluted	$ (0.03)	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	35,663,386	34,613,497

(1) Net income for the year ended June 30, 2014 includes an income tax benefit of $27,255,398 for the reduction on tax valuation allowances.

As used herein, non-GAAP net income (loss) represents GAAP net income (loss) excluding costs or benefits relating to any adjustment for fair value of warrant liabilities and non-cash portions of the Company's income tax benefit (provision). Non-GAAP net earnings (loss) per common share - diluted is calculated by dividing non-GAAP net income (loss) applicable to common shares by the number of diluted weighted average shares outstanding.

For the fiscal year ended June 30, 2015, the Company had Adjusted EBITDA of $6,258,993. Reconciliation of net income (loss) to Adjusted EBITDA for the years ended June 30, 2015 and 2014 is as follows:

	Year ended June 30,	
	2015	2014
Net income (loss)	$ (1,089,482)	$ 27,530,652
Less interest income	(82,695)	(30,337)
Plus interest expense	301,767	256,844
Plus income tax expense (benefit)	289,141	(27,255,398)
Plus depreciation expense	5,731,356	5,463,985
Plus amortization expense	-	21,953
Plus change in fair value of warrant liabilities	393,144	(65,429)
Plus stock-based compensation	715,762	529,041
Adjusted EBITDA	$ 6,258,993	$ 6,451,311

As used herein, Adjusted EBITDA represents net income (loss) before interest income, interest expense, income taxes, depreciation, amortization, change in fair value of warrant liabilities and stock-based compensation expense. We have excluded the non-operating item, change in fair value of warrant liabilities, because it represents a non-cash gain or charge that is not related to the Company's operations. We have excluded the non-cash expense, stock-based compensation, as it does not reflect the cash-based operations of the Company. Adjusted EBITDA is a non-GAAP financial measure which is not required by or defined under GAAP (Generally Accepted Accounting Principles). 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. Adjusted EBITDA is presented because we believe it is useful to investors as a measure of comparative operating performance and liquidity, and because it is less susceptible to variances in actual performance resulting from depreciation and amortization and non-cash charges for changes in fair value of warrant liabilities and stock-based compensation expense.

FISCAL YEAR ENDED JUNE 30, 2014 COMPARED TO FISCAL YEAR ENDED JUNE 30, 2013

Results for the fiscal year ended June 30, 2014 continued to demonstrate growth and improvements in the Company's operations as compared to the fiscal year ended June 30, 2013. Highlights of year over year improvements include:

- $27.3 million of deferred tax assets recognized;
- Total revenue up 18% to $42.3 million;
- Recurring license and transaction fee revenue up 19% to $35.6 million; and
- Total connections to its ePort Connect service base as of June 30, 2014 up 24% as compared to June 30, 2013.

Revenues for the fiscal year ended June 30, 2014 were $42,344,964, consisting of $35,638,121 of license and transactions fees and $6,706,843 of equipment sales, compared to $35,940,244 for the fiscal year ended June 30, 2013, consisting of $30,044,429 of license and transaction fees and $5,895,815 of equipment sales. The increase in total revenue of $6,404,720, or 18%, was primarily due to an increase in license and transaction fees of $5,593,692, or 19%, from the prior year, and an increase in equipment sales of $811,028 or 14%, from the prior year.

Revenue from license and transaction fees, which represented 84% of total revenue for fiscal 2014, is primarily attributable to monthly ePort Connect® service fees and transaction processing fees. Highlights for fiscal 2014 include:

- Adding 52,000 net connections to our service, consisting of 76,000 new connections to our ePort Connect service in fiscal 2014, offset by 24,000 deactivations, compared to 50,000 net connections added in fiscal 2013;
- As of June 30, 2014, the Company had approximately 266,000 connections to the ePort Connect service compared to approximately 214,000 connections to the ePort Connect service as of June 30, 2013, an increase of 52,000 net connections or 24%;
- Increases in the number of small-ticket, credit/debit transactions and dollars handled for fiscal 2014 of 31% and 34%, respectively, compared to the same period a year ago; and
- ePort Connect customer base grew 24% from June 30, 2013.

The increase in license and transaction fees was due to the growth in ePort Connect service fees and transaction dollars that stems from the increased number of connections to our ePort Connect service. As of June 30, 2014, the Company had approximately 266,000 connections to the ePort Connect service compared to approximately 214,000 connections to the ePort Connect service as of June 30, 2013. During the year ended June 30, 2014, the Company added approximately 52,000 net connections to our network compared to approximately 50,000 net connections added during the year ended June 30, 2013.

Pursuant to its agreements with customers, in addition to ePort Connect service fees, the Company earns transaction processing fees equal to a percentage of the dollar volume processed by the Company. During the year ended June 30, 2014, the Company processed approximately 169 million transactions totaling approximately $294 million compared to approximately 129 million transactions totaling approximately $219 million during the year ended June 30, 2013, an increase of approximately 31% in the number of transactions and approximately 34% in the value of transactions processed.

New customers added to our ePort® Connect service during the fiscal year ended June 30, 2014 totaled 2,250, bringing the total number of customers to approximately 7,300 as of June 30, 2014. The Company added approximately 1,750 new customers in the year ended June 30, 2013. By comparison, the Company had approximately 5,050 customers as of June 30, 2013, representing a 45% increase during the past twelve months. The Company views the total installed base of machines managed by its customers that have yet to transition to cashless payment, as a key strategic opportunity for future growth in connections. We count a customer as a new customer upon the signing of their ePort Connect service agreement. When a reseller sells our ePort, we count a customer as a new customer upon the signing of the applicable services agreement with the customer.

The $811,028 increase in equipment sales was a result of an increase of approximately $1,058,000 related to ePort® products, offset by decreases of approximately $174,000 in Energy Miser products and approximately $73,000 in other products. The $1,058,000 increase in ePort products is directly attributable to selling more units and an increase in activation fees during the current fiscal year. The $174,000 decrease in Energy Miser products is directly attributable to selling fewer units during the current fiscal year.

Cost of sales consisted of cost of services for license and transaction fee related costs of $23,018,001 and $18,219,945 and equipment costs of $4,254,127 and $3,623,686, for the years ended June 30, 2014 and 2013, respectively. The increase in total cost of sales of $5,428,497, or 25%, was due to an increase in cost of services of $4,798,056 that stemmed from the greater number of connections to the Company's ePort Connect service and increases in transaction dollars processed by those connections. Also, there was an increase in cost of equipment sales of $630,441 due to selling more units during the period.

Gross profit ("GP") for the year ended June 30, 2014 was $15,072,836 compared to GP of $14,096,613 for the previous fiscal year, an increase of $976,223, or 7%, of which $12,620,120 is attributable to license and transaction fees GP and $2,452,716 of equipment sales GP. Overall gross profit margins decreased from 39% to 36% due to a decrease in license and transaction fees margins to 35%, from 39% in the prior fiscal year and by a decrease in equipment sales margins to 37%, from 39% in the prior fiscal year. Lower license and transaction fee margins are largely attributable to approximately 24,000 deactivations that occurred during the fiscal year primarily attributable to one customer as well as the impact of certain new JumpStart connections associated with grace periods under sales incentives. For the new connections associated with the grace periods, the Company incurred costs without receiving the associated monthly service fees.

Selling, general and administrative ("SG&A") expenses of $14,036,016 for the fiscal year ended June 30, 2014, increased by $1,967,450 or 16%, from the prior fiscal year. The overall increase is comprised of approximately a $1,207,000 increase in employee and director compensation and benefit expenses; $329,000 in professional services, $224,000 increase in sales and marketing expenses; and, smaller, numerous, net increases in several other expenses totaling $207,000. The increase in employee and director compensation and benefits expenses predominantly related to expanding our base of employees, sales commissions and bonuses for record connections added in fiscal 2014 as well as bonus accruals related to performance-based compensation arrangements.

Other income and expense for the year ended June 30, 2014, primarily consisted of a reduction of $26.7 million of the valuation allowance we had on our deferred tax assets as the Company believes that it is more likely than not it will be able to utilize net operating loss carryforwards to offset future taxable earnings. Also included is $65,429 of non-cash gain for the change in the fair value of the Company's warrant liabilities. The primary factor affecting the change in fair value is the decrease in the Black-Scholes value of the warrants from June 30, 2013 to June 30, 2014, which factored in the increase in the Company's stock price as well as a decrease in its volatility during that period.

The fiscal year ended June 30, 2014 resulted in net income of $27,530,652 compared to net income of $854,123 for the fiscal year ended June 30, 2013, an improvement of $26,676,529 between fiscal years. Included in net income for the fiscal year ended June 30, 2014 is a benefit from reduction income tax valuation allowances of $26,713,897. After preferred dividends of $664,452 for each fiscal year, net income applicable to common shareholders was $26,866,200 and $189,671 for the fiscal years ended 2014 and 2013, respectively. For the fiscal year ended June 30, 2014, net earnings per common share (basic and diluted) were $0.78, compared to net earnings per common share (basic and diluted) of $0.01.

Non-GAAP net income was $751,326 for the year ended June 30, 2014, compared to non-GAAP net income of $914,195 for the year ended June 30, 2013. Management believes that non-GAAP net income, non-GAAP net income is an important measure of USAT's business. Management uses the aforementioned non-GAAP measures to monitor and evaluate ongoing operating results and trends and to gain an understanding of our comparative operating performance. We believe that non-GAAP financial measures serve as useful metrics 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 (United States' Generally Accepted Accounting Principles) financial measures and our reconciliations, enhance investors' overall understanding of our current and future financial performance.

A reconciliation of net income to Non-GAAP net income for the years ended June 30, 2014 and 2013 is as follows:

	Year ended June 30, 2014 (1)	Year ended June 30, 2013
Net income	$ 27,530,652	$ 854,123
Non-GAAP adjustments:		
Proxy related costs (SG&A)	-	328,000
Non-cash portion of income tax provision/benefit	(27,276,419)	27,646
Fair value of warrant adjustment	(65,429)	(267,928)
Non-GAAP net income	$ 188,804	$ 941,841
Net income	$ 27,530,652	$ 854,123
Cumulative preferred dividends	(664,452)	(664,452)
Net income applicable to common shares	$ 26,866,200	$ 189,671
Non-GAAP net income	$ 188,804	$ 941,841
Cumulative preferred dividends	(664,452)	(664,452)
Non-GAAP net income (loss) applicable to common shares	$ (475,648)	$ 277,389
Net earnings per common share - basic	$ 0.78	$ 0.01
Non-GAAP net earnings (loss) per common share - basic	$ -	$ 0.01
Basic weighted average number of common shares outstanding	34,613,497	32,787,673
Net earnings per common share - diluted	$ 0.78	$ 0.01
Non-GAAP net earnings (loss) per common share - diluted	$ -	$ 0.01
Diluted weighted average number of common shares outstanding	34,613,497	33,613,346

(1) Net income for the year ended June 30, 2014 includes an income tax benefit of $27,255,398 for the reduction on tax valuation allowances.

As used herein, non-GAAP net income represents GAAP net income excluding costs relating to the proxy contest, any adjustment for fair value of warrant liabilities and changes in the Company's valuation allowances for taxes. As used herein, non-GAAP net earnings per common share is calculated by dividing non-GAAP net income applicable to common shares by the weighted average number of shares outstanding, and where diluted shares are required, adds back the preferred dividend since the conversion of preferred shares are accounted for in the diluted share count.

For the fiscal year ended June 30, 2014, the Company had Adjusted EBITDA of $6,451,311. Reconciliation of net income to Adjusted EBITDA for the years ended June 30, 2014 and 2013 is as follows:

	Year ended June 30,	
	2014	**2013**
Net income	$ 27,530,652	$ 854,123
Less interest income	(30,337)	(57,121)
Plus interest expense	256,844	157,205
Plus income tax expense (benefit)	(27,255,398)	27,646
Plus depreciation expense	5,463,985	3,837,174
Plus amortization expense	21,953	742,400
Plus change in fair value of warrant liabilities	(65,429)	(267,928)
Plus stock-based compensation	529,041	502,907
Adjusted EBITDA	$ 6,451,311	$ 5,796,406

As used herein, Adjusted EBITDA represents net income before interest income, interest expense, income taxes, depreciation, amortization, change in fair value of warrant liabilities and stock-based compensation expense. We have excluded the non-operating item, change in fair value of warrant liabilities, because it represents a non-cash charge or gai n that is not related to the Company's operations. We have excluded the non-cash expense, stock-based compensation, as it does not reflect the cash-based operations of the Company. Adjusted EBITDA is a non-GAAP financial measure which is not required by or defined under GAAP (Generally Accepted Accounting Principles). 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. Adjusted EBITDA is presented because we believe it is useful to investors as a measure of comparative operating performance and liquidity, and because it is less susceptible to variances in actual performance resulting from depreciation and amortization and non-cash charges for changes in fair value of warrant liabilities and stock-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended June 30, 2015, net cash used by operating activities was $1,697,742 as a result of a net loss of $1,089,482, offset by non-cash operating activities net benefit of $7,251,674, and net cash used by the change in operating assets and liabilities of $7,859,934. Of the $7,251,674 of non-cash activities, the most significant during fiscal year 2015 was $5,731,356 depreciation expense, of which, $5,119,674 related to depreciation on JumpStart equipment allocated to cost of services. In addition to depreciation expense, other non-cash charges included $715,762 related to the vesting of equity-based compensation for employees and directors, $1,099,528 of bad debt expense, $393,144 expense due to the change in the fair value of warrant liabilities and $395,038 of deferred income taxes. These non-cash charges were offset by an $833,619 non-cash gain from sale-leaseback transactions. The $7,859,934 cash used in the change in the Company's operating assets and liabilities was the result of increases in finance receivables of $4,113,898 related to the QuickStart program, accounts receivable of $2,517,493, predominately related to sales of hardware sold with credit terms, $1,930,857 in inventory; these uses of cash were partially offset by an increase of $918,761 in accounts payable.

During the fiscal year the Company reintroduced QuickStart, a program whereby our customers are able to purchase our ePort hardware via a five-year, non-cancellable lease. From its introduction in September 2014 and through approximately mid-March 2015, the Company was entering into these leases directly with its customers. Under this scenario, the Company recorded a long-term and short-term receivable for the five-year leases. The $4,113,898 increase in finance receivables is directly due to leases the Company entered into directly with its customers. In the third and fourth quarters of fiscal 2015, the Company signed vendor agreements with two leasing companies, whereby our customers would enter into leases directly with the leasing companies. Under this scenario, the Company invoiced the leasing company for the equipment leased by our customer, and recorded as an accounts receivable. Unlike its finance receivables, which the cash would be collected over a five-year period, the accounts receivable due from the leasing company is typically collected within 30 days. Since entering into the vendor agreements, and through June 30, 2015, the majority of QuickStart sales consummated were with the customer entering into the lease directly with the leasing company, which contributed to the $2,517,493 increase in accounts receivable, whereby amounts due from the leasing companies had not yet been collected by June 30, 2015.

There has been a shift by our customers from acquiring our product via JumpStart, which accounted for 60% of our gross connections in fiscal year 2014, and was just 4% in our 2015 fourth quarter, to QuickStart or a straight purchase, which accounted for 89% of our gross connections in fiscal year 2015 and was approximately 54% of gross connections for our fiscal 2015 fourth quarter. This is further illustrated in our cash flow statement whereby the cash used for the purchase of property for rental program reduced from $10,883,473 in fiscal 2014 to just $1,641,993 in fiscal 2015. This shift, as well as our ability to increase the cash collection under QuickStart sales, by utilizing leasing companies (as described above) if available, significantly improves cash flows from operating activities. We believe we will continue to be able to utilize third party leasing companies in our QuickStart program, and therefore do not expect finance receivables to increase in the future. The exception being, for any customer unable to secure third party leasing for which the Company may decide to enter in a lease directly with the customer or if we are unable to procure satisfactory and/or sufficient third party leasing arrangements.

During the year ended June 30, 2015, $3,353,491 of cash was provided by investing activities of which $4,993,879 was received from the sale of rental equipment under sale-leaseback transactions, which were offset by cash used of $1,641,993 related to the purchase of equipment for the JumpStart program.

Net cash provided by financing activities was $645,904 predominately from $2,056,724 of proceeds received by selling finance receivables with recourse and/or the rights to the cash flows from the finance receivables to a third party leasing company, offset by the repayment of $1,000,000 on the Line of Credit and $358,582 of debt.

Adjusted EBITDA for the year ended June 30, 2015 was $6,258,993 compared to $6,451,311 for the prior fiscal year. The Company reports Adjusted EBITDA to reflect the liquidity of operations and a measure of operational cash flow. Adjusted EBITDA excludes significant non-cash charges such as depreciation, fair value warrant liability changes, stock-based compensation from net income and changes to the Company’s valuation allowances for taxes. We believe that, provided there are no unusual or unanticipated material non-operational expenses, achieving positive Adjusted EBITDA is sustainable, and will continue to increase, as our connection base increases.

As a result of the continued growth in connections to our ePort Connect service that has resulted in strong growth in recurring revenue from license and transaction fees and the improvement in GP dollars, as well as the significant reduction in cash used for JumpStart, and the utilization of third party leasing companies in our QuickStart program, the Company generated positive free cash flow (defined as net cash provided by operating activities less cash used for the purchase of rental equipment/JumpStart) for its third and fourth quarters in fiscal year 2015. Free cash flow for the fourth quarter was $2,681,155, and the Company believes it will continue to generate positive free cash flow for the 2016 fiscal year, assuming QuickStart remains a significant component of connections, and third party leasing companies continue to enter into leases directly with our customers.

The Company has three sources of cash available to fund and grow the business as of June 30, 2015: (1) cash and cash equivalents on hand of approximately $11 million; (2) the anticipated cash provided by operating activities from our QuickStart program; and (3) $3 million available under the line of credit with a commercial bank, provided we continue to satisfy the various covenants set forth in the loan agreement. The line of credit matures on August 17, 2017. In addition, the Company believes the capital markets, debt and equity, would be available to provide additional sources of cash, if required.

Therefore, the Company believes its existing cash and cash equivalents and available cash resources as of June 30, 2015, would provide sufficient funds through at least July 1, 2016 in order to meet its cash requirements, including payment of its accrued expenses and payables, any cash resources to be utilized for the JumpStart program, other anticipated capital expenditures, and the repayment of long-term debt.

CONTRACTUAL OBLIGATIONS

As of June 30, 2015, the Company had certain contractual obligations due over a period of time as summarized in the following table:

	Payments due by period				
Contractual Obligations	**Total**	**Less Than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-Term Debt Obligations	$ 2,483,072	$ 519,472	$ 1,572,269	$ 391,330	$ -
Capital Lease Obligations	382,666	157,304	225,362	-	-
Operating Lease Obligations, other	362,737	361,927	810	-	-
Operating Lease Obligations under Sale Leaseback	5,420,041	2,641,155	2,778,886	-	-
Total	$ 8,648,516	$ 3,679,859	$ 4,577,328	$ 391,330	$ -

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

The Company’s exposure to market risks for interest rate changes is not significant. Interest rates on its long-term debt are generally fixed. The Company has no exposure to market risks related to Available-for-sale securities. Market risks related to fluctuations of foreign currencies are not significant and the Company has no derivative instruments.

Item 8. Financial Statements and Supplementary Data.

USA TECHNOLOGIES, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Statements:

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
USA Technologies, Inc.

We have audited the accompanying consolidated balance sheets of USA Technologies, Inc. and subsidiaries as of June 30, 2015 and 2014, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2015. Our audits also included the financial statement schedule of USA Technologies, Inc. listed in Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above presents fairly, in all material respects, the financial position of USA Technologies, Inc. and subsidiaries as of June 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ McGladrey LLP

New York, NY
September 30, 2015

USA Technologies, Inc.
Consolidated Balance Sheets

	June 30, 2015	June 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 11,373,973	$ 9,072,320
Accounts receivable, less allowance for uncollectible accounts of $494,000 and $63,000, respectively	4,671,544	2,683,579
Finance receivables	941,150	119,793
Inventory	4,216,396	1,486,777
Prepaid expenses and other current assets	574,479	363,367
Deferred income taxes	1,257,796	907,691
Total current assets	23,035,338	14,633,527
Finance receivables, less current portion	3,697,513	352,794
Other assets	350,041	190,703
Property and equipment, net	12,868,808	21,138,580
Deferred income taxes	25,788,187	26,353,330
Intangibles, net	432,100	432,100
Goodwill	7,663,208	7,663,208
Total assets	$ 73,835,195	$ 70,764,242
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 9,242,672	$ 7,753,911
Accrued expenses	2,107,530	1,915,799
Line of credit	4,000,000	5,000,000
Current obligations under long-term debt	477,522	172,911
Income taxes payable	54,086	21,021
Deferred gain from sale-leaseback transactions	860,391	380,895
Total current liabilities	16,742,201	15,244,537
Long-term liabilities:		
Long-term debt, less current portion	1,854,424	249,865
Accrued expenses, less current portion	49,160	186,174
Warrant liabilities	978,353	585,209
Deferred gain from sale-leaseback transactions, less current portion	900,348	761,790
Total long-term liabilities	3,782,285	1,783,038
Total liabilities	20,524,486	17,027,575
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value:		
Authorized shares- 1,800,000 Series A convertible preferred- Authorized shares- 900,000 Issued and outstanding shares- 442,968 (liquidation preference of $17,354,908 and $16,690,456, respectively)	3,138,056	3,138,056
Common stock, no par value: Authorized shares- 640,000,000 Issued and outstanding shares- 35,747,242 and 35,514,685, respectively	224,873,721	224,210,197
Accumulated deficit	(174,701,068)	(173,611,586)
Total shareholders' equity	53,310,709	53,736,667
Total liabilities and shareholders' equity	$ 73,835,195	$ 70,764,242

See accompanying notes.

USA Technologies, Inc.
Consolidated Statements of Operations

	Year ended June 30, 2015	2014	2013
Revenues:			
License and transaction fees	$ 43,633,462	$ 35,638,121	$ 30,044,429
Equipment sales	14,444,012	6,706,843	5,895,815
Total revenues	58,077,474	42,344,964	35,940,244
Costs:			
Cost of services	29,429,385	23,018,001	18,219,945
Cost of equipment	11,825,455	4,254,127	3,623,686
Total costs	41,254,840	27,272,128	21,843,631
Gross profit	16,822,634	15,072,836	14,096,613
Operating expenses:			
Selling, general and administrative	16,451,255	14,036,016	12,068,566
Depreciation and amortization	611,682	600,488	1,314,122
Total operating expenses	17,062,937	14,636,504	13,382,688
Operating income (loss)	(240,303)	436,332	713,925
Other income (expense):			
Interest income	82,695	30,337	57,121
Other income	52,178	-	-
Interest expense	(301,767)	(256,844)	(157,205)
Change in fair value of warrant liabilities	(393,144)	65,429	267,928
Total other income (expense), net	(560,038)	(161,078)	167,844
Income (loss) before benefit (provision) for income taxes	(800,341)	275,254	881,769
Benefit (provision) for income taxes	(289,141)	27,255,398	(27,646)
Net income (loss)	(1,089,482)	27,530,652	854,123
Cumulative preferred dividends	(664,452)	(664,452)	(664,452)
Net income (loss) applicable to common shares	$ (1,753,934)	$ 26,866,200	$ 189,671
Net earnings (loss) per common share - basic	$ (0.05)	$ 0.78	$ 0.01
Basic weighted average number of common shares outstanding	35,663,386	34,613,497	32,787,673
Net earnings (loss) per common share - diluted	$ (0.05)	$ 0.78	$ 0.01
Diluted weighted average number of common shares outstanding	35,663,386	34,613,497	33,613,346

See accompanying notes.

USA Technologies, Inc.
Consolidated Statements of Shareholders' Equity

	Series A Convertible Preferred Stock		Common Stock		Accumulated	
	Shares	Amount	Shares	Amount	Deficit	Total
Balance, June 30, 2012	442,968	$ 3,138,056	32,510,069	$ 220,513,327	$ (201,996,361)	$ 21,655,022
Exercise of warrants	-	-	399,597	432,229	-	432,229
Warrants issued in conjunction with Line of Credit Amendment	-	-	-	55,962	-	55,962
Stock based compensation						
2010 Stock Incentive Plan	-	-	62,942	68,723	-	68,723
2011 Stock Incentive Plan	-	-	96,665	157,645	-	157,645
2012 Stock Incentive Plan	-	-	279,806	276,539	-	276,539
Retirement of common stock	-	-	(64,847)	(121,052)	-	(121,052)
Net income	-	-	-	-	854,123	854,123
Balance, June 30, 2013	442,968	3,138,056	33,284,232	221,383,373	(201,142,238)	23,379,191
Exercise of warrants	-	-	2,090,226	2,361,956	-	2,361,956
Stock based compensation						
2010 Stock Incentive Plan	-	-	6,668	6,024	-	6,024
2011 Stock Incentive Plan	-	-	51,667	17,366	-	17,366
2012 Stock Incentive Plan	-	-	-	278,471	-	278,471
2013 Stock Incentive Plan	-	-	131,203	227,180	-	227,180
Retirement of common stock	-	-	(49,311)	(89,020)	-	(89,020)
Excess tax benefits from stock-based compensation	-	-	-	24,847	-	24,847
Net income	-	-	-	-	27,530,652	27,530,652
Balance, June 30, 2014	442,968	$ 3,138,056	35,514,685	$ 224,210,197	$ (173,611,586)	$ 53,736,667
Stock based compensation						
2011 Stock Incentive Plan	-	-	10,002	604	-	604
2012 Stock Incentive Plan	-	-	88,991	51,941	-	51,941
2013 Stock Incentive Plan	-	-	165,463	292,782	-	292,782
2014 Stock Option Incentive Plan	-	-	-	370,435	-	370,435
Retirement of common stock	-	-	(31,899)	(61,987)	-	(61,987)
Excess tax benefits from stock-based compensation	-	-	-	9,749	-	9,749
Net loss	-	-	-	-	(1,089,482)	(1,089,482)
Balance, June 30, 2015	442,968	$ 3,138,056	35,747,242	$ 224,873,721	$ (174,701,068)	$ 53,310,709

See accompanying notes.

USA Technologies, Inc.
Consolidated Statements of Cash Flows

	Year ended June 30, 2015	2014	2013
OPERATING ACTIVITIES:			
Net income (loss)	$ (1,089,482)	$ 27,530,652	$ 854,123
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Stock based compensation	715,762	529,041	502,907
(Gain) Loss on disposal of property and equipment	(17,357)	4,245	(20,343)
Non-cash interest and amortization of debt discount	-	2,095	53,867
Bad debt expense	1,099,528	134,176	68,615
Depreciation	5,731,356	5,463,985	3,837,174
Amortization	-	21,953	742,400
Change in fair value of warrant liabilities	393,144	(65,429)	(267,928)
Deferred income taxes, net	215,038	(27,301,266)	27,646
Gain on sale of finance receivables	(52,178)	-	-
Recognition of deferred gain from sale-leaseback transactions	(833,619)	(9,522)	-
Changes in operating assets and liabilities:			
Accounts receivable	(2,517,493)	(157,071)	(247,358)
Finance receivables	(4,113,898)	52,531	17,729
Inventory	(1,930,857)	370,104	716,470
Prepaid expenses and other current assets	(304,229)	(190,783)	503,937
Accounts payable	918,761	412,664	1,164,804
Accrued expenses	54,717	267,004	(1,915,091)
Income taxes payable	33,065	21,021	-
Net cash provided by (used in) operating activities	(1,697,742)	7,085,400	6,038,952
INVESTING ACTIVITIES:			
Purchase of property and equipment	(60,309)	(111,121)	(107,351)
Purchase of property for rental program	(1,641,993)	(10,883,473)	(9,092,394)
Proceeds from sale of rental equipment under sale-leaseback transactions	4,993,879	2,995,095	-
Proceeds from sale of property and equipment	61,914	82,047	18,908
Net cash provided by (used in) investing activities	3,353,491	(7,917,452)	(9,180,837)
FINANCING ACTIVITIES:			
Net proceeds (payments) from the issuance (retirement) of common stock and exercise of common stock warrants	(61,987)	2,272,936	311,177
Excess tax benefits from share-based compensation	9,749	24,847	-
Proceeds (payments) from line of credit	(1,000,000)	2,000,000	3,000,000
Repayment of long-term debt	(358,582)	(374,411)	(614,937)
Proceeds from long-term debt	2,056,724	-	-
Net cash provided by financing activities	645,904	3,923,372	2,696,240
Net increase (decrease) in cash and cash equivalents	2,301,653	3,091,320	(445,645)
Cash and cash equivalents at beginning of year	9,072,320	5,981,000	6,426,645
Cash at end of year	$ 11,373,973	$ 9,072,320	$ 5,981,000
Supplemental disclosures of cash flow information:			
Interest paid in cash	$ 305,566	$ 259,820	$ 118,934
Depreciation expense allocated to cost of services	$ 5,119,674	$ 4,880,529	$ 3,265,452
Reclass of rental program property to inventory, net	$ 674,280	$ 33,266	$ 28,337
Prepaid items financed with debt	$ 103,125	$ 101,850	$ 133,588
Prepaid interest from issuance of warrants for debt costs	$ -	$ -	$ 55,962
Equipment and software acquired under capital lease	$ 107,903	$ 325,431	$ 124,917
Disposal of property and equipment	$ 842,204	$ 709,638	$ 98,928
Disposal of property and equipment under sale-leaseback transactions	$ 3,873,275	$ 1,918,920	$ -

See accompanying notes.

USA Technologies, Inc.
Notes to Consolidated Financial Statements

1. BUSINESS

USA Technologies, Inc. (the “Company”, “We”, “USAT”, or “Our”) was incorporated in the Commonwealth of Pennsylvania in January 1992. We are a provider of technology-enabled solutions and value-added services that facilitate electronic payment transactions primarily within the unattended Point of Sale (“POS”) market. We are a leading provider in the small ticket, beverage and food vending industry and are expanding our solutions and services to other unattended market segments, such as amusement, commercial laundry, kiosk and others. Since our founding, we have designed and marketed systems and solutions that facilitate electronic payment options, as well as telemetry and machine-to-machine (“M2M”) 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.

2. ACCOUNTING POLICIES

CONSOLIDATION

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

USE OF ESTIMATES

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

CASH

The Company maintains its cash in bank deposit accounts, which may exceed federally insured limits at times.

ACCOUNTS RECEIVABLE

Accounts receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Company estimates doubtful accounts for accounts receivable and finance receivables based on historical bad debts, factors related to specific customers’ ability to pay and current economic trends. The Company writes off accounts receivable against the allowance when management determines the balance is uncollectible and the Company ceases collection efforts. Management believes that the allowance recorded is adequate to provide for its estimated credit losses.

FINANCE RECEIVABLES

The Company offers extended payment terms to certain customers for equipment sales under its Quick Start Program. In accordance with the Financial Accounting Standards Board Accounting Standards Codification® (“ASC”) Topic 840, “Leases”, agreements under the Quick Start Program qualify for sales-type lease accounting. Accordingly, the future minimum lease payments are classified as finance receivables in the Company’s consolidated balance sheets. Finance receivables or Quick Start leases are generally for a sixty month term. Finance receivables are carried at their contractual amount and charged off against the allowance for credit losses when management determines that recovery is unlikely and the Company ceases collection efforts. The Company recognizes a portion of the note or lease payments as interest income in the accompanying consolidated financial statements based on the effective interest rate method.

INVENTORY

Inventory consists of finished goods and packaging materials. The Company’s inventory is stated at the lower of cost (average cost basis) or market.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized on the straight-line basis over the lesser of the estimated useful life of the asset or the respective lease term.

INTANGIBLE ASSETS

The company’s intangible assets include goodwill, trademarks and patents.

Goodwill represents the excess of cost over fair value of the net assets purchased in acquisitions. The Company accounts for goodwill in accordance with ASC 350, “Intangibles – Goodwill and Other”. Under ASC 350, goodwill is not amortized to earnings, but instead is subject to periodic testing for impairment. Testing for impairment is to be done at least annually and at other times if events or circumstances arise that indicate that impairment may have occurred. The Company has selected April 1 as its annual test date. The Company has concluded there has been no impairment of goodwill during the fiscal years ended June 30, 2015, 2014 and 2013, respectively.

2. ACCOUNTING POLICIES (CONTINUED)

The Company trademarks with an indefinite economic life are not being amortized. The trademarks, not subject to amortization, are related to the miser asset group and consist of the following trademarks: 1) VendingMiser, 2) CoolerMiser, 3) PlugMiser and 4) SnackMiser. The Company tests indefinite-life intangible assets for impairment using a two-step process. The first step screens for potential impairment, while the second step measures the amount of impairment. The Company uses a relief from royalty analysis to complete the first step in this process. Testing for impairment is to be done at least annually and at other times if events or circumstances arise that indicate that impairment may have occurred. The Company has selected April 1 as its annual test date for its indefinite-lived intangible assets. The Company has concluded there has been no impairment of trademarks during the fiscal years ended June 30, 2015, 2014 and 2013, respectively.

Patents and trademarks, with an estimated economic life, are carried at cost less accumulated amortization, which is calculated on a straight-line basis over their estimated economic life. Intangible assets with an estimated economic life were fully amortized as of June 30, 2014.

LONG LIVED ASSETS

In accordance with ASC 360, “Impairment or Disposal of Long-Lived Assets”, the Company reviews its definite lived long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amount of an asset or group of assets exceeds its net realizable value, the asset will be written down to its fair value. In the period when the plan of sale criteria of ASC 360 are met, definite lived long-lived assets are reported as held for sale, depreciation and amortization cease, and the assets are reported at the lower of carrying value or fair value less costs to sell. The Company has concluded that the carrying amount of definite lived long-lived assets is recoverable as of June 30, 2015 and June 30, 2014.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2010-06, “Fair Value Measurements and Disclosures (“Topic 820”): Improving Disclosures about Fair Value Measurements.” ASU 2010-06 amends certain disclosure requirements of Subtopic 820-10. This ASU provides additional disclosures for transfers in and out of Levels 1 and 2 and for activity in Level 3. This ASU also clarifies certain other existing disclosure requirements including level of desegregation and disclosures around inputs and valuation techniques.

The Company’s financial assets and liabilities are accounted for in accordance with ASC 820 “Fair Value Measurement.” Under ASC 820 the Company uses inputs from the three levels of the fair value hierarchy to measure its financial assets and liabilities. The three levels are as follows:

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

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

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

The Company’s financial instruments, principally accounts receivable, short-term finance receivables, prepaid expenses and other assets, accounts payable and accrued expenses, are carried at cost which approximates fair value due to the short-term maturity of these instruments. The fair value of the Company’s obligations under its long-term debt credit agreements and the long-term portion of its finance receivables approximates their carrying value as such instruments are at market rates currently available to the Company.

*CONCENTRATION OF RISK*S

Financial instruments that subject the Company to a concentration of credit risk consist principally of cash and accounts and finance receivables. The Company maintains cash with various financial institutions where accounts may exceed federally insured limits at times. Approximately 35% and 22% of the Company’s trade accounts and finance receivables at June 30, 2015 and 2014, respectively, were concentrated with one customer.

Concentration of revenues with customers subject the Company to operating risks. Approximately 21%, 26% and 26% of the Company’s license and transaction processing revenues for the years ended June 30, 2015, 2014 and 2013, respectively, were concentrated with one customer. Additionally for the year ended June 30, 2013, approximately 11% of the license and transaction processing fees were with another customer. There was a 17% concentration of equipment sales revenue with one customer for the year ended June 30, 2015 with no concentrations for the years ended June 30, 2014 and 2013. The Company’s customers are principally located in the United States.

REVENUE RECOGNITION

Revenue from the sale or QuickStart lease of equipment is recognized on the terms of freight-on-board shipping point. Activation fee revenue, if applicable, is recognized when the Company’s cashless payment device is initially activated for use on the Company network. Transaction processing revenue is recognized upon the usage of the Company’s cashless payment and control network. License fees for access to the Company’s devices and network services are recognized on a monthly basis. In all cases, revenue is only recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed and determinable, and collection of the resulting receivable is reasonably assured. The Company estimates an allowance for product returns at the date of sale and license and transaction fee refunds on a monthly basis.

ePort hardware is available to customers under the QuickStart program pursuant to which the customer would enter into a five-year non-cancelable lease with either the Company or a third-party leasing company for the devices. At the end of the lease period, the customer would have the option to purchase the device for a nominal fee.

EQUIPMENT RENTAL

The Company offers its customers a rental program for its ePort devices, the JumpStart program (“JumpStart”). JumpStart terms are typically 36 months and are cancellable with thirty to sixty days’ written notice. In accordance with ASC 840, “Leases”, the Company classifies the rental agreements as operating leases, with service fee revenue related to the leases included in license and transaction fees in the Consolidated Statements of Operations. Cost for the JumpStart revenues, which consists of depreciation expense on the JumpStart equipment, is included in cost of services in the Consolidated Statements of Operations. ePort equipment utilized by the JumpStart program is included in property and equipment, net on the Consolidated Balance Sheet.

2. ACCOUNTING POLICIES (CONTINUED)

WARRANTY COSTS

The Company generally warrants its products for one to three years. Warranty costs are estimated and recorded at the time of sale based on historical warranty experience, if available. These costs are reviewed and adjusted, if necessary, periodically throughout the year.

SHIPPING AND HANDLING

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

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are expensed as incurred. Research and development expenses, which are included in selling, general and administrative expenses in the Consolidated Statements of Operations, were approximately $1,457,000, $1,018,000 and $901,000, for the years ended June 30, 2015, 2014, and 2013, respectively. Our research and development initiatives focus on adding features and functionality to our system solutions through the development and utilization of our processing and reporting network and new technology.

ACCOUNTING FOR EQUITY AWARDS

In accordance with ASC 718 the cost of employee services received in exchange for an award of equity instruments is based on the grant-date fair value of the award and allocated over the requisite service period of the award.

INCOME TAXES

The Company follows the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes, which provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. Tax positions must meet a “more-likely-than-not” recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods.

Income taxes are computed using the asset and liability method of accounting. Under the asset and liability method, a deferred tax asset or liability is recognized for estimated future tax effects attributable to temporary differences and carryforwards. The measurement of deferred income tax assets is adjusted by a valuation allowance, if necessary, to recognize future tax benefits only to the extent, based on available evidence, it is more likely than not such benefits will be realized. The Company recognizes interest and penalties, if any, related to uncertain tax positions in selling, general and administrative expenses. No interest or penalties related to uncertain tax positions were accrued or incurred during the years ended June 30, 2015, 2014, and 2013.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions. The tax years ended June 30, 2012 through June 30, 2015 remain open to examination by taxing jurisdictions to which the Company is subject. As of June 30, 2015, the Company did not have any income tax examinations in process.

EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per share are calculated by dividing net income (loss) applicable to common shares by the weighted average common shares outstanding for the period. Diluted earnings (loss) per share are calculated by dividing net income (loss) applicable to common shares by the weighted average common shares outstanding for the period plus the dilutive effects of common stock equivalents unless the effects of such common stock equivalents is anti-dilutive. For the years ended June 30, 2015 and 2014 no effect for common stock equivalents was considered in the calculation of diluted earnings (loss) per share because their effect was anti-dilutive. For the year ended June 30, 2013 the dilutive effect for 825,673 shares of common stock equivalents was considered in the calculation of diluted earnings (loss) per share.

COMPREHENSIVE INCOME

ASC 220, “Comprehensive Income”, prescribes the reporting required for comprehensive income and items of other comprehensive income. Entities having no items of other comprehensive income are not required to report on comprehensive income. The Company has no items of other comprehensive income for its years ended June 30, 2015, 2014 or 2013.

RECENT ACCOUNTING PRONOUCEMENTS

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

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606). This pronouncement will be effective for the Company beginning with the year ending June 30, 2019.

In June 2014, the Financial Accounting Standards Board issued ASU 2014-12 Compensation- Stock Compensation (Topic 718); Accounting for share-based payments when the terms of the award provide that a performance target could be achieved after the requisite service period. This pronouncement will be effective for the Company beginning with the year ending June 30, 2017.

In August 2014, the Financial Accounting Standards Board issued ASU 2014-15 Presentation of Financial Statements- Going Concern (Subtopic 205-40): Disclosure of uncertainties about an entity’s ability to continue as a going concern. This pronouncement will be effective for the Company beginning with the year ending June 30, 2018.

In April 2015, the Financial Accounting Standards Board issued ASU 2015-03 Interest- Imputation of Interest (Subtopic 835-30): Simplifying the presentation of debt issuance costs. This pronouncement will be effective for the Company beginning with the year ending June 30, 2017.

In July 2015, the Financial Accounting Standards Board issued ASU 2015-11 Inventory (Topic 330): Simplifying the measurement of inventory. This pronouncement will be effective for the Company beginning with the year ending June 30, 2018.

RECLASSIFICATION

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation.

3. FINANCE RECEIVABLES

Finance Receivables consist of the following:

	June 30, 2015	June 30, 2014
Total finance receivables	$ 4,638,663	$ 472,587
Less current portion	941,150	119,793
Non-current portion of finance receivables	$ 3,697,513	$ 352,794

As of June 30, 2015 and 2014, there was no allowance for credit losses of finance receivables.

Credit quality indicators consist of the following:

Credit risk profile based on payment activity:

	June 30, 2015	June 30, 2014
Performing	$ 4,618,458	$ 472,587
Nonperforming	20,205	-
Total	$ 4,638,663	$ 472,587

Age Analysis of Past Due Finance Receivables
As of June 30,

	31 – 60 Days Past Due	61 – 90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Finance Receivables
QuickStart Leases - 2015	$ -	$ 15,574	$ 4,630	$ 20,205	$4,618,458	$ 4,638,663
QuickStart Leases - 2014	$ -	$ 909	$ 378	$ 1,287	$ 471,300	$ 472,587

4. PROPERTY AND EQUIPMENT

Property and equipment, at cost, consist of the following:

	Useful Lives	June 30, 2015 Cost	Accumulated Depreciation	Net
Computer equipment and purchased software	3-7 years	$ 4,669,485	$ (4,016,635)	$ 652,850
Property and equipment used for rental program	5 years	26,469,057	(14,475,816)	$ 11,993,241
Furniture and equipment	3-7 years	723,047	(571,933)	$ 151,114
Leasehold improvements	Lesser of life or lease term	575,343	(503,740)	$ 71,603
		$ 32,436,932	$ (19,568,124)	$ 12,868,808

	Useful Lives	June 30, 2014 Cost	Accumulated Depreciation	Net
Computer equipment and purchased software	3-7 years	$ 4,581,001	$ (3,612,551)	$ 968,450
Property and equipment used for rental program	5 years	30,348,918	(10,524,701)	$ 19,824,217
Furniture and equipment	3-7 years	681,717	(498,995)	$ 182,722
Leasehold improvements	Lesser of life or lease term	575,343	(412,152)	$ 163,191
		$ 36,186,979	$ (15,048,399)	$ 21,138,580

	2015	2014	2013
Depreciation expense	$ 5,694,452	$ 5,459,064	$ 3,837,174

Assets under capital leases totaled approximately $2,139,000 and $2,031,000 as of June 30, 2015 and 2014, respectively. Capital lease amortization of approximately $349,000, $305,000 and $265,000, is included in depreciation expense for the years ended June 30, 2015, 2014, and 2013, respectively.

5. INTANGIBLE ASSETS

Amortization expense relating to all acquired intangible assets was approximately $0, $22,000 and $742,000 during each of the years ended June 30, 2015, 2014, and 2013, respectively. Intangible asset balances consisted of the following:

	Beginning Balance July 1, 2014	Year ended June 30, 2015 Additions/ Adjustments	Year ended June 30, 2015 Amortization	Ending Balance June 30, 2015	Amortization Period
Intangible assets:					
Goodwill	$ 7,663,208	$ -	$ -	$ 7,663,208	Indefinite
Trademarks - Indefinite	432,100	-	-	432,100	Indefinite
Trademarks - Amortizable	-	-	-	-	10 years
Patents	-	-	-	-	10 years
Total	$ 8,095,308	$ -	$ -	$ 8,095,308	

	Beginning Balance July 1, 2013	Year ended June 30, 2014 Additions/ Adjustments	Year ended June 30, 2014 Amortization	Ending Balance June 30, 2014	Amortization Period
Intangible assets:					
Goodwill	$ 7,663,208	$ -	$ -	$ 7,663,208	Indefinite
Trademarks - Indefinite	432,100	-	-	432,100	Indefinite
Trademarks - Amortizable	21,953	-	(21,953)	-	10 years
Patents	-	-	-	-	10 years
Total	$ 8,117,261	$ -	$ (21,953)	$ 8,095,308	

6. ACCRUED EXPENSES

Accrued expenses consist of the following:

	June 30, 2015	June 30, 2014
Accrued compensation and related sales commissions	$ 672,628	$ 545,110
Accrued professional fees	301,150	214,615
Accrued taxes and filing fees	505,300	640,958
Advanced customer billings	390,023	370,040
Accrued rent	74,601	155,712
Accrued other	212,988	175,538
	2,156,690	2,101,973
Less current portion	(2,107,530)	(1,915,799)
	$ 49,160	$ 186,174

7. LINE OF CREDIT

On July 10, 2012, the Company entered into a Loan and Security Agreement and other ancillary documents (the “Loan Agreement”) with a commercial bank (the “Bank”), which, as amended, provides for a secured line of credit of up to $7 million, secured by substantially all of the Company’s assets, until August 17, 2017. The outstanding balance of the amounts advanced under the line of credit will bear interest at 2% above the prime rate as published in The Wall Street Journal or 5% whichever is higher.

The Loan Agreement contains customary affirmative and negative covenants, including achieving a minimum Adjusted EBITDA and minimum liquidity, and customary events of default. During the period of the Line of Credit, the Company has obtained waivers from the Bank for failure to satisfy certain covenants. As of June 30, 2015, the Company was in violation a covenant of the Loan Agreement which was subsequently waived by the Bank on July 31, 2015.

In connection with the Bank extending the Line of Credit, in January 2013, the Company issued to the Bank warrants to purchase up to 45,000 shares of common stock of the Company at any time prior to December 31, 2017 at an exercise price of $2.10 per share. The fair value of the warrants of $55,962 was amortized as interest expense in the years ended June 30, 2014 and 2013 of $2,095 and $53,867, respectively.

	As of or Twelve Months Ended June 30,	
	2015	2014
Balance at period-end	$ 4,000,000	$ 5,000,000
Maximum amount outstanding at any month end	$ 5,000,000	$ 5,000,000
Average balance outstanding during the period	$ 4,077,000	$ 4,154,000
Weighted-average interest rate:		
As of the period-end	5.25%	5.25%
Paid during the period	5.25%	5.25%

Interest expense on the line of credit was approximately $211,000, $221,000 and $84,000 during each of the years ended June 30, 2015, 2014 and 2013, respectively.

8. LONG-TERM DEBT

CAPITAL LEASES

The company periodically enters into capital lease obligations to finance certain office and network equipment for use in its daily operations. During the 12 month periods ended June 30, 2015, 2014, and 2013, the company entered into capital lease obligations of $108,000, $325,000 and $108,000, respectively. The interest rates on these obligations range from 4.89% to 13.88%. The value of the acquired equipment is included in property and equipment and depreciated accordingly.

The balances of the capital lease obligations as of June 30, 2015 and 2014 and the related future obligations are shown in the table below.

OTHER LOAN AGREEMENTS

The company periodically enters into other loan agreements to finance the purchase of various assets as needed, including computer equipment, insurance premiums, network equipment and software for use in its daily operations. During the twelve-month periods ended June 30, 2015, 2014 and 2013, the company entered into capital lease obligations of $108,000, $325,000, and $108,000, respectively. The interest rates on these obligations range from approximately 4.9% to 13.9%. The value of these financed assets acquired is included in property and equipment or other assets and depreciated accordingly.

The balances of the other loan agreements as of June 30, 2015 and 2014 and the related future obligations is shown in the table below.

ASSIGNMENT OF QUICKSTART LEASES

In February 2015 and May 2015, the Company assigned its interest in certain finance receivables (various 60 month QuickStart leases) to a third party finance company in exchange for cash and the assumption of financing obligations in the aggregate of $1,752,717 and $304,008, respectively. The assignment transaction contains recourse provisions for the Company which requires the proceeds from the assignment to be treated as long-term debt. The financing obligations range in rate from 9.41% to 9.45%.

8. LONG-TERM DEBT (CONTINUED)

The balance of the financing obligations is shown in the table below.

	June 30, 2015	June 30, 2014
Capital lease obligations	$ 337,597	$ 414,525
Other loan agreements	-	8,251
Lease financing obligations	1,994,349	-
	2,331,946	422,776
Less current portion	477,522	172,911
	$ 1,854,424	$ 249,865

The maturities of long-term debt for each of the fiscal years following June 30, 2015 are as follows:

2016	$ 477,522
2017	502,749
2018	488,929
2019	486,928
2020	371,237
Thereafter	4,581
	$ 2,331,946

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the fair value hierarchy described in Note 2, the following table shows the fair value of the Company's financial instruments that are required to be measured at fair value as of June 30, 2015 and 2014:

June 30, 2015	Level 1	Level 2	Level 3	Total
Common stock warrant liability, warrants exercisable at $2.6058 from September 18, 2011 through September 18, 2016	$ -	$ -	$ 978,353	$ 978,353

June 30, 2014	Level 1	Level 2	Level 3	Total
Common stock warrant liability, warrants exercisable at $2.6058 from September 18, 2011 through September 18, 2016	$ -	$ -	$ 585,209	$ 585,209

The Level 3 financial instrument consists of common stock warrants issued by the Company in March 2011 include features requiring liability treatment of the warrants. The fair value of warrants issued in March 2011 (see Note 13) to purchase 3.9 million shares of the Company's common stock is based on valuations performed by an independent third party valuation firm. The fair value was determined using proprietary valuation models using the quality of the underlying securities of the warrants, restrictions on the warrants and security underlying the warrants, time restrictions and precedent sale transactions completed in the secondary market or in other private transactions. There were no transfers of assets or liabilities between level 1, level 2, or level 3 during the years ended June 30, 2015 and 2014.

The following table summarizes the changes in fair value of the Company's Level 3 financial instruments for the years ended:

	June 30, 2015	June 30, 2014
Beginning balance	$ (585,209)	$ (650,638)
Gain (loss) due to change in fair value of warrant liabilities, net	(393,144)	65,429
Ending balance	$ (978,353)	$ (585,209)

10. INCOME TAXES

The Company has significant deferred tax assets, a substantial amount of which result from operating loss carryforwards. The Company routinely evaluates its ability to realize the benefits of these assets to determine whether it is more likely than not that such benefit will be realized. In periods prior to the year ended June 30, 2014, the Company's evaluation of its ability to realize the benefit from its deferred tax assets resulted in a full valuation allowance against such assets. Based upon earnings performance that the Company had achieved along with the belief that such performance will continue into future years, the Company determined during the year ended June 30, 2014 that it was more likely than not that a substantial portion of its deferred tax assets would be realized and reduced its valuation allowances recorded in prior years by approximately $27 million, which includes $40,245 of deferred tax liabilities recorded as of June 30, 2013 reversing in the current year.

In addition to considering recent periods' performance, the evaluation of the amount of deferred tax assets expected to be realized involves forecasting the amount of taxable income that will be generated in future years. The Company has forecasted future results using estimates that management believes to be conservative. The number of connections added in a service year are a key metric, which in the Company's recurring revenue service model become an important ingredient in driving future growth and earnings. The forecasts the Company used assumes that significantly fewer net connections would be added to its service year than what it has historically achieved during each of its previous five fiscal years. With respect to its forecasts, the Company also has taken into account several industry analysts who have projected that demand for technology and services similar to the Company's will continue to grow in the markets the Company serves. Using these forecasts, the Company estimated that it was more likely than not that approximately $64 million of its operating loss carryforwards would be utilized to offset corresponding future years' taxable income.

If in future periods the Company demonstrates its ability to grow taxable income in excess of the forecasts described above, it will re-evaluate the need to keep some, or all, of the remaining valuation allowances of approximately $23 million on its deferred tax assets.

The benefit (provision) for income taxes for the years ended June 30, 2015, 2014 and 2013 is comprised of the following:

	2015	2014	2013
Current:			
Federal	$ (58,028)	$ (21,021)	$ -
State	(6,325)	-	-
	(64,353)	(21,021)	-
Deferred:			
Federal	365,143	20,970,149	(20,842)
State	(589,931)	6,306,270	(6,804)
	(224,788)	27,276,419	(27,646)
	$ (289,141)	$ 27,255,398	$ (27,646)

The provision for income taxes for the year ended June 30, 2015 includes $395,605 for the state and federal income tax effects of a decrease in the applicable state tax rate used to tax effect deferred tax assets caused by a state income tax law change. The provision for income taxes for the years ended June 30, 2013 was recorded for the future potential income tax effects for basis differences between financial reporting and income tax purposes for indefinite life intangible assets and goodwill that are being amortized for income tax purposes but not for financial reporting. Because there was a full valuation allowance reflected against deferred tax assets as of June 30, 2013, the potential future income tax effects associated with such indefinite life assets were not subject to offset deferred tax assets with finite lives.

A reconciliation of the benefit (provision) for income taxes for the years ended June 30, 2015, 2014 and 2013 to the indicated benefit (provision) based on income (loss) before benefit (provision) for income taxes at the federal statutory rate of 34% is as follows:

	2015	2014	2013
Indicated benefit (provision) at federal statutory rate of 34%	$ 272,116	$ (93,586)	$ (299,801)
Effects of permanent differences	(215,271)	(8,168)	71,379
State income taxes, net of federal benefit	(410,410)	(17,989)	(4,490)
Income tax credits	40,000	-	-
Changes related to prior years	187,373	-	-
Change in valuation allowances	(162,949)	27,375,141	205,266
	$ (289,141)	$ 27,255,398	$ (27,646)

10. INCOME TAXES (CONTINUED)

At June 30, 2015 the Company had federal operating loss carryforwards of approximately $163 million to offset future taxable income expiring through approximately 2035. The timing and extent to which the Company can utilize operating loss carryforwards in any year may be limited by provisions of the Internal Revenue Code regarding changes in ownership of corporations (i.e. IRS Code Section 382). The changes in ownership limitations under IRS Code Section 382 have had the effect of limiting the maximum amount of operating loss carryforwards as of June 30, 2015 available for use to offset future years' taxable income to approximately $125 million. Those operating loss carryforwards start to expire June 30, 2022.

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

	June 30, 2015	June 30, 2014
Deferred tax assets:		
Net operating loss carryforwards	$ 46,919,363	$ 47,776,042
Asset reserves	791,915	391,155
Deferred research and development costs	1,009,303	710,640
Intangibles	605,836	907,274
Deferred gain on assets under sale-leaseback transaction	632,317	460,902
Stock-based compensation	223,883	250,426
Other	436,510	348,885
	50,619,127	50,845,324
Deferred tax liabilities:		
Fixed assets	(491,990)	(683,159)
Intangibles and goodwill	(84,520)	(67,459)
Deferred tax assets, net	50,042,617	50,094,706
Valuation allowance	(22,996,634)	(22,833,685)
Deferred tax assets (liabilties), net of allowance	27,045,983	27,261,021
Less current portion	1,257,796	907,691
Deferred tax assets (liabilties), non-current	$ 25,788,187	$ 26,353,330

11. PREFERRED STOCK

The authorized Preferred Stock may be issued from time to time in one or more series, each series with such rights, preferences or restrictions as determined by the Board of Directors. As of June 30, 2015 each share of Series A Preferred Stock is convertible into 0.194 of a share of Common Stock and each share of Series A Preferred Stock is entitled to 0.194 of a vote on all matters on which the holders of Common Stock are entitled to vote . Series A Preferred Stock provides for an annual cumulative dividend of $1.50 per share, payable when, as and if declared by the Board of Directors, to the shareholders of record in equal parts on February 1 and August 1 of each year. Any and all accumulated and unpaid cash dividends on the Series A Preferred Stock must be declared and paid prior to the declaration and payment of any dividends on the Common Stock.

The Series A Preferred Stock may be called for redemption at the option of the Board of Directors for a price of $11.00 per share plus payment of all accrued and unpaid dividends. No such redemption has occurred as of June 30, 2015. In the event of any liquidation as defined in the Company's Articles of Incorporation, the holders of shares of Series A Preferred Stock issued shall be entitled to receive $10.00 for each outstanding share plus all cumulative unpaid dividends. If funds are insufficient for this distribution, the assets available will be distributed ratably among the preferred shareholders. The Series A Preferred Stock liquidation preference as of June 30, 2015 and 2014 is as follows:

	2015	2014
Shares outstanding at $10.00 per share	$ 4,429,680	$ 4,429,680
Cumulative unpaid dividends	12,925,228	12,260,776
	$17,354,908	$16,690,456

Cumulative unpaid dividends are convertible into common shares at $1,000 per common share at the option of the shareholder. During the years ended June 30, 2015, 2014 and 2013, no shares of Preferred Stock nor cumulative preferred dividends were converted into shares of common stock.

12. STOCK BASED COMPENSATION PLANS

The Company has three active stock based compensation plans at June 30, 2015 as shown in the table below:

Date Approved	Name of Plan	Type of Plan	Authorized Shares
June 2013	2013 Stock Incentive Plan	Stock	500,000
June 2014	2014 Stock Option Incentive Plan	Stock Options	750,000
June 2015	2015 Equity Incentive Plan	Stock + Stock Options	1,250,000
			2,500,000

As of June 30, 2015, the Company had reserved shares of Common Stock for future issuance for the following:

Exercise of Common Stock Warrants	4,309,000
Conversions of Preferred Stock and cumulative Preferred Stock dividends	98,861
Issuance under 2013 Stock Incentive Plan	321,111
Issuance under 2014 Stock Option Incentive Plan	750,000
Issuance under 2015 Equity Incentive Plan	1,250,000
Issuance to former Chief Executive Officer upon a prescribed transaction	140,000
Total shares reserved for future issuance	6,868,972

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. There were no options granted during the fiscal year ended June 30, 2013.

	Year ended June 30, 2015	Year ended June 30, 2014
Expected volatility	78-79%	79%
Expected life	7 years	7 years
Expected dividends	0.00%	0.00%
Risk-free interest rate	1.59-2.04%	2.22%

The 2014 Stock Option Incentive Plan was approved in June 2014 therefore there was no stock based compensation expense related to stock options for the years ended June 30, 2013 and June 30, 2014. Stock based compensation related to stock options for the year ended June 30, 2015 was $370,435. Unrecognized compensation related to stock option grants as of June 30, 2015 was $297,202.

12. EQUITY BASED COMPENSATION PLANS (CONTINUED)

The following table provides information about options outstanding:

	For the Twelve Months Ended June 30,														
	2015					2014					2013				
	Shares		Weighted Average Exercise Price		Weighted Average Grant Date Fair Value	Shares		Weighted Average Exercise Price		Weighted Average Grant Date Fair Value	Shares		Weighted Average Exercise Price		Weighted Average Grant Date Fair Value
Options outstanding, beginning of period	120,000	$	2.05	$	1.49	-	$	-	$	-	45,333	$	7.53	$	5.34
Granted	438,888	$	1.82	$	1.30	120,000	$	2.05	$	1.49	-	$	-	$	-
Forfeited	(20,000)	$	2.05	$	1.49	-	$	-	$	-	-	$	-	$	-
Expired	-	$	-	$	-	-	$	-	$	-	(45,333)	$	7.53	$	5.34
Exercised	-	$	-	$	-	-	$	-	$	-	-	$	-	$	-
Options outstanding, end of period	538,888	$	1.86	$	1.33	120,000	$	2.05	$	1.49	-	$	-	$	-

The following table provides information related to options as of June 30, 2015:

	Options Outstanding		Options Exercisable			
Range of Exercise Prices	Options Outstanding	Remaining Contractual Life	Shares Exercisable	Remaining Contractual Life		Weighted Average Exercise Price
$1.62 to $1.68	75,000	6.51	-	N/A		N/A
$1.78	328,888	6.16	-	N/A		N/A
$2.05	100,000	5.97	33,335	5.97	$	2.05
$2.09	10,000	6.58	-	N/A		N/A
$2.75	25,000	6.77	-	N/A		N/A
	538,888	6.21	33,335	5.97	$	2.05

The following table provides information about unvested options:

	For the Twelve Months Ended June 30,								
	2015			2014			2013		
	Shares		Weighted Average Grant Date Fair Value	Shares		Weighted Average Grant Date Fair Value	Shares		Weighted Average Grant Date Fair Value
Unvested options, beginning of period	120,000	$	1.49	-		-	-		-
Granted	438,888	$	1.30	120,000	$	1.49	-		-
Vested	(33,335)	$	1.49	-		-	-		-
Forfeited	(20,000)	$	1.49	-		-	-		-
Unvested options, end of period	505,553	$	1.32	120,000	$	1.49	-	$	-

The following table provides information about options outstanding and exercisable options:

	As of June 30,											
	2015				2014				2013			
		Options Outstanding		Exercisable Options		Options Outstanding		Exercisable Options		Options Outstanding		Exercisable Options
Number		538,888		33,335		120,000		-		-		-
Weighted average exercise price	$	1.86	$	2.05	$	2.05	$	-	$	-	$	-
Aggregate intrinsic value	$	451,177	$	21,668	$	7,200	$	-	$	-	$	-
Weighted average contractual term		6.21		5.97		6.97		-		-		-
Share price as of June 30	$	2.70	$	2.70	$	2.11	$	2.11	$	1.74	$	1.74

STOCK GRANTS

A summary of the status of the Company's nonvested common shares as of June 30, 2015, 2014, and 2013, and changes during the years then ended is presented below:

	Shares		Weighted-Average Grant-Date Fair Value
Nonvested Shares			
Nonvested at June 30, 2012	172,003	$	1.82
Granted	156,429		1.45
Vested	(204,587)		1.72
Forfeited, Employee shares not earned	(26,699)		1.52
Nonvested at June 30, 2013	97,146	$	1.52
Granted	10,000		2.17

Vested	(55,001)		1.62
Forfeited, Director changes	(3,334)		0.94
Forfeited, Employee shares not earned	(5,000)		1.52
Nonvested at June 30, 2014	43,811	$	1.59
Granted	155,927		2.00
Vested	(181,134)		1.89
Nonvested at June 30, 2015	18,604	$	1.88

13. WARRANTS

All warrants outstanding as of June 30, 2015 were exercisable. The following table shows exercise prices and expiration dates for warrants outstanding as of June 30, 2015:

Warrants Outstanding	Exercise Price Per Share	Expiration Date
4,264,000	$ 2.61	September 18, 2016
45,000	$ 2.10	December 31, 2017
4,309,000		

Warrant activity for the years ended June 30, 2015, 2014, and 2013 was as follows:

	Warrants
Outstanding at June 30, 2012	8,045,619
Issued	45,000
Exercised	(399,597)
Expired	(329,314)
Outstanding at June 30, 2013	7,361,708
Issued	-
Exercised	(2,090,226)
Expired	(962,482)
Outstanding at June 30, 2014	4,309,000
Issued	-
Exercised	-
Expired	-
Outstanding at June 30, 2015	4,309,000

On May 12, 2010, in conjunction with a public offering, the Company issued warrants to purchase 2,753,454 shares of Common Stock, exercisable at $1.13 per share at any time prior to December 31, 2013. During the years ended June 30, 2014 and 2013, 2,090,226 and 369,287 of these warrants were exercised at $1.13 per share for cash proceeds of $2,361,956 and $417,294, respectively. Warrants to purchase 58,527 shares of Common Stock expired unexercised on December 31, 2013.

In conjunction with this public offering, the Company also issued to the placement agent warrants to purchase 165,207 and 15,717 shares of Common Stock, exercisable at $1.13 per share at any time prior to May 12, and July 7, 2013, respectively. During the year ended June 30, 2013 the placement agent elected cashless exercises of 36,186 warrants resulting in the issuance of 17,094 shares of Common Stock and exercised warrants to purchase 13,216 shares of Common Stock at $1.13 per share for cash proceeds of $14,934. Warrants to purchase 1,258 shares of Common Stock expired unexercised in May 2013.

On March 17, 2011, in conjunction with a private placement offering the Company issued warrants to purchase up to 3,900,000 shares of Common Stock, exercisable at $2.6058 per share. Additionally, the Company issued the placement agent in this offering warrants to purchase 364,000 shares of common stock at $2.6058 per share. The 4,264,000 warrants are exercisable from September 18, 2011 through September 18, 2016. As of June 30, 2015, no warrants have been exercised under this offering.

The 3,900,000 warrants issued under this private placement offering contain a provision that if a Fundamental Transaction occurs, notably a change in control, the warrant holder may require the Company to pay the Black-Scholes calculated value of the then unexercised warrant to the warrant holder in cash. As such the Company has recorded a liability of $978,353 and $585,209 at June 30, 2015 and 2014, respectively, for the estimated fair value of the warrants in its Consolidated Balance Sheet (see Note 9). Period to period changes in the fair value of these warrants are reflected through income.

In conjunction with the Loan and Security agreement (Note 7) and as a condition of the Bank entering into the First Amendment, the Company issued to the Bank warrants to purchase up to 45,000 shares of Common Stock of the Company. The warrants are exercisable at any time prior to December 31, 2017 at an exercise price of $2.10 per share. Upon the issuance of the warrants, the fair value of the warrants was $55,962 using a Black Scholes model, which was recorded as prepaid interest and included in other assets on the Consolidated Balance Sheet, and is being amortized as non-cash interest expense over the remaining term of the Line of Credit as amended in January 2013. Non-cash interest of $0, $2,095 and $53,867 has been recognized for the years ended June 30, 2015, 2014 and 2013, respectively. As of June 30, 2015 none of these warrants has been exercised.

14. RETIREMENT PLAN

The Company's 401(k) Plan (the "Retirement Plan") allows employees who have completed six months of service to make voluntary contributions up to a maximum of 100% of their annual compensation, as defined in the Retirement Plan. The Company may, in its discretion, make a matching contribution, a profit sharing contribution, a qualified non-elective contribution, and/or a safe harbor 401(k) contribution to the Retirement Plan. The Company must make an annual election, at the beginning of the plan year, as to whether it will make a safe harbor contribution to the plan. In fiscal years 2015, 2014 and 2013, the Company elected and made a safe harbor matching contributions of 100% of the participant's first 3% and 50% of the next 2% of compensation deferred into the Retirement Plan. The Company's safe harbor contributions for the years ended June 30, 2015, 2014 and 2013 approximated $192,000, $168,000 and $176,000, respectively.

15. RELATED PARTY TRANSACTIONS

There were no related party transactions during the years ended June 30, 2015, 2014 and 2013.

16. COMMITMENTS AND CONTINGENCIES

SALE AND LEASEBACK TRANSACTIONS

In June 2014, the Company and a third party finance company, entered into six Sale Leaseback Agreements (the "Sale Leaseback Agreements" or a "Sale Leaseback Agreement") pursuant to which a third-party finance company purchased ePort equipment owned by the Company and used by the Company in its JumpStart Program. As of June 30, 2014, a third-party finance company completed the purchase from the Company, the ePort equipment under the first two of the Sale Leaseback Agreements.

In the quarter ended September 2014, a third-party finance company completed the purchase from the Company of the ePort equipment described in the last four of the Sale Leaseback Agreements. Upon the completion of the sale under these agreements, the Company computed a gain on the sale of its ePort equipment, which is deferred and will be amortized in proportion to the related gross rental charged to expense over the lease terms in accordance with the FASB topic ASC 840-40, "Sale Leaseback Transactions". The computed gain on the sale will be recognized ratably over the 36-month term and charged as a reduction to the Company's JumpStart rent expense included in costs of services in the Company's Consolidated Statement of Operations. The Company is accounting for the Sale Leaseback as an operating lease and is obligated to pay to Varilease a base monthly rental for this equipment during the 36-month lease term. The future lease payment obligations under these agreements are included in the table at the bottom of this note.

Upon the completion of the sales, the Company computed gains on the sale of its ePort equipment as follows:

	Year ended June 30, 2015	Year ended June 30, 2014
Rental equipment sold, cost	$ 3,873,275	$ 1,918,920
Rental equipment sold, accumulated depreciation upon sale	(331,069)	(76,032)
Rental equipment sold, net book value	3,542,206	1,842,888
Proceeds from sale	4,993,879	2,995,095
Gain on sale of rental equipment	$ 1,451,673	$ 1,152,207

In accordance with the FASB topic ASC 840-40, "Sale Leaseback Transactions", any gain shall be deferred and shall be amortized in proportion to the related gross rental charged to expense over the lease term. The computed gain on the sale will be recognized ratably over the 36 month term and charged as a reduction to the Company's JumpStart rent expense included in costs of services in the Company's Consolidated Statement of Operations. For the years ended June 30, 2015 and 2014 the Company recognized gains as follows:

	Year ended June 30, 2015	Year ended June 30, 2014
Beginning balance	$ 1,142,685	$ -
Gain on sale of rental equipment	1,451,673	1,152,207
Recognition of deferred gain	(833,619)	(9,522)
Ending balance	1,760,739	1,142,685
Less current portion	860,391	380,895
Non-current portion of deferred gain	$ 900,348	$ 761,790

16. COMMITMENTS AND CONTINGENCIES (continued)

OTHER LEASES

Other lease commitments include leases for its operations from various facilities. The Company leases space located in Malvern, Pennsylvania for its principal executive office and used for general administrative functions, sales activities, product development, and customer support. In November 2010, the Company entered into an amended lease of its principal executive office in Malvern, Pennsylvania, which extended the lease term from December 31, 2010 to April 2016. The amendment includes rental payments of approximately $29,000 to $32,000 as well as a four month period of no rent payments and leasehold improvements of approximately $195,000. The straight-lined rent expense for this office is approximately $25,000 per month for the duration of the lease.

The Company leases space in Malvern, Pennsylvania for its product warehousing and shipping support. In November 2012, the Company entered into a lease as of January 1, 2013 through February 29, 2016. The lease includes monthly rental payments from $4,406 to $4,678 as well as a two month period of no rent payments. Beginning in January 2013 the straight-lined rent expense for this operations site is approximately $4,300 per month for the duration of the lease period.

Rent expense under operating leases was approximately $354,000, $372,000 and $432,000 during the years ended June 30, 2015, 2014, and 2013, respectively.

SUMMARY OF LEASE OBLIGATIONS

Future minimum lease payments for fiscal years subsequent to June 30, 2015 under non-cancellable operating leases and capital leases are as follows:

	Operating Leases from Sale Leaseback	Other Operating Leases	Total Operating Leases	Capital Leases
2016	$ 2,641,155	$ 361,927	$ 3,003,082	$ 157,304
2017	2,641,155	810	2,641,965	131,585
2018	137,731	-	137,731	70,416
2019	-	-	-	23,361
Total minimum lease payments	$ 5,420,041	$ 362,737	$ 5,782,778	$ 382,666
Less amount representing interest				45,069
Present value of net minimum lease payments				337,597
Less current obligations under capital leases				131,583
Obligations under capital leases, less current portion				$ 206,014

LITIGATION

From time to time, the Company is involved in various legal proceedings arising during the normal course of business which, in the opinion of the management of the Company, will not have a material adverse effect on the Company’s financial position and results of operations or cash flows.

On December 30, 2014, the Company settled a legal action brought in connection with a customer billing dispute. Under the settlement, the Company agreed to pay approximately $690,000. Approximately $280,000 of this amount was recorded in fiscal 2014 and $410,000 of this amount was recorded in fiscal 2015 and was reflected in Cost of Services in the Consolidated Statements of Operations.

During 2015, the Company became involved in a legal proceeding with a former non- vending customer and entities affiliated with the former customer. The Company is seeking to recoup approximately $680,000 relating to certain credit card chargebacks due under the customer agreement, while the former customer is seeking to recover damages alleged to have been incurred as a result of the breach by the Company of the agreement. The Company does not believe any of the claims asserted against it have merit and intends to vigorously defend this matter. Additionally, the Company intends to pursue its claims in order to recoup the chargebacks ..

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

None.

Item 9A. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures.

The principal executive officer and principal financial officer have evaluated the Company's disclosure controls and procedures as of June 30, 2015. Based on this evaluation, they conclude that because of the material weakness in our internal control over financial reporting discussed below, the disclosure controls and procedures were not effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 are recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 are accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Notwithstanding the material weakness discussed below, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that the consolidated financial statements included in this Form 10-K present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

(b) Management's annual report on internal control over financial reporting.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rules 13a-15(f). The Company's internal control over financial reporting is a process affected by the Company's management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

In designing and evaluating our internal controls and procedures, our management recognized that internal controls and procedures, no matter how well conceived and operated, can provide only a reasonable, not absolute, assurance that the objectives of the internal controls and procedures are met.

The Company's management assessed the effectiveness of its internal control over financial reporting as of June 30, 2015. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission's 2013 Internal Control—Integrated Framework. Based on its assessment, management identified deficiencies in both the design and operating effectiveness of the Company's internal control over financial reporting, which when aggregated, represent a material weakness in internal control. The most significant of these was the process over the reconcilement, analysis and management oversight of certain customer accounts receivable balances related to customer processing and service fees. The procedures in place did not identify a large number of small balance accounts that may be uncollectible and were not appropriately dispositioned, collected, remediated, reserved-for and/or written-off. As a result, the Company changed its June 30, 2015 financial results included in its September 10, 2015 press release by increasing its bad debt reserve by approximately $450,000, resulting in an after-tax charge of approximately $270,000 relating to these customer accounts receivable. A material weakness is a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of this material weakness, management concluded that the Company did not maintain effective control over financial reporting as of June 30, 2015.
The Company's internal controls over financial reporting with respect to the reconcilement, analysis and management oversight of certain customer accounts receivable balances are being evaluated and will be adjusted appropriately and remediated as soon as is practical.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to an exemption for smaller reporting companies under Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(c) Changes in internal control over financial reporting.

There have been no changes during the quarter ended June 30, 2015 in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting except those reported in section 9 A (b) above.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

DIRECTORS AND EXECUTIVE OFFICERS

Our Directors and executive officers, on September 15, 2015, together with their ages and business backgrounds were as follows:

Name	Age	Position(s) Held
Steven D. Barnhart (2)(3)	53	Director
Joel Brooks (1)	56	Director
David M. DeMedio	44	Chief Services Officer
Stephen P. Herbert	52	Chief Executive Officer, Chairman of the Board of Directors
Albin F. Moschner(1)(3)	62	Director
William J. Reilly, Jr.(1)(4)	66	Director
William J. Schoch (4)	50	Director
J. Duncan Smith	56	Chief Financial Officer

(1) Member of Audit Committee

(2) Lead independent director

(3) Member of Compensation Committee

(4) Member of Nominating and Corporate Governance Committee

Each member of the Board of Directors will hold office until the 2016 annual shareholders' meeting and until his or her successor has been elected and qualified.

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

Joel Brooks joined the Board of Directors of the Company during March 2007. Mr. Brooks is the Chair of our Audit Committee. Since May 2015, Mr. Brooks has served as the Vice President, Finance, for MeiraGTx Limited. From December 2000 until May 2015, Mr. Brooks served as the Chief Financial Officer, Treasurer and Secretary of Sevion Therapeutics, Inc. (formerly Senesco Technologies, Inc.), a biotechnology company whose shares are traded on the OTCQB. From September 1998 until November 2000, Mr. Brooks was the Chief Financial Officer of Blades Board and Skate, LLC, a retail establishment specializing in the action sports industry. Mr. Brooks was Chief Financial Officer from 1997 until 1998 and Controller from 1994 until 1997 of Cable and Company Worldwide, Inc. He also held the position of Controller at USA Detergents, Inc. from 1992 until 1994, and held various positions at several public accounting firms from 1983 through 1992. Mr. Brooks received his Bachelor of Science degree in Commerce with a major in Accounting from Rider University in February 1983. We believe Mr. Brooks' extensive accounting and finance background, and his executive experience at Sevion Therapeutics, Inc. provide the requisite qualifications, skills, perspectives, and experiences to serve on our Board of Directors.

David M. DeMedio joined the Company on a full-time basis in March 1999 as Controller. In the summer of 2001, Mr. DeMedio was promoted to Director of Financial Services where he was responsible for the sales and financial data reporting to customers, the Company's turnkey banking services and maintaining and developing relationships with credit card processors and card associations. In July 2003, Mr. DeMedio served as interim Chief Financial Officer through April 2004. From April 2004 until April 2005, Mr. DeMedio served as Vice President - Financial & Data Services. On April 12, 2005, he was appointed as the Company's Chief Financial Officer and continued in that role until August 31, 2015, when he was appointed as the Company's Chief Services Officer. From 1996 to March 1999, prior to joining the Company, Mr. DeMedio had been employed by Elko, Fischer, Cunnane and Associates, LLC as a supervisor in its accounting and auditing and consulting practice. Prior thereto, Mr. DeMedio held various accounting positions with Intelligent Electronics, Inc., a multi-billion reseller of computer hardware and configuration services. Mr. DeMedio graduated with a Bachelor of Science in Business Administration from Shippensburg University and is a Certified Public Accountant.

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

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

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

William J. Schoch joined the Board of Directors of the Company in July 2012. He is the chair of our Nominating and Corporate Governance Committee. Mr. Schoch is the President and Chief Executive Officer of Western Payments Alliance, a non-profit payments association and has served in that capacity since March 2008. He serves on the Boards of Western Payments Alliance and NACHA, an industry trade association and the administrator of the Automated Clearing House (ACH) Network, and is on the steering committee of NACHA's Council for Electronic Billing and Payment. From 1997 to 2008, Mr. Schoch worked at Visa International where, as the Vice President of Emerging Market Initiatives, he was responsible for the global development of the Visa Money Transfer Platform. Prior to that, Mr. Schoch served as a Vice President at Citibank, N.A. from 1989 to 1997 and as an Associate Director at NACHA from 1986 to 1989. Mr. Schoch obtained a Bachelor of Arts degree in 1986 from Indiana University of Pennsylvania with a major in Public Policy and a minor in Economics. We believe that Mr. Schoch's experience and familiarity with the electronic payments industry and his leadership experience provide the requisite qualifications, skills, perspectives and experiences to serve on our Board of Directors.

J. Duncan Smith joined the Company on a full-time basis as its Chief Financial Officer starting August 31, 2015. From April 2005 until July 2015, Mr. Smith served as the CFO, Executive Vice President, and Treasurer of Bryn Mawr Bank Corporation, a $3 billion bank holding company for The Bryn Mawr Trust Company and its subsidiaries. In such role, Mr. Smith oversaw all financial functions and was also responsible for treasury functions, capital market activities and investor relations. From March 1993 until March 2005, Mr. Smith was the CFO of First Chester County Corporation in West Chester, Pennsylvania, a community bank holding corporation. From April 1998 to March 1993, Mr. Smith served as CFO of Security First Bank, in Media, Pennsylvania, a start-up banking operation. Mr. Smith also has approximately seven years of experience with several public accounting firms including Grant Thornton and Ernst & Young. Mr. Smith graduated with a Bachelor of Science/ Bachelor of Arts in Accounting degree from Shippensburg University, a Masters in Business Administration from Pennsylvania State University's School of Graduate Professional Studies and a Masters' Degree in Taxation from Widener University. Mr. Smith is a certified public accountant.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has a standing Audit Committee presently consisting of each of Mr. Brooks (Chairman), and Messrs. Reilly and Moschner. The Company's Board of Directors has determined that Joel Brooks has met the additional independence criteria required for Audit Committee membership under applicable NASDAQ listing standards.

CODE OF BUSINESS CONDUCT AND ETHICS

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

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers, and persons who own more than 10% of the Company's Common Stock, to file with the Securities and Exchange Commission reports of ownership and changes in ownership of Common Stock. Officers, directors and greater than 10% beneficial owners are required by Securities and Exchange Commission regulations to furnish the Company with copies of all Section 16(a) forms they file.

We believe that, during the 2015 fiscal year, all of the Company's directors and executive officers filed reports required by Section 16(a) on a timely basis.

Item 11. Executive Compensation.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides information about our compensation program for our named executive officers as of June 30, 2015 (collectively, the "named executive officers"): Stephen P. Herbert- Chairman and Chief Executive Officer; David M. DeMedio- Chief Financial Officer; Michael Lawlor-Senior Vice President of Sales and Business Development; and Maeve Duska- Senior Vice President of Marketing.

<u>Fiscal Year 2015 Business Highlights</u>

The Compensation Committee has developed a compensation policy that is designed to attract and retain key executives responsible for the Company's success and motivate management to enhance long-term shareholder value.

Fiscal year 2015 financial highlights, compared to the prior year, included:

- 37% increase in total revenues to $58.1 million;
- 22% increase in license and transaction fee revenues to $43.6 million;
- 115% increase in equipment sale revenues to $14.4 million primarily attributable to the QuickStart program which was reintroduced in September 2014;
- Total connections to the Company's cashless payment and telemetry service, ePort Connect®, grew by 57% to 333,000; and
- Year-end cash position of $11.4 million as compared to $9.1 million as of the end of the prior fiscal year.

Notwithstanding the substantial progress made by the Company during the 2015 fiscal year, the Company did not achieve all of the target goals established by the Compensation Committee for compensation of our executive officers under the Fiscal Year 2015 Short-Term Incentive Plan ("2015 STI Plan") and Fiscal Year 2015 Long-Term Incentive Performance Share Plan ("2015 LTI Stock Plan"). When the target goals were established, the Committee believed that the attainment of the target goals would represent a significant achievement for management and were designed to stretch individual and corporate performance.

<u>Our 2015 Compensation Goals and Objectives</u>

The Compensation Committee is responsible for annually reviewing and recommending to the Board for approval the corporate goals and objectives relevant to the compensation of the executive officers of the Company, evaluating the executive officers' performance in light of those goals and objectives, and recommending for approval to the Board the executive officers' compensation levels based on this evaluation. The compensation of Mr. Lawlor and Ms. Duska was determined by our Chief Executive Officer in consultation with the Compensation Committee. The Chief Executive Officer assisted the Committee in establishing the compensation of our other executive officer, David DeMedio. Our Chief Executive Officer regularly provides information to the Compensation Committee. The Chief Executive Officer is not present during voting or deliberations on his compensation. The Compensation Committee has, from time to time, retained an independent compensation consultant, Buck Consultants, LLC, as deemed necessary to assist the Committee in making appropriate recommendations regarding our executive officers' compensation.

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

We have also designed and implemented our compensation package in order to be competitive with other companies in our peer group, as compiled by our compensation consultant, and to motivate and retain our executive officers. Our compensation package also takes into account individual responsibilities and performance.

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

Our Executive Compensation Practices

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

- Pay-for-performance. A substantial part of our executive officer's pay is, in our view, performance based. For the 2015 fiscal year, our Chief Executive Officer had approximately 62% of his total target compensation tied to performance while our Chief Financial Officer had approximately 55% of his total target compensation tied to performance.

- Stretch performance goals. Our performance target goals under our 2015 STI Plan and 2015 LTI Stock Plan are designed to stretch individual and organizational performance in order to receive target payouts.

- Capped payouts under incentive plans. Both our long-term and short-term bonus programs have maximum payout amounts in order to discourage excessive risk taking.
- Stock ownership guidelines. We have significant ownership guidelines. Our Chief Executive Officer is required to hold common stock with a value equal to a multiple of three times his base salary and our Chief Financial Officer is required to hold common stock with a value equal to one time his base salary.
- No Tax Gross-Up Provisions. Our compensation program does not include any excise tax gross-up provisions with respect to payments contingent upon a change of control.
- Limited perquisites for our executives. Perquisites are not a significant portion of our executive officers' compensation, representing 1% of Mr. Herbert's and 1% of Mr. DeMedio's total target compensation.
- Independent compensation consultant. The Committee has from time to time retained an independent compensation consultant, Buck Consultants, LLC, to review the executive compensation programs and practices.
- No payment on change of control without a "double trigger". Payments under our employment agreements require two events for vesting – both the change of control and a "good reason" for termination of employment.
- No repricing of underwater options. Our stock option incentive plan does not permit repricing or the exchange of underwater stock options without shareholder approval.

Pay-for-Performance Review

Pay-for-performance is an important component of our compensation philosophy and is evident in the structure of our compensation program. Our compensation approach is designed to motivate our executive officers to substantially contribute to the Company's long-term sustainable growth. Our pay-for-performance approach provides that a large portion of our executive officers' total compensation should be in the form of short-term and long-term incentive awards with performance hurdles designed to stretch individual and organizational performance.

Reinforcing pay-for-performance is a significant underpinning of our compensation program. During the 2015 fiscal year, a total of 62% of Mr. Herbert's and 55% of Mr. DeMedio's total target compensation was in the form of performance-based variable compensation designed to motivate them to deliver strong business performance and create shareholder value. These compensation elements were dependent upon the Company's achievement of pre-established financial and other business goals recommended by the Committee as well as individual goals established by the Committee or consisted of stock option awards which are inherently performance based as they only deliver value if the stock price increases. All stock options awarded by the Committee are exercisable at the closing share price on the date of the grant. Based on actual results, the annual variable compensation amount and the ultimate value of the equity compensation awards could have been significantly reduced if the Company or management did not perform.

For fiscal year 2015, the targeted aggregate compensation of our named executive officers consisted of the following components expressed as a percentage of total compensation:

Named Executive Officer	Base Salary	Annual Bonus	Long-Term Incentive Compensation	Perquisites & Other Benefits	Total Compensation
Stephen P. Herbert	37%	15%	47%	1%	100%
David M. DeMedio	44%	11%	44%	1%	100%
Michael Lawlor	49%	49%	0%	2%	100%
Maeve Duska	63%	37%	0%	0%	100%

The long-term incentive compensation in the above table does not reflect the one-time awards to Mr. Herbert of non-qualified stock options to purchase up to 150,000 shares, to Mr. DeMedio of non-qualified stock options to purchase up to 90,000 shares, to Mr. Lawlor of incentive stock options to purchase up to 25,000 shares, or to Ms. Duska of incentive stock options to purchase up to 25,000 shares. The foregoing awards are, however, reflected in the table set forth below as long-term incentive compensation. The long-term incentive compensation in the above table and in the table set forth below each reflect the awards to Mr. Herbert of incentive stock options to purchase up to 55,555 shares and to Mr. DeMedio of incentive stock options to purchase up to 33,333 shares.

For fiscal year 2015, the aggregate compensation actually paid or awarded to our named executive officers consisted of the following components expressed as a percentage of total compensation:

Named Executive Officer	Base Salary	Annual Bonus	Long-Term Incentive Compensation	Perquisites & Other Benefits	Total Compensation
Stephen P. Herbert	40%	12%	47%	1%	100%
David M. DeMedio	47%	6%	46%	1%	100%
Michael Lawlor	64%	15%	18%	3%	100%
Maeve Duska	73%	15%	12%	0%	100%

Peer Group Analysis

In July 2014, the Company obtained an updated analysis from Buck Consultants, LLC which contained a new peer group and updated the compensation analysis that had been previously performed. Buck Consultants, LLC assembled a peer group of 15 companies that it deemed comparable to the Company on the basis of size, market capitalization, industry, or financial performance. The peer group consisted of:

- Clearfield, Inc.
- Immersion Corp.
- Digimarc Corp.
- Jive Software, Inc.
- LGL Group, Inc.
- Netsol Technologies, Inc.
- Local Corp.
- Numerex Corp.
- Onvia, Inc.
- Planar Systems, Inc.
- Procera Networks, Inc.
- Tangoe, Inc.
- Transact Technologies, Inc.
- Westell Technologies, Inc.
- Planet Payment, Inc.

When making compensation decisions, the Committee reviews the aggregate target compensation paid to an executive officer relative to the compensation paid to similarly situated executives, to the extent available, at our peer companies. For fiscal year 2015, the Committee recommended a compensation program for our executive officers consisting of target level compensation approximately equal to the 50th percentile for similarly situated officers at the peer group companies compiled by Buck Consultants.

Elements of Compensation

This section describes the various elements of our compensation program for our named executive officers during the 2015 fiscal year. The components of compensation reflected in our named executive officers' compensation program are set forth in the following table:

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

<u>Base Salary</u>

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

The base salaries of each of our executive officers reflect the individual's level of responsibility and performance. In recommending base salaries of our executive officers to the Board of Directors, the Compensation Committee also considers changes in duties and responsibilities, our business and financial results, and its knowledge of base salaries paid to executive officers of our peer group. The base salaries of each of Ms. Duska and Mr. Lawlor were established by our Chief Executive Officer after discussions with each employee.

None of our named executive officer's base salaries were increased during the 2015 fiscal year.

<u>Annual Bonus</u>

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

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

Fiscal Year 2015 Short-Term Incentive Plan

At the recommendation of the Compensation Committee, the Board of Directors adopted the 2015 STI Plan covering Messrs. Herbert and DeMedio. Pursuant to the 2015 STI Plan, each executive officer would earn a cash bonus in the event that the Company achieved during the 2015 fiscal year certain annual financial goals (80% weighting) and certain annual specific performance goals relating to the executive officer which were established by the Compensation Committee (20% weighting). The annual financial goals are total revenues (30% weighting), cash generated from operations (30% weighting), and non-GAAP net income (40% weighting). Assuming the minimum threshold target goal would be achieved for a particular metric, the amount of the cash bonus to be earned would be determined on a pro rata basis, provided that the bonus would not exceed the maximum distinguished award for that metric.

The individual performance goals established by the Committee for Mr. Herbert included developing a long-term financial model, implementing a management reorganization plan to support growth of the Company, and continuing to evolve enterprise risk management. The individual performance goals established by the Committee for Mr. DeMedio included developing a long-term financial model, securing QuickStart funding sources to support the growth of the Company, and continuing to evolve enterprise risk management.

The Committee set the cash bonus opportunity for each executive officer as a percentage of his respective annual base salary as set forth in the following table.

Named Executive Officer	Threshold Performance	Target Performance	Distinguished Performance
Stephen P. Herbert	-	40%	80%
David M. DeMedio	-	25%	50%

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

Named Executive Officer	Threshold Performance	Target Performance	Distinguished Performance
Stephen P. Herbert	$ -	$ 136,491	$ 272,982
David M. DeMedio	$ -	$ 59,469	$ 118,938

Mr. Herbert earned a cash bonus of $101,732, representing 29.8% of his base salary, and Mr. DeMedio earned a cash bonus of $31,242 representing 13.1% of his base salary, under the 2015 STI Plan. The Committee determined that Mr. Herbert had achieved the individual maximum distinguished performance goals established by the Committee (200%) and Mr. DeMedio had achieved 90% of the individual target performance goals established by the Committee. Based on the actual performance of the Company during the 2015 fiscal year, the minimum threshold performance targets established under the 2015 STI Plan were not met for operating cash and non-GAAP net income. Revenues for the fiscal year were in excess of the target goal but less than the maximum distinguished target goal.

The cash bonuses were paid to the executive officers in September 2015.

Other Named Executive Officers' Cash Bonus

For the fiscal year ended June 30, 2015, the cash bonuses earned by Mr. Lawlor and Ms. Duska were based upon the attainment of financial target goals by the Company relating to connections (35% weighting), revenues (15% weighting), non-GAAP net income (25% weighting), and adjusted EBITDA (25% weighting). Based on the actual performance of the Company during the 2015 fiscal year, the minimum threshold performance targets were not met for non-GAAP net income and adjusted EBITDA. Connections for the fiscal year were in excess of the minimum threshold target goal but less than the target goal and revenues were in excess of the target goal but less than the maximum distinguished target goal. The cash bonuses were paid to the officers in September 2015.

Duska Stock Bonus

During July 2014, and subsequent to the end of the 2014 fiscal year, Ms. Duska was awarded 24,155 vested shares of common stock as a one-time bonus in recognition of her performance during the 2014 fiscal year. Although the Compensation Committee considered this bonus to be part of Ms. Duska's fiscal year 2014 compensation and is not considered to be part of her compensation for the 2015 fiscal year under this Compensation Discussion and Analysis, this stock award is reflected as required by applicable disclosure regulations in the fiscal year 2015 compensation tables set forth below.

Long-Term Incentive Compensation

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

Fiscal Year 2015 Long-Term Incentive Performance Share Plan

At the recommendation of the Compensation Committee, the Board of Directors adopted the 2015 LTI Stock Plan covering Messrs. Herbert and DeMedio. Under the 2015 LTI Stock Plan, each executive officer would be awarded shares of common stock in the event that certain metrics relating to the Company's 2015 fiscal year would result in specified ranges of year-over-year percentage growth. The metrics are total number of connections as of June 30, 2015 as compared to total number of connections as of June 30, 2014 (50% weighting), and adjusted EBITDA earned during the 2015 fiscal year as compared to adjusted EBITDA earned during the 2014 fiscal year (50% weighting). The shares awarded under the 2015 LTI Stock Plan would vest as follows: one-third on the date of issuance; one-third on the first anniversary of the date of issuance; and one-third on the second anniversary of the date of issuance.

At the time of the establishment of the 2015 LTI Stock Plan, the Compensation Committee believed that the attainment of the target goals under the 2015 LTI Stock Plan would represent a significant achievement for management, and were designed to stretch the Company's and management's performance during the fiscal year.

The Committee established target long-term award levels for each executive officer as a percentage of his respective annual base salary as indicated in the table set forth below.

Named Executive Officer	Threshold Performance	Target Performance	Distinguished Performance

Stephen P. Herbert	-	100%	200%
David M. DeMedio	-	75%	150%

The table set forth below lists the value of the shares that would have been awarded to the executive officers under the 2015 LTI Stock Plan if all of the minimum threshold performance goals had been achieved, if all of the target performance goals had been achieved, and if all of the distinguished performance goals had been achieved. Assuming the minimum threshold target goal was achieved for a particular metric, the number of shares to be awarded for that metric was required to be determined on a pro-rata basis, provided that the award could not exceed the maximum distinguished award for that metric.

Named Executive Officer	**Threshold Performance**	**Target Performance**	**Distinguished Performance**
Stephen P. Herbert	$ -	$ 341,227	$ 682,454
David M. DeMedio	$ -	$ 179,653	$ 359,306

Based on the actual performance of the Company during the 2015 fiscal year, the minimum threshold performance target established under the 2015 LTI Stock Plan was not met for adjusted EBITDA. Connections for the fiscal year were in excess of the minimum threshold but less than the target goal. Consequently, the stock award to each executive officer under the 2015 LTI Stock Plan was as follows:

	Number of Shares	Value of Shares as of June 30, 2015
Stephen P. Herbert	42,678	$ 115,230
David M. DeMedio	22,314	$ 60,247

The shares awarded to Mr. Herbert had a value equal to 33.8% of his annual base salary, and the shares awarded to Mr. DeMedio had a value equal to 25.3% of his annual base salary. The shares were issued (subject to the vesting requirements) to the executive officers in September 2015.

Stock Option Awards

During August 2014, Mr. Herbert was awarded incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), to purchase up to 55,555 shares at an exercise price of $1.80 per share. The options vest on September 1, 2015, and expire if not exercised prior to September 1, 2021. Mr. Herbert was also awarded non-qualified stock options to purchase up to 150,000 shares at an exercise price of $1.80 per share. The options vest as follows: one-third on September 1, 2015; one-third on September 1, 2016; and one-third on September 1, 2017. The options expire if not exercised prior to September 1, 2021.

During August 2014, Mr. DeMedio was awarded incentive stock options intended to qualify under Section 422 of the Code to purchase up to 33,333 shares at an exercise price of $1.80 per share. The options vest on September 1, 2015, and expire if not exercised prior to September 1, 2021. Mr. DeMedio was also awarded non-qualified stock options to purchase up to 90,000 shares at an exercise price of $1.80 per share. The options vest as follows: one-third on September 1, 2015; one-third on September 1, 2016; and one-third on September 1, 2017. The options expire if not exercised prior to September 1, 2021.

During April 2015, Mr. Lawlor was awarded incentive stock options intended to qualify under Section 422 of the Code to purchase up to 25,000 shares at an exercise price of $2.75 per share. The options vest as follows: one-third on April 8, 2016; one-third on April 8, 2017; and one-third on April 8, 2018. The options expire if not exercised prior to April 8, 2022.

During January 2015, Ms. Duska was awarded incentive stock options intended to qualify under Section 422 of the Code to purchase up to 25,000 shares at an exercise price of $1.62 per share. The options vest as follows: one-third on January 2, 2016; one-third on January 2, 2017; and one-third on January 2, 2018. The options expire if not exercised prior to January 2, 2022.

Perquisites and Other Benefits

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

Post-Termination Compensation

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

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

We believe that these provisions are an important component of each executive’s employment arrangement and will help to secure the continued employment and dedication of our executive officers, notwithstanding any concern that they might have at such time regarding their own continued employment, prior to or following a change of control.

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

Additional information regarding what would have been received by our executive officers had termination occurred on June 30, 2015 is found under the heading “Potential Payments upon Termination or Change of Control” on page 43 of this Form 10-K.

Stock Ownership Policy

We believe that providing our executive officers who have responsibility for the Company's management and growth with an opportunity to increase their ownership of Company shares aligns the interests of the executive officers with those of the shareholders. Our Stock Ownership Guidelines provide that the Chief Executive Officer should own shares with a value of at least three times his annual base salary, and the Chief Financial Officer should own shares with a value of at least one times his annual base salary. Each executive officer has until April 2016 to comply with the policy.

Our Stock Ownership Guidelines provide that each non-employee director should own shares of common stock with a value of at least five times his or her annual cash retainer. For this purpose, the annual retainer shall include the annual retainer for service on the Board as well as the annual retainer for serving on one (but not more than one) Committee of the Board for a total share value of at least $150,000. Each director has until June 30, 2016 to comply with the stock ownership requirements, and future directors would have five years to comply.

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

Effect Of 2015 Say-On-Pay Vote

At the 2015 annual meeting of shareholders, over 88% of the votes cast on the advisory vote on the compensation of our named executive officers were in favor of the Company's executive compensation disclosed in the proxy statement. The Compensation Committee considered the vote, and even though the results convey strong shareholder support for the Company's executive compensation programs and the Compensation Committee's decisions, the Committee determined that it was in the best interest of the Company and its shareholders to continue to evaluate our executive compensation programs and, if appropriate, to strengthen certain aspects of these programs.

Impact of Taxation and Accounting Considerations on Executive Compensation

The Compensation Committee and the Board of Directors take into account tax and accounting consequences of the compensation program and weigh these factors when setting total compensation and determining the individual elements of any named executive officer's compensation package.

The stock and option awards to our named executive officers under our equity incentive plans provide that the officer is responsible for any withholding or payroll tax obligations incurred by the Company in connection with the award, and that the officer may satisfy any such obligations by, among other things, either the delivery to the Company of a cash payment equal to the obligations, or the assignment or transfer to the Company of shares having a value equal to the obligations, or such other method that shall be satisfactory to the Company.

Summary Compensation Table

The following table sets forth certain information with respect to compensation paid or accrued by the Company during the fiscal years ended June 30, 2015, 2014, and 2013 to each of our named executive officers:

Name and Principal Position	Fiscal Year	Salary	Bonus (1)	Stock Awards (2)	Option Awards (3)	All Other Compensation (4)	Total
Stephen P. Herbert	2015	$ 341,227	$ 101,732	$ 341,227	$ 261,055	$ 10,400	$ 1,055,641
Chief Executive Officer,							
President	2014	$ 341,227	$ 29,673	$ 341,227	$ -	$ 10,000	$ 722,127
& Chairman of the Board	2013	$ 341,227	$ 51,250	$ 111,399	$ -	$ 10,000	$ 513,876
David M. DeMedio	2015	$ 239,537	$ 31,242	$ 178,406	$ 156,633	$ 2,562	$ 608,380
Chief Financial Officer	2014	$ 237,875	$ 17,238	$ 213,709	$ -	$ -	$ 468,822
	2013	$ 234,265	$ -	$ 4,024	$ -	$ 4,813	$ 243,102
Maeve Duska	2015	$ 179,800	$ 36,512	$ 50,000	$ 28,773	$ -	$ 295,085
Sr. VP of Marketing	2014	$ 155,708	$ 9,572	$ -	$ -	$ -	$ 165,280
	2013	$ 133,000	$ 40,450	$ -	$ -	$ 6,750	$ 180,200
Michael Lawlor	2015	$ 179,800	$ 44,186	$ -	$ 50,283	$ 7,830	$ 282,099
Sr. VP of Sales & Business	2014	$ 179,800	$ 15,953	$ -	$ -	$ 8,670	$ 204,423
Development	2013	$ 179,800	$ 62,930	$ -	$ -	$ 10,000	$ 252,730

(1) Represents cash bonuses earned upon such person's performance during the fiscal year or upon the attainment by the Company of certain target goals.

(2) In accordance with FASB ASC Topic 718, the price of our common stock on the grant date equals the grant date fair value of these stock awards. For fiscal year 2015, represents (i) 191,701 shares with a value of $341,227 that would have been earned by Mr. Herbert under the 2015 LTI Stock Plan if all of the target goals had been achieved, (ii) 100,228 shares with a value of $178,406 that would have been earned by Mr. DeMedio under the 2015 LTI Stock Plan if all of the target goals had been achieved, and (iii) 24,155 shares with a value of $50,000 granted to Ms. Duska as a bonus on July 28, 2014. Based on the actual financial results, Mr. Herbert was awarded 42,678 shares with a grant date value of $75,967 and Mr. DeMedio was awarded 22,314 shares with a grant date value of $39,719 under the 2015 LTI Stock Plan. If all of the maximum target levels had been achieved under the 2015 LTI Stock Plan, Mr. Herbert would have earned 383,457 shares with a grant date value of $682,554, and Mr. DeMedio would have earned 200,456 shares with a grant date value of $356,812. The shares earned under the 2015 LTI Stock Plan vest as follows: one-third on June 30, 2015; one-third on June 30, 2016; and one-third on June 30, 2017.

(3) In accordance with FASB ASC Topic 718, the Black-Scholes value on the grant date equals the grant date fair value of these option awards. For fiscal year 2015, represents (i) 55,555 incentive stock options valued at $70,555 and 150,000 non-qualified stock options valued at $190,500 awarded to Mr. Herbert on August 28, 2015, (ii) 33,333 incentive stock options valued at $42,333 and 90,000 non-qualified stock options valued at $114,300 awarded to Mr. DeMedio on August 28, 2015, (iii) 25,000 incentive stock options valued at $28,773 awarded to Ms. Duska on January 2, 2015 and vesting one-third on January 2, 2016; one-third on January 2, 2017; and one-third on January 2, 2018, and (iv) 25,000 incentive stock options valued at $50,283 awarded to Mr. Lawlor on April 8, 2015 and vesting one-third on April 8, 2016; one-third on April 8, 2017; and one-third on April 8, 2018 . The incentive stock options awarded to Messrs. Herbert and DeMedio vested on September 1, 2015. The non-qualified stock options awarded to Messrs. Herbert and DeMedio vest as follows: one-third on September 1, 2015; one-third on September 1, 2016; and one-third on September 1, 2017.

(4) During the 2015 fiscal year, represents matching 401(k) contributions for Messrs. Herbert, DeMedio and Lawlor.

Grants Of Plan-Based Awards Table

The table below summarizes the amounts of awards granted to our named executive officers during the fiscal year ended June 30, 2015:

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (3)	All Other Option Awards: Number of Securities Underlying Options (4)	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards (5)
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	Units (#)	Units (#)	$/Sh	Awards ($)
Stephen P. Herbert		-	136,491	272,982	-	-	-	-	-	-	$ -
	8/28/2014	-	-	-	-	191,701	383,402	-	-	-	$ 341,227
	8/28/2014	-	-	-	-	-	-	-	205,555	-	$ 261,055
David M. DeMedio		-	59,469	118,938	-	-	-	-	-	-	$ -
	8/28/2014	-	-	-	-	100,228	200,456	-	-	-	$ 178,406
	8/28/2014	-	-	-	-	-	-	-	123,333	-	$ 156,633
Maeve Duska		-	107,880	134,850	-	-	-	-	-	-	$ -
	7/28/2014	-	-	-	-	-	-	24,155	-	-	$ 50,000
	1/2/2015	-	-	-	-	-	-	-	25,000	1.62	$ 28,773
Michael Lawlor		-	179,800	224,750	-	-	-	-	-	-	$ -
	4/8/2015	-	-	-	-	-	-	-	25,000	2.75	$ 50,283

(1) Represents awards granted to Messrs. Herbert and DeMedio under the 2015 STI Plan. The plan provides for the award of a cash bonus if all targets are achieved as follows: Mr. Herbert - $136,491 and Mr. DeMedio - $59,469. If none of the minimum, threshold targets are achieved, the executive officers would not earn a cash bonus. If all of the maximum distinguished target goals are achieved, the executive officers would earn a cash bonus as follows: Mr. Herbert – $272,982 and Mr. DeMedio – $118,938. Mr. Herbert was awarded $101,732 and Mr. DeMedio was awarded $31,242 under the plan.

Represents cash bonus opportunity for Ms. Duska and Mr. Lawlor if all of the target goals were achieved and if all maximum target goals are achieved. Ms. Duska was awarded $26,512 and Mr. Lawlor was awarded $44,186.

(2) Represents awards granted under the 2015 LTI Stock Plan. The plan provides for the award of shares having the following value if all targets are achieved; Mr. Herbert - $341,227 and Mr. DeMedio - $178,406. If none of the minimum threshold year-over-year percentage target goals are achieved, the executive officers would not be awarded any shares; and if all maximum distinguished targets are achieved the executive officers would be awarded shares having the following value; Mr. Herbert - $682,454 and Mr. DeMedio - $356,812. The number of shares in the table above represents the total dollar value of the award divided by the grant date value of the share. Mr. Herbert was awarded 42,678 shares and Mr. DeMedio was awarded 22,314 shares under the plan of which one-third vested on June 30, 2015, one-third vests on June 30, 2016 and one-third vests on June 30, 2017.

(3) Represents a stock award of 24,155 shares granted to Ms. Duska and which vested immediately.

(4) Represents awards granted to Messrs. Herbert and DeMedio as follows: Mr. Herbert - 55,555 incentive stock options and 150,000 non-qualified stock options; and Mr. DeMedio - 33,333 incentive stock options and 90,000 non-qualified stock options. The incentive stock options awarded to Messrs. Herbert and DeMedio vested on September 1, 2015. The non-qualified stock options awarded to Messrs. Herbert and DeMedio vest as follows: one-third on September 1, 2015; one-third on September 1, 2016; and one-third on September 1, 2017.

Represents 25,000 incentive stock options granted to Ms. Duska which vest one-third on January 2, 2016; one-third on January 2, 2017; and one-third on January 2, 2018. Represents 25,000 incentive stock options granted to Mr. Lawlor which vest one-third on January 2, 2016; one-third on January 2, 2017; and one-third on January 2, 2018

(5) Amount represents the grant date fair value determined in accordance with ASC 718. For Messrs. Herbert and DeMedio, represents the grant date value of 191,701 shares and 100,228 shares, respectively, which would have been awarded if the target goals had been achieved under the 2015 LTI Stock Plan. Based on the actual financial results, Mr. Herbert was awarded 42,678 shares with a grant date value of $75,967 and Mr. DeMedio was awarded 22,314 shares with a grant date value of $39,719 under the 2015 LTI Stock Plan.

Outstanding Equity Awards At Fiscal Year-End

The following table shows information regarding unexercised stock options and unvested equity awards granted to the named executive officers as of the fiscal year ended June 30, 2015:

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options(#) Unexercisable	Option Exercise Price($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested($)
Stephen P. Herbert	-	205,555(1)	$ 1.80	9/1/2021		
	-	-	$ -		12,216(2)	$ 32,983
	-	-	$ -		28,452(3)	$ 76,820
David M. DeMedio	-	123,333(1)	$ 1.80	9/1/2021		
	-	-	$ -		6,387(2)	$ 17,245
	-	-	$ -		14,876(3)	$ 40,165
Maeve Duska	-	25,000(1)	$ 1.62	1/2/2022	-	$ -
Michael Lawlor	-	25,000(1)	$ 2.75	4/8/2022	-	$ -

(1) Reflects options awarded during the fiscal year ended June 30, 2015. Options vest as follows: Mr. Herbert – 105,555 options on September 1, 2015, 50,000 on September 1, 2016 and 50,000 on September 1, 2017; Mr. DeMedio – 63,333 options on September 1, 2015, 30,000 on September 1, 2016 and 30,000 on September 1, 2017; Ms. Duska - 8,334 options on January 2, 2016, 8,333 on January 2, 2017 and 8,333 on January 2, 2018; and Mr. Lawlor – 8,334 options on April 8, 2016, 8,333 on April 8, 2017 and 8,333 on April 8, 2018.

(2) Reflects shares awarded under the 2014 LTI Stock Plan. Shares vest on June 30, 2016. The closing market price on June 30, 2015, or $2.70 per share, was used in the calculation of market value.

(3) Reflects shares awarded under the 2015 LTI Stock Plan. Shares vest one-half on June 30, 2016 and one-half on June 30, 2017. The closing market price on June 30, 2015, or $2.70 per share, was used in the calculation of market value.

Option Exercises And Stock Vested

The following table sets forth information regarding options exercised and shares of common stock acquired upon vesting by our named executive officers during the fiscal year ended June 30, 2015:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Stephen P. Herbert	-	$ -	50,251	$ 140,201
David M. DeMedio	-	$ -	13,825	$ 37,328
Maeve Duska	-	$ -	24,155	$ 50,000
Michael Lawlor	-	$ -	-	$ -

Executive Employment Agreements

<u>Stephen P. Herbert</u>

Mr. Herbert's employment agreement provides that he has been appointed Chairman and is employed as the Chief Executive Officer. The agreement provided for an initial term continuing through January 1, 2013, which is automatically renewed for consecutive one year periods unless terminated by either Mr. Herbert or the Company upon at least 90 days' notice prior to the end of the initial term or any one year extension thereof.

<u>David M. DeMedio</u>

Mr. DeMedio's employment agreement provides that he is employed as the Chief Services Officer of the Company effective August 31, 2015 and as Chief Financial Officer prior thereto. The agreement provided for an initial term from June 30, 2011 until June 30, 2014, and will automatically continue from year to year thereafter unless terminated as of the end of the original term or any such one year renewal period by the Company or Mr. DeMedio by at least 90-days' notice.

<u>Maeve Duska</u>

Ms. Duska is employed as Vice President of Marketing. Ms. Duska is covered by all standard fringe and employee benefits made available to other employees of the Company, including medical and dental insurance, paid vacation and holidays, a 401(k) plan and a long-term disability plan.

<u>Michael Lawlor</u>

Mr. Lawlor's employment agreement provides that he is employed as Senior Vice President of Sales and Business Development through June 30, 2013. Mr. Lawlor's employment with the Company shall automatically continue for consecutive one-year periods unless terminated by either party upon notice of at least 60 days prior to the end of each one-year extension.

Mr. Lawlor is eligible to earn an annual discretionary bonus in the maximum amount of 100% of his annual base salary based upon the Company's and/or his performance. Mr. Lawlor is also entitled to be covered by all standard fringe and employee benefits made available to other employees of the Company, including medical and dental insurance, paid vacation and holidays, a 401(k) plan and a long-term disability plan.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

The employment agreements of Messrs. Herbert and DeMedio include provisions for the payment to the executives upon termination of employment under certain conditions or if a successor to the Company's business or assets does not agree to assume and perform his employment agreement as a condition to the consummation of a USA Transaction.

The term "USA Transaction" means: (i) the acquisition of fifty-one percent or more of the then outstanding voting securities entitled to vote generally in the election of directors of the Company by any person, entity or group, or (ii) the approval by the shareholders of the Company of a reorganization, merger, consolidation, liquidation, or dissolution of the Company, or the sale, transfer, lease or other disposition of all or substantially all of the assets of the Company, or (iii) a change in the composition of the Board of Directors of the Company over a period of twelve (12) months or less such that the continuing directors fail to constitute a majority of the Board.

Mr. Herbert's employment agreement provides that if Mr. Herbert would terminate his employment with the Company for good reason, or if the Company would terminate his employment without cause, or if the Company would provide Mr. Herbert with a notice of non-renewal of his employment agreement, then the Company would pay to him a lump sum equal to two times his base salary on or before the termination of his employment and all restricted stock awards and stock options would become vested as of the date of termination.

The term "good reason," as defined in the agreement, includes: (A) a material breach of the terms of the agreement by the Company; (B) the assignment by the Company to Mr. Herbert of duties in any way materially inconsistent with his authorities, duties, or responsibilities, or a material reduction or alteration in the nature or status of his authority, duties, or responsibilities as the Chief Executive Officer of the Company; (C) the Company reduces Mr. Herbert's annual base salary; or (D) a material reduction by the Company in the kind or level of employee benefits to which Mr. Herbert is entitled immediately prior to such reduction with the result that his overall benefit package is significantly reduced unless such failure to continue a plan, policy, practice or arrangement pertains to all plan participants generally. As a condition to Mr. Herbert receiving any payments or benefits upon the termination of his employment for good reason, Mr. Herbert shall have executed and delivered (and not revoked) a release of any and all claims, suits, or causes of action against the Company and its affiliates in form reasonably acceptable to the Company.

The agreement also provides that as a condition of the consummation of a USA Transaction, the successor to the Company's business or assets would agree to assume and perform Mr. Herbert's employment agreement. If any such successor would not do so, Mr. Herbert's employment would terminate on the date of consummation of the USA Transaction, and the Company would pay to Mr. Herbert a lump sum equal to two times his base salary on or before the termination of his employment and all restricted stock awards and stock options would become vested as of the date of termination.

If Mr. Herbert's employment had been terminated as of June 30, 2015 (when the closing price per share was $2.70) (i) by him for good reason, or (ii) by the Company without cause, or (iii) if a successor to the Company's business or assets had not agreed to assume and perform his employment agreement as a condition to the consummation of a USA Transaction, then Mr. Herbert would have been entitled to receive: (a) an aggregate cash payment of twice his annual base salary or $682,454; (b) an aggregate of 28,452 shares granted to him under the 2015 LTI Stock Plan, which would become automatically vested as of the date of termination, with a value of $76,820; (c) 12,216 shares previously granted to him under the 2014 LTI Stock Plan, which would automatically become vested as of the date of termination, with a value of $32,983; and (d) options exercisable for 205,555 shares at $1.80 per share would automatically become vested as of the date of termination with a value of $185,000.

Mr. DeMedio's employment agreement provides that (i) if following a USA Transaction, Mr. DeMedio would terminate his employment with the Company for good reason, or (ii) if the Company would terminate his employment at any time without cause, or (iii) if the Company would provide Mr. DeMedio with a notice of non-renewal of his employment agreement, then the Company would pay to him a lump sum equal to one times his base salary on or before the termination of his employment and all restricted stock awards and stock options would become vested as of the date of termination.

The term "good reason" as defined in the amendment includes any of the following which have occurred within 12 months following a USA Transaction: (A) a material breach of the terms of the agreement by the Company; (B) the assignment by the Company to Mr. DeMedio of duties in any way materially inconsistent with his authorities, duties, or responsibilities and status as Chief Financial Officer, or a material reduction or alteration in the nature or status of his authority, duties, or responsibilities as Chief Financial Officer; (C) the Company reduces Mr. DeMedio's annual base salary; or (D) a reduction by the Company in the kind or level of employee benefits to which Mr. DeMedio is entitled immediately prior to such reduction with the result that his overall benefit package is significantly reduced unless such failure to continue a plan, policy, practice or arrangement pertains to all plan participants generally. As a condition to Mr. DeMedio receiving any payments or benefits upon the termination of his employment for good reason, Mr. DeMedio shall have executed and delivered (and not revoked) a release of any and all claims, suits, or causes of action against the Company and its affiliates in form reasonably acceptable to the Company.

The amendment also provides that as a condition of the consummation of a USA Transaction, the successor to the Company's business or assets would agree to assume and perform Mr. DeMedio's employment agreement. If any such successor would not do so, Mr. DeMedio's employment would terminate on the date of consummation of the change in control, and the Company would pay to Mr. DeMedio a lump sum equal to one times his base salary and all restricted stock awards and stock options would become vested.

If Mr. DeMedio's employment had been so terminated as of June 30, 2015 (when the closing price per share was $2.70), then Mr. DeMedio would have been entitled to receive: (a) an aggregate cash payment of one times his annual base salary or $239,537; and (b) 14,876 shares granted to him under the 2015 LTI Stock Plan, which would become automatically vested as of the date of termination, with a value of $40,165; (c) 6,387 shares previously granted to him under the 2014 LTI Stock Plan which would automatically become vested as of the date of termination, with a value of $17,245; and (d) options exercisable for 123,333 shares at $1.80 per share would automatically become vested as of the date of termination with a value of $111,000.

Compensation Committee Interlocks And Insider Participation

During the fiscal year 2015, Albin F. Moschner and Steven D. Barnhart served as members of the Compensation Committee of our Board of Directors. No member of the Compensation Committee was, during fiscal year 2015, an officer or employee of the Company or any of our subsidiaries, or was formerly an officer of the Company or any of our subsidiaries, or had any relationships requiring disclosure by us under Item 404 of Regulation S-K of the General Rules and Regulations of the Securities and Exchange Commission.

During the last fiscal year, none of our executive officers served as: (i) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Compensation Committee; (ii) a director of another entity, one of whose executive officers served on our Compensation Committee; or (iii) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director on our board of directors.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this Form 10-K with the Company's management. Based upon such review and the related discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Form 10-K.

Compensation Committee

Albin F. Moschner
Steven D. Barnhart

Compensation Of Non-Employee Directors

Members of the Board of Directors who are not employees of the Company receive cash and equity compensation for serving on the Board of Directors, as determined from time to time by the Compensation Committee with subsequent approval thereof by the Board of Directors. Each member of the Board has the option, in his or her discretion, to receive cash or stock, or some combination thereof, in payment of the compensation due for his or her service on the Board.

Director Compensation Table

The table below summarizes the compensation earned or paid in cash by the Company to non-employee Directors during the fiscal year ended June 30, 2015.

Name	Fees Earned or Paid in Cash($)(2)	Stock Awards ($)	Option Awards ($)	Total($)
Deborah G. Arnold (1)	$ 23,333	$ -	$ -	$ 23,333
Steven D. Barnhart	$ 72,500	$ -	$ -	$ 72,500
Joel Brooks	$ 40,000	$ -	$ -	$ 40,000
Albin F. Moschner	$ 47,500	$ -	$ -	$ 47,500
William J. Reilly, Jr.	$ 40,000	$ -	$ -	$ 40,000
William J. Schoch	$ 32,500	$ -	$ -	$ 32,500

(1) Resigned as a director effective January 23, 2015.

(2) During fiscal year ended June 30, 2015, we paid the following fees:

- Director: each Director received $25,000. Ms. Arnold received $14,583.
- Lead Independent Director: Mr. Barnhart received $40,000.
- Audit Committee: Mr. Brooks received $15,000 as Committee Chair, and each of Messrs. Moschner and Reilly received $7,500.
- Compensation Committee: Mr. Moschner received $15,000 as Committee Chair and Mr. Barnhart received $7,500.
- Nominating and Corporate Governance Committee: Ms. Arnold received $8,750 as Committee Chair, and each Messrs. Reilly and Schoch received $7,500.

During the fiscal year ended June 30, 2015, the following directors elected to receive their fees, or a portion thereof, in the Company's common stock in lieu of cash:

- Mr. Barnhart elected to receive 34,631 shares for $72,500 of fees; Ms. Arnold elected to receive 12,979 shares for $23,333 of fees; Mr. Reilly elected to receive 9,915 shares for $20,000 of fees; and Mr. Schoch elected to receive 15,525 shares for $32,500 of fees.

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

Common Stock

The following table sets forth, as of September 15, 2015, the beneficial ownership of the common stock of each of the Company's directors and executive officers, the other employees named in the Summary Compensation Table set forth above, as well as by the Company's directors and executive officers as a group. The Company is not aware of any beneficial owner of more than five percent of the common stock. Except as otherwise indicated, the Company believes that the beneficial owners of the common stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable:

Name and Address of Beneficial Owner(1)	Number of Shares of Common Stock Beneficially Owned(2)	Percent of Class
Steven D. Barnhart 1143 N. Sheridan Road Lake Forest, IL 60045	281,495(3)	*
Joel Brooks 100 Deerfield Lane, Suite 140 Malvern, PA 19355	41,667(3)	*
David M. DeMedio 100 Deerfield Lane, Suite 140 Malvern, Pennsylvania 19355	213,169(4)	*
Maeve Duska 100 Deerfield Lane, Suite 140 Malvern, Pennsylvania 19355	200	*
Stephen P. Herbert 100 Deerfield Lane, Suite 140 Malvern, Pennsylvania 19355	468,860(5)	1.30%
Michael Lawlor 100 Deerfield Lane, Suite 140 Malvern, Pennsylvania 19355	35,552	*
Albin F. Moschner 660 Northcroft Court Lake Forest, Illinois 60045	447,474(6)	1.25%
William J. Reilly, Jr. 1280 South Concord Road West Chester, PA 19382	63,159(7)	*
William J. Schoch 300 Montgomery Street, #400 San Francisco, CA 94104	64,150(3)	*
All Directors and Executive Officers As a Group (8 persons)	1,587,474	4.4%

* Less than one percent (1%)

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and derives from either voting or investment power with respect to securities. Shares of Common Stock issuable upon conversion of the Series A Preferred Stock, or shares of Common Stock issuable upon exercise of warrants currently exercisable, or exercisable within sixty days of September 15, 2015, are deemed to be beneficially owned for purposes hereof.

(2) The percentage of common stock beneficially owned is based on 35,854,655 shares outstanding as of September 15, 2015.

(3) Includes 6,667 shares of common stock underlying vested stock options.

(4) Includes 33,333 shares underlying incentive stock options and 30,000 shares underlying non-qualified stock options.

(5) Includes 62,010 shares of common stock beneficially owned by Mr. Herbert's child, 27,440 shares of common stock beneficially owned by his spouse and 105,000 shares underlying vested stock options.

(6) Includes 1,358 shares of common stock underlying preferred stock and 6,667 shares underlying vested stock options.

(7) Includes 100 shares of common stock beneficially owned by Mr. Reilly's child, 97 shares underlying preferred stock and 6,667 shares underlying vested stock options.

Preferred Stock

Other than the 7,000 shares of preferred stock beneficially owned by Mr. Moschner and 500 shares of preferred stock beneficially owned by Mr. Reilly, there were no shares of preferred stock that were beneficially owned as of September 15, 2015 by the Company's directors or named executive officers.

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

REVIEW, APPROVAL OR RATIFICATION OF TRANSACTIONS WITH RELATED PERSONS

Our policy is that all related party transactions, which are required to be disclosed under Item 404 of Regulation S-K promulgated under the Securities Act of 1933, as amended, are to be reviewed and approved by the Audit Committee for any possible conflicts of interest. This policy is evidenced in the Charter of the Audit Committee of the Board of Directors of the Company.

DIRECTOR INDEPENDENCE

The Board of Directors has determined that Steven D. Barnhart, Joel Brooks, Albin F. Moschner, William J. Reilly, Jr., and William J. Schoch, which members constitute all of the currently serving Board of Directors other than Mr. Herbert, are independent in accordance with the applicable listing standards of The NASDAQ Stock Market LLC.

The Board of Directors has a standing Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee.

The Audit Committee of the Board of Directors presently consists of Mr. Brooks (Chairman), Mr. Moschner and Mr. Reilly. The Audit Committee recommends the engagement of the Company's independent accountants and is primarily responsible for approving the services performed by the Company's independent accountants, for reviewing and evaluating the Company's accounting principles, reviewing the independence of independent auditors, and reviewing the adequacy and effectiveness of the Company's internal controls. The Audit Committee operates pursuant to a charter that was last amended and restated by the Board of Directors on April 11, 2006, a copy of which is accessible on the Company's website, www.usatech.com.

The Compensation Committee of the Board of Directors presently consists of Mr. Moschner (Chairman) and Mr. Barnhart. The Board of Directors has determined that each of the current members of the Compensation Committee is independent in accordance with the applicable listing standards of The Nasdaq Stock Market LLC. The Committee reviews and recommends compensation and compensation changes for the executive officers of the Company and administers the Company's stock option and restricted stock grant plans. The Compensation Committee operates pursuant to a charter that was adopted by the Board in September 2007 and amended in May 2013, a copy of which is accessible on the Company's website, www.usatech.com.

The Nominating and Corporate Governance Committee of the Board of Directors presently consists of Mr. Schoch (Chairman) and Mr. Reilly. The Board of Directors has determined that each of the current members of the Nominating and Corporate Governance Committee is independent in accordance with the applicable listing standards of The Nasdaq Stock Market LLC. The Committee recommends to the entire Board of Directors for selection any nominees for director. The Nominating and Corporate Committee operates pursuant to a charter that was adopted by the Board of Directors on October 26, 2012, a copy of which is accessible on the Company's website, www.usatech.com.

Item 14. Principal Accounting Fees and Services.

AUDIT AND NON-AUDIT FEES

During the fiscal year ended June 30, 2015 and 2014, fees in connection with services rendered by McGladrey LLP were as set forth below:

	Fiscal 2015	Fiscal 2014
Audit Fees	$ 274,000	$ 225,530
Audit-Related Fees	33,203	5,800
Tax Fees	-	9,500
All Other Fees	-	-
Total	$ 307,203	$ 240,830

Audit fees consisted of fees for the audit of our annual financial statements and review of quarterly financial statements as well as services normally provided in connection with statutory and regulatory filings or engagements, consents and assistance with and reviews of Company documents filed with the Securities and Exchange Commission.

Audit related fees were primarily incurred in connection with our equity offerings, and fees in connection with attending the annual shareholders meeting.

Tax fees related to the review of our analysis of the timing and extent to which the Company can utilize future tax deductions in any year, which may be limited by provisions of the Internal Revenue Code regarding changes in ownership of corporations (i.e. IRS Code Section 382).

AUDIT COMMITTEE PRE-APPROVAL POLICY

The Audit Committee’s policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm on a case-by-case basis.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of the Company filed January 26, 2004 (Incorporated by reference to Exhibit 3.1.20 to Form 10-QSB filed on February 12, 2004).
3.1.1	First Amendment to Amended and Restated Articles of Incorporation of the Company filed on March 17, 2005 (Incorporated by reference to Exhibit 3.1.1 to Form S-1 Registration Statement No. 333-124078).
3.1.2	Second Amendment to Amended and Restated Articles of Incorporation of the Company filed on December 13, 2005 (Incorporated by reference to Exhibit 3.1.2 to Form S-1 Registration Statement No. 333-130992).
3.1.3	Third Amendment to Amended and Restated Articles of Incorporation of the Company filed on February 7, 2006 (Incorporated by reference to Exhibit 3.1.3 to Form 10-K filed on September 30, 2013).
3.1.4	Fourth Amendment to Amended and Restated Articles of Incorporation of the Company filed on July 25, 2007. (Incorporated by reference to Exhibit 3.1.3 to Form 10-K filed September 23, 2008).
3.1.5	Fifth Amendment to Amended and Restated Articles of Incorporation of the Company filed on March 6, 2008. (Incorporated by reference to Exhibit 3.1.4 to Form 10-K filed September 23, 2008).
3.2	Amended and Restated By-Laws of the Company dated as of April 24, 2014 (Incorporated by reference to Exhibit 3(i) to Form8-K filed on April 30, 2014).
4.1	Warrant dated January 1, 2013 in favor of Avidbank Holdings, Inc. (Incorporated by reference to Exhibit 4.1 to Form 8-K filed on April 19, 2013).
10.1	Agreement of Lease between Deerfield Corporate Center 1 Associates LP, as landlord, and the Company, as tenant, dated March 2003 (Incorporated by reference to Exhibit 10.22 to Form 10-KSB filed on September 28, 2004).
10.2	Amendment to Office Space Lease dated as of April 1, 2005 by and between the Company and Deerfield Corporate Center Associates, LP. (Incorporated by reference to Exhibit 10.19.1 to Form S-1 Registration Statement No. 333-124078).
10.3	Employment and Non-Competition Agreement between the Company and David M. DeMedio dated April 12, 2005 (Incorporated by reference to Exhibit 10.22 to Form S-1 Registration Statement No. 333-124078).
10.4	First Amendment to Employment and Non-Competition Agreement between the Company and David M. DeMedio dated May 11, 2006 (Incorporated by reference to Exhibit 10.3 to Form 10-Q filed on May 15, 2006).
10.5	USA Technologies, Inc. 2013 Stock Incentive Plan (Incorporated by reference to Exhibit 10.6 to Form 10-K filed on September 30, 2013).
10.6	Second Amendment to Employment and Non-Competition Agreement dated March 13, 2007, between the Company and David M. DeMedio (Incorporated by reference to Exhibit 10.34 to Form S-1 filed April 12, 2007).
10.7	Form of Indemnification Agreement between the Company and each of its officers and Directors (Incorporated by reference to Exhibit 10.1 to Form 10-Q filed May 14, 2007).
10.8	Third Amendment to Employment and Non-Competition Agreement between the Company and David M. DeMedio dated September 22, 2008. (Incorporated by reference to Exhibit 10.29 to Form 10-K filed September 24, 2008).
10.9	Letter from the Company to David M. DeMedio dated September 24, 2009. (Incorporated by reference to Exhibit 10.32 to Form 10-K filed September 25, 2009).
10.10	Amended and Restated Employment and Non-Competition Agreement between the Company and Stephen P. Herbert dated November 30, 2011. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed December 5, 2011).
10.11	Fifth Amendment to Employment and Non-Competition Agreement dated as of July 1, 2011 between the Company and David M. DeMedio. (Incorporated by reference to Exhibit 10.31 to Form 10-K filed September 27, 2011).
10.12	Sixth Amendment to Employment and Non-Competition Agreement dated September 27, 2011 between the Company and David M. DeMedio. (Incorporated by reference to Exhibit 10.32 to Form 10-K filed September 27, 2011).
10.13	Employment and Non-Competition Agreement dated June 7, 2010 between the Company and Michael Lawlor (Incorporated by reference to Exhibit 10.22 to Form 10-K filed on September 30, 2013).

10.14	First Amendment to Employment and Non-competition Agreement dated April 27, 2012 between the Company and Michael Lawlor (Incorporated by reference to Exhibit 10.23 to Form 10-K filed on September 30, 2013).
10.15	Second Amendment to Office Space Lease dated as of November 17, 2010 by and between the Company and Liberty Malvern, LP. (Incorporated by reference to Exhibit 10.2 to Form 10-Q filed on January 20, 2011).
10.16	USA Technologies, Inc. 2014 Stock Option Incentive Plan (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on form DEF 14A filed on May 15, 2014).
10.17	Loan and Security Agreement between the Company and Avidbank Corporate Finance, a division of Avidbank, dated as of June 21, 2012 (Incorporated by reference to Exhibit 10.40 to Form 10-K filed on September 25, 2012).
10.18	First Amendment to Loan and Security Agreement dated as of January 1, 2013 between the Company and Avidbank Corporate Finance, a division of Avidbank (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on April 18, 2013).
10.19	Second Amendment to Loan and Security Agreement dated as of April 2, 2013 between the Company and Avidbank Corporate Finance, a division of Avidbank (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on April 18, 2013).
10.20	Third Amendment to Loan and Security Agreement dated as of April 11, 2013 between the Company and Avidbank Corporate Finance, a division of Avidbank (Incorporated by reference to Exhibit 10.3 to Form 8-K filed on April 18, 2013).
10.21	Fourth Amendment to Loan and Security Agreement dated as of April 29, 2013 between the Company and Avidbank Corporate Finance, a division of Avidbank (Incorporated by reference to Exhibit 10.1 to Form 10-Q filed on May 14, 2013)
10.22	Fifth Amendment to Loan and Security Agreement dated as of September 26, 2013 between the Company and Avidbank Corporate Finance, a division of Avidbank (Incorporated by reference to Exhibit 10.30 to Form 10-K filed September 30, 2013).
10.23	Intellectual Property Security Agreement between the Company and Avidbank Corporate Finance, a division of Avidbank, dated as of June 21, 2012 (Incorporated by reference to Exhibit 10.41 to Form 10-K filed on September 25, 2012).
10.24	Seventh Amendment to Employment and Non-Competition Agreement dated as of November 7, 2013 between the Company and David M. DeMedio. (Incorporated by reference to Exhibit 10.1 to Form 10-Q filed November 13, 2013).
10.25	Sixth Amendment to Loan and Security Agreement dated as of May 15, 2014 between the Company and Avidbank Corporate Finance, a division of Avidbank (Incorporated by reference to Exhibit 10.28 to Form 10-K filed on September 29, 2014).
10.26	Seventh Amendment to Loan and Security Agreement dated as of June 17, 2014 between the Company and Avidbank Corporate Finance, a division of Avidbank (Incorporated by reference to Exhibit 10.29 to Form 10-K filed on September 29, 2014).
10.27	Eighth Amendment to Loan and Security Agreement dated as of June 30, 2014 between the Company and Avidbank Corporate Finance, a division of Avidbank (Incorporated by reference to Exhibit 10.30 to Form 10-K filed on September 29, 2014).
10.28	Master Lease Agreement by and between the Company and Varilease Finance, Inc. as of June 26, 2014 (Incorporated by reference to Exhibit 10.31 to Form 10-K filed on September 29, 2014).
10.29	Sale Leaseback Agreement and Schedule No. 1 by and between the Company and Varilease Finance, Inc. as of June 26, 2014 (Incorporated by reference to Exhibit 10.32 to Form 10-K filed on September 29, 2014).
10.30	Sale Leaseback Agreement and Schedule No. 2 by and between the Company and Varilease Finance, Inc. as of June 26, 2014 (Incorporated by reference to Exhibit 10.33 to Form 10-K filed on September 29, 2014).
10.31	Sale Leaseback Agreement and Schedule No. 3 by and between the Company and Varilease Finance, Inc. as of June 26, 2014 (Incorporated by reference to Exhibit 10.34 to Form 10-K filed on September 29, 2014).
10.32	Sale Leaseback Agreement and Schedule No. 4 by and between the Company and Varilease Finance, Inc. as of June 26, 2014 (Incorporated by reference to Exhibit 10.35 to Form 10-K filed on September 29, 2014).
10.33	Sale Leaseback Agreement and Schedule No. 5 by and between the Company and Varilease Finance, Inc. as of June 26, 2014 (Incorporated by reference to Exhibit 10.36 to Form 10-K filed on September 29, 2014).
10.34	Sale Leaseback Agreement and Schedule No. 6 by and between the Company and Varilease Finance, Inc. as of June 26, 2014 (Incorporated by reference to Exhibit 10.37 to Form 10-K filed on September 29, 2014).
10.35	Amendment No. 1 to Schedule No. 1 to Sale Leaseback Agreement by and between the Company and Varilease Finance, Inc. as of July 9, 2014 (Incorporated by reference to Exhibit 10.38 to Form 10-K filed on September 29, 2014).
10.36	Amendment No. 1 to Schedule No. 2 to Sale Leaseback Agreement by and between the Company and Varilease Finance, Inc. as of July 9, 2014 (Incorporated by reference to Exhibit 10.39 to Form 10-K filed on September 29, 2014).
10.37	Amendment No. 1 to Schedule No. 3 to Sale Leaseback Agreement by and between the Company and Varilease Finance, Inc. as of July 25, 2014 (Incorporated by reference to Exhibit 10.40 to Form 10-K filed on September 29, 2014).

10.38	Amendment No. 1 to Schedule No. 4 to Sale Leaseback Agreement by and between the Company and Varilease Finance, Inc. as of July 29, 2014 (Incorporated by reference to Exhibit 10.41 to Form 10-K filed on September 29, 2014).
10.39	Amendment No. 1 to Schedule No. 5 to Sale Leaseback Agreement by and between the Company and Varilease Finance, Inc. as of July 30, 2014 (Incorporated by reference to Exhibit 10.42 to Form 10-K filed on September 29, 2014).
10.40	Amendment No. 1 to Schedule No. 6 to Sale Leaseback Agreement by and between the Company and Varilease Finance, Inc. as of August 1, 2014 (Incorporated by reference to Exhibit 10.43 to Form 10-K filed on September 29, 2014).
10.41	Visa Incentive Agreement between the Company and Visa U.S.A. Inc., dated as of November 14, 2014 (Portions of this exhibit were redacted pursuant to a confidential treatment request) (Incorporated by reference to Exhibit 10.1 to Form 10-Q filed February 17, 2015).
10.42	Ninth Amendment to Loan and Security Agreement dated as of September 30, 2015 by and between the Company and Avidbank Corporate Finance, a division of Avidbank (Incorporated by reference to Exhibit 10.1 to Form 10-Q filed November 14, 2014).
10.43	Tenth Amendment to Loan and Security Agreement dated as of April 17, 2015 by and between the Company and Avidbank Corporate Finance, a division of Avidbank (Incorporated by reference to Exhibit 10.1 to Form 10-Q filed May 15, 2015).
10.44	Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated (Incorporated by reference to Exhibit 10.2 to Form 10-Q filed May 15, 2015) (Portions of this exhibit were redacted pursuant to a confidential treatment request).
10.45**	First Amendment to Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated dated April 27, 2015 (Portions of this exhibit were redacted pursuant to a confidential treatment request).
10.46**	Third Party Payment Processor Agreement dated April 24, 2015 by and among the Company, JPMorgan Chase Bank, N.A. and Paymentech, LLC (Portions of this exhibit were redacted pursuant to a confidential treatment request).
10.47**	Eleventh Amendment to Loan and Security Agreement dated as of May 19, 2015 by and between the Company and Avidbank Corporate Finance, a division of Avidbank.
10.48**	Twelfth Amendment to Loan and Security Agreement dated as of June 18, 2015 by and between the Company and Avidbank Corporate Finance, a division of Avidbank.
10.49	Letter agreement dated July 22, 2015 by and between the Company and J. Duncan Smith (Incorporated by reference to Exhibit 10.1 to Form 8-K filed August 4, 2015).
21	List of significant subsidiaries of the Company (Incorporated by reference to Exhibit 21 to Form S-1 filed on March 16, 2010).
23.1**	Consent of McGladrey LLP, Independent Registered Public Accounting Firm.
31.1**	Certifications of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2**	Certifications of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32**	Certifications by the Chief Executive Officer and Chief Financial Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**	Filed herewith.

SCHEDULE II
USA TECHNOLOGIES, INC.
VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED JUNE 30, 2015, 2014, AND 2013

ACCOUNTS RECEIVABLE	Balance at beginning of period	Additions charged to earnings	Deductions uncollectible receivables written off, net of recoveries	Balance at end of period
June 30, 2015	$ 63,000	$ 594,000	$ 163,000	$ 494,000
June 30, 2014	$ 18,000	$ 94,000	$ 49,000	$ 63,000
June 30, 2013	$ 25,000	$ 69,000	$ 76,000	$ 18,000

INVENTORY	Balance at beginning of period	Additions charged to earnings	Deductions, Shrinkage and obsolescence	Balance at end of period
June 30, 2015	$ 765,000	$ 551,000	$ 372,000	$ 944,000
June 30, 2014	$ 727,000	$ 164,000	$ 126,000	$ 765,000
June 30, 2013	$ 712,000	$ 135,000	$ 120,000	$ 727,000

SIGNATURES

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

USA TECHNOLOGIES, INC.

By: /s/ Stephen P. Herbert
Stephen P. Herbert, Chairman
and Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
/s/ Stephen P. Herbert Stephen P. Herbert	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	September 30, 2015
/s/ J. Duncan Smith, CPA J. Duncan Smith, CPA	Chief Financial Officer (Principal Accounting Officer)	September 30, 2015
/s/ Steven D. Barnhart Steven D. Barnhart	Director	September 30, 2015
/s/ Joel Brooks Joel Brooks	Director	September 30, 2015
/s/ Albin F. Moschner Albin F. Moschner	Director	September 30, 2015
/s/ William J. Reilly, Jr. William J. Reilly, Jr.	Director	September 30, 2015
/s/ William J. Schoch William J. Schoch	Director	September 30, 2015

PORTIONS OF THIS AGREEMENT HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS, WHICH ARE MARKED BY ASTERISKS ("***").

FIRST AMENDMENT TO
MASTERCARD ACCEPTANCE AGREEMENT

THIS FIRST AMENDMENT TO THE MASTERCARD ACCEPTANCE AGREEMENT (this "**Amendment**") is effective as of February 19, 2015 (the "**Amendment Effective Date**") and is entered into by and between **MasterCard International Incorporated**, with its principal offices at 2000 Purchase Street, Purchase, New York 10577 ("**MasterCard**"), and **USA Technologies, Inc.**, with its principal offices at 100 Deerfield Lane, Malvern, PA 19355, for itself and its Affiliates ("**Merchant**"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Agreement (as defined below).

WHEREAS, MasterCard and Merchant are parties to that certain MasterCard Acceptance Agreement (the "**Agreement**"); and

WHEREAS, the parties desire to modify the Agreement as set forth below.

NOW, **THEREFORE**, in consideration of the promises, mutual covenants and agreements herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree, as follows:

1. Amendment.

   (a) Exhibit B of the Agreement shall, as of the Amendment Effective Date, be modified by deleting Section 1(i) in its entirety and replacing it with the following Section 1(i):

"i. With respect to any Qualified MasterCard Debit Transactions in an ***, the MasterCard Interchange Rate shall be ******* (which shall equal ***); *provided*, that each such Qualified MasterCard Debit Transaction *** is in compliance with the established qualification criteria for those rates as detailed in the Standards or as otherwise provided to, or accessible by, Merchant."

2. Miscellaneous.

   (a) Representation as to Authority. Each of Merchant and MasterCard hereby represents and warrants that it has all requisite corporate power and authority to enter into this Amendment.

(b) Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute a single instrument.

(c) Effectiveness. This Amendment shall become effective, in accordance with its terms, as of the Amendment Effective Date. Except as expressly modified herein, all terms of the Agreement shall remain in full force and effect as stated in the Agreement and, in the event of a conflict between the terms of this Amendment and the Agreement, the terms of this Amendment shall govern.

(d) No Other Amendments; Confirmation. Except as expressly amended, modified and supplemented hereby, the provisions of the Agreement are and shall remain in full force and effect.

(e) Governing Law. This Amendment shall be governed by and construed in accordance with the substantive laws of the State of New York, without regard to its conflicts of laws principles.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Agreement.

MASTERCARD INTERNATIONAL INCORPORATED

/s/ ***

By: ***

Title: ***

Date: April 27, 2015

USA TECHNOLOGIES, INC.

/s/ David M. DeMedio

By: David M. DeMedio

Title: Chief Financial Officer

Date: April 6, 2015

PORTIONS OF THIS AGREEMENT HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS, WHICH ARE MARKED BY ASTERISKS ("*").**

THIRD PARTY PAYMENT PROCESSOR AGREEMENT

THIS THIRD PARTY PAYMENT PROCESSOR AGREEMENT (the "Agreement"), dated as of the Effective Date, is entered into by and among **JPMorgan Chase Bank, N.A.**, a national banking association ("Member"), **Paymentech, LLC**, a Delaware limited liability company ("Paymentech", "we", or "us"), and USA Technologies, Inc., an entity duly organized under the laws of the Commonwealth of Pennsylvania ("TP3", "you", or "your").

WHEREAS, Member is a member of the Payment Brands and, through Member, Paymentech is authorized to process the Payment Brand Transactions; and

WHEREAS, TP3 is (or will be prior to the submission of any Transaction) registered as a third party service provider with the applicable Payment Brands; and

WHEREAS, TP3 wishes to submit Transaction Records for itself and on behalf of certain business enterprises meeting the qualifications and restrictions set forth herein (including in **Schedule B**) (referred to herein individually and collectively as a "Merchant") in accordance with the terms and conditions of this Agreement and the Payment Brand Rules (the "Program").

ACCORDINGLY, in consideration of the mutual promises made and the mutual benefits to be derived from this Agreement, Paymentech, Member, and TP3 agree to the following terms and conditions intending to be legally bound:

1. Acceptance of Payment Instruments. Regardless of whether a Transaction Record is generated by TP3 or by Merchant, all Transaction Records processed pursuant to this Agreement shall be deemed TP3's Transactions. Only Transaction Records generated within the United States shall be submitted under this Agreement.

1.1 Exclusivity. Paymentech shall be TP3's exclusive provider of Transaction processing services (including, without limitation, the authorization, conveyance, and settlement of Transactions) in the United States for at least 250,000,000 million transactions per year throughout the pendency of this Agreement, including all transactions made by Customers making a purchase with a Payment Instrument issued by Chase. TP3 will tender to Paymentech all Transaction Records generated from the Merchants' Transactions via electronic data transmission according to Paymentech's formats and procedures.

1.2 Certain Payment Acceptance Policies.

(a) Each Transaction must be evidenced by its own Transaction Receipt completed in accordance with Payment Brand Rules. All Transaction Receipts must comply with Payment Brand Rules and, at a minimum, contain (i) the Transaction date; (ii) a brief description of the goods or services sold, returned. or cancelled; (iii) the price of the goods or services, including applicable taxes, or amount of any credit or adjustment; (iv) the Customer name; (v) the Merchant's name in a manner recognizable to Customers; (vi) TP3's name in conjunction with the Merchant's name (e.g., "TP3 * Merchant"); (v) the Merchant's address; (vi) the Merchant's customer service telephone number; (vii) any applicable terms and conditions; and (viii) any other information required by the Payment Brand Rules or local law. TP3 shall ensure that each Merchant provides a complete copy of the Transaction Receipt to the Customer, as required by the Payment Brand Rules. A Merchant shall offer the Transaction Receipt in paper format to the extent required by applicable law, and may also offer the Transaction Receipt in electronic format; provided that such electronic Transaction Receipts must comply with all applicable provisions of the Payment Brand Rules.

(b) Neither TP3 nor Merchant shall require the Customer to pay the fees payable by TP3 under this Agreement.

(c) Neither TP3 nor Merchant shall issue Refunds for Transactions by cash or a cash equivalent (e.g., check) unless required by law or permitted by the Payment Brand Rules.

(d) Unless permitted by the Payment Brand Rules, neither TP3 nor Merchant shall engage in any practice that unfavorably discriminates against or provides unequal treatment of any Payment Brand relative to any other Payment Brand.

(e) Except where expressly permitted by law or the Payment Brand Rules, TP3 nor Merchant shall set a dollar amount above or below which Merchant refuses to honor otherwise valid Payment Instruments.

(f) If applicable, TP3 or Merchant shall examine each Payment Instrument physically presented at the point of sale to determine that the Payment Instrument presented is valid and has not expired. If applicable, TP3 shall exercise reasonable diligence to determine that the authorized signature on any Payment Instrument physically presented at the point of sale corresponds to the Customer's signature on the Transaction Receipt.

(g) With respect to any Transaction for which a Customer is not physically present at the point of sale, such as in any on-line, mail, telephone, pre-authorized, or recurring Transaction, TP3 or Merchant must (i) have notified Paymentech on its Application or otherwise obtained Paymentech's prior written approval of TP3's or Merchant's intention to conduct such Transactions; and (ii) have appropriate procedures in place to ensure that each Transaction is made to a purchaser who actually is the Customer. TP3 acknowledges that under certain Payment Brand Rules, neither TP3 nor Merchant can rebut a Chargeback where the Customer disputes making the purchase and TP3 does not have an electronic record (e.g., "swiping" or "tapping" a Payment Instrument) or physical imprint of the Payment Instrument.\

(h) TP3 and Merchant agrees to accept all categories of Visa and MasterCard Payment Instruments (i.e., debit and credit cards), unless TP3 or Merchant has notified Paymentech on its Application or otherwise in writing of its election to accept one of the following "limited acceptance" options: (i) all Visa and MasterCard consumer credit cards and Visa and MasterCard commercial credit and debit cards; or (ii) Visa and MasterCard debit cards only (but no credit cards). Notwithstanding the election of one of the foregoing limited acceptance options, TP3 and Merchant must honor all foreign bank-issued Visa or MasterCard Payment Instruments. If TP3 or Merchant elects one of the limited acceptance categories: (Y) appropriate signage must be displayed to indicate the limited acceptance category; and (Z) Paymentech, at its option, may process any Transactions submitted to Paymentech outside of the limited acceptance category, in which case such Transactions will be assessed the applicable interchange fees plus any additional fees/surcharges assessed by Paymentech or the Payment Brands.

(i) Neither TP3 nor Merchant shall split a single Transaction into two or more Transactions to avoid or circumvent authorization limits or monitoring programs.

(j) Neither TP3 nor Merchant shall accept Payment Instruments for the purchase of scrip.

(k) Neither TP3 nor Merchant shall require a Customer to complete a postcard or similar device that includes the Customer's Payment Instrument account number, expiration date, or any other account data in plain view when mailed.

(l) Neither TP3 nor Merchant shall add any tax or surcharge to Transactions, unless applicable law expressly requires a TP3 or a Merchant be permitted to impose the tax or surcharge. If any tax or surcharge amount is allowed, such amount shall be included in the Transaction amount and shall not be collected separately.

(m) Neither TP3 nor Merchant shall request or use a Payment Instrument account number for any purpose except as payment for its goods or services, unless required by the Payment Brand Rules in order to support specific services offered by the Payment Brands.

1.3 Payment Brand Rules; Compliance with Laws. TP3 agrees to comply, and to ensure that all Merchants comply, with all applicable Payment Brand Rules, and such other procedures as Paymentech or the Payment Brands may from time to time prescribe with respect to TP3 (or payment service providers), Merchants, Transactions, or the Program. TP3 shall take all actions necessary throughout the term of the Agreement to insure its (and, as necessary, each Merchant's) compliance with applicable federal, state and local laws, statutes, ordinances, governmental rules and regulations, as they may be enacted or amended from time to time relating to the Program and the Transactions submitted to Paymentech.

1.4 Registration Requirements; Registered Services.

TP3 acknowledges that it must register with all applicable Payment Brands prior to entering Transactions into Interchange. Paymentech shall facilitate such registration, subject to the following terms and conditions:

(a) TP3 agrees to fully cooperate with Paymentech with respect to all applicable Payment Brand registration requirements, to provide all information required in connection with such registration, and to update Paymentech promptly (but in any event within five (5) Business Days) in writing of any subsequent change in such information, including any change in TP3's principals or owner(s), any changes to TP3's business structure, corporate name, any trade name(s) or "doing business as" name(s) being used by TP3, or any changes in TP3's use of Service Providers with access to Payment Instrument Information. TP3 shall pay all initial and subsequent fees and costs associated with such registrations and any renewals. TP3 agrees and understands that its ability to provide services to Merchants involving the storage, processing, or transmission of Payment Instrument Information is subject to TP3's continued valid registration with the Payment Brands and TP3's compliance with the Payment Brand Rules and Security Standards as set forth in this Agreement. TP3 understands and agrees that registration is specific to Paymentech and the Member only, and a separate registration is required (at separate cost) for any other relationship(s) TP3 may have.

(b) To become registered, TP3 must deliver the following documentation to Paymentech, as applicable, prior to signing any Merchant to the Program or submitting any Transactions into Interchange: (i) applicable registration forms from Visa and MasterCard; (ii) supporting documentation to assist Paymentech in performing (or evidence in support of the fact that Paymentech has already conducted) a comprehensive risk and financial review of TP3; (iii) a comprehensive list of all existing Merchants, if applicable, in an electronic format specified by Visa and MasterCard; and (iv) Security Standards Compliance Validation Documentation.

(c) With respect to registration, TP3 represents and warrants that it performs only those services it has identified in its Security Standards Compliance Validation Documentation. TP3 further represents and warrants that it will immediately, or within three (3) Business Days at the latest, notify Paymentech in writing if it performs any services in addition to those identified in the Security Standards Compliance Validation Documentation. Upon the Effective Date, TP3 shall provide Paymentech with a list of all its current Service Providers. "Security Standards Compliance Validation Documentation" encompasses the following Security Standards Compliance Validation Documents, to be provided by TP3 to Paymentech: (i) Report on Compliance (ROC), (ii) Executive Summary of the ROC, (iii) Attestation of Compliance form, (iv) Self-Assessment Questionnaire (SAQ), and/or (v) any other documentation which Paymentech may reasonably request or require in order to validate TP3's registration and compliance with the Payment Brand Rules and/or the Security Standards.

1.5 Requirements for Certain Transactions. With respect to each Transaction submitted to us for processing, (i) TP3 shall ensure that TP3 and each Merchant meets each of the following requirements, and (ii) TP3 represents and warrants that, to the best of its knowledge, each of the following requirements is met:

(a) The Transaction Record represents payment or refund of payment, for the bona fide sale or lease of the goods, services, or both, which Merchant or TP3 has provided in the ordinary course of business.

(b) The Transaction Record represents an obligation of the Customer for the amount of the Transaction.

(c) The Transaction Record does not involve any element of credit for payment of a previously dishonored Payment Instrument or for any other purpose than payment for a current transaction. The Transaction does not represent payment for a previous Transaction or charge incurred at the Merchant or a Transaction that was previously charged back by the Customer, irrespective of Customer consent or approval.

(d) Except in the case of approved installment or pre-payment plans, the goods have been shipped or provided (or made available) or the services have been actually rendered to the Customer.

(e) The Transaction Record is free from any material alteration not authorized by the Customer.

(f) The amount charged for the Transaction is not subject to any dispute, setoff, or counterclaim.

(g) Neither TP3 nor the Merchant nor any of their employees has advanced any cash to the Customer (except as authorized by the Payment Brand Rules) or to TP3 or to any of its representatives, agents, or employees in connection with a Transaction, nor has TP3 or Merchant accepted payment for effecting credits to a Customer.

(h) The Merchant is free to sell the goods or services related to each Transaction.

(i) All refunds shall be in accordance with all applicable return/cancellation policies, which have been previously submitted to Paymentech in writing as provided in Section 3, and which are available to the Customer and not subject to any other representations or agreements.

(j) Any Transaction submitted to credit a Customer's account represents a refund or adjustment to a Transaction previously submitted to Paymentech.

(k) Neither TP3 nor Merchant has knowledge or notice of any information that would indicate that the enforceability or collectability of the subject Transaction Record is in any manner impaired. The Transaction Record is in compliance with all applicable laws, ordinances, and regulations. The Transaction Record is originated in compliance with this Agreement and applicable Payment Brand Rules.

(l) For a Transaction where the Customer pays in installments or on a deferred payment plan, a Transaction Record has been prepared separately for each installment or deferred payment on the date(s) the Customer agreed to be charged. All installments and deferred payments, whether or not they have been submitted to Paymentech for processing, shall be deemed to be a part of the original Transaction.

(m) Neither TP3 nor Merchant knows or should have known the Transaction to be fraudulent, illegal, damaging to the Payment Brand(s), unauthorized by the Customer, or otherwise in violation of any provision of this Agreement or any Payment Brand Rule.

(n) For recurring Transactions, TP3 or Merchant must (i) obtain the Customer's consent to periodically charge the Customer on a recurring basis for the goods or services purchased; (ii) retain this consent for the duration of the recurring services and provide it upon request to Paymentech or the issuing bank of the Customer's Payment Instrument; and (iii) retain written documentation specifying the frequency of the recurring charge and the duration of time during which such charges may be made. TP3 shall not submit any recurring transaction after receiving: (i) a cancellation notice from the Customer; or (ii) notice from Paymentech or any Payment Brand (via authorization code or otherwise) that the Payment Instrument is not to be honored. TP3 shall include in its Transaction Data the electronic indicator that the Transaction is a recurring Transaction.

1.6 Requirements for Merchants. TP3 agrees that Paymentech shall have the right at any time, in its sole discretion: (i) to refuse to process Transactions for any Merchant and to require TP3 to decline, or terminate immediately, such Merchant's participation in the Program if Paymentech reasonably believes the Merchant is acting in violation of the Payment Brand Rules or applicable law, or in the event there is a material increase in anticipated risk presented by such Merchant; (ii) to condition continued processing for any Merchant upon TP3 establishing, funding, and maintaining a Reserve Account, in an amount specified by Paymentech, specific to each Merchant; and (ii) to take or require TP3 to take any other measures as may be reasonably required by Paymentech in order to minimize the risk associated with any Merchant, comply with applicable Payment Brand Rules, or comply with any applicable legal or regulatory requirements. With respect to each Merchant, TP3 shall enter into a legally binding contract that satisfies the requirements set forth in the Payment Brand Rules and this Agreement regarding the processing of Transactions. Paymentech hereby reserves the right to review and audit the TP3-Merchant Processing Agreement to ensure compliance with Member and Paymentech policies, this Agreement or other agreements between you and us, Payment Brand Rules, the Security Standards, and any other applicable legal or regulatory requirements, or otherwise to ensure that we have no liability under such agreement. Without limiting the generality of the foregoing, each such agreement shall specify that TP3 is collecting and processing Transactions and Transaction Records on behalf of and as agent for such Merchant and shall require Merchant to (i) comply with the applicable Payment Brand Rules and Security Standards, (ii) comply with any applicable state, federal, and local laws, ordinances, governmental rules, and regulations relating to the Program and/or the Transactions submitted to Paymentech.

1.7 Requirements for TP3. TP3 shall comply with all requirements and agreements outlined in **Schedule B**. Schedule B, including its attachments, may be amended by Paymentech upon 30 days' prior written notice to TP3, if needed in order to comply with applicable law, Payment Brand Rules or JPMC policies. TP3 shall also comply with all requirements and agreements outlined in **Schedule E (Remediation Plan),** if applicable. TP3 shall require that all Merchants execute any and all applications and documentation Paymentech and the Payment Brands may require from time to time. TP3 agrees to each of the obligations, terms, and conditions set forth in **Schedule B** hereto, including, but not limited to, requiring that TP3 (and, as necessary, each Merchant) is in full compliance with applicable federal, state, and local laws, statutes, ordinances, governmental rules and regulations, the Payment Brand Rules, Paymentech and Member legal, credit, compliance or other policies, procedures, and practices as in effect from time to time. To the extent required by the Payment Brand(s), TP3 must be registered, and maintain such registration, as a third party service provider with such Payment Brand(s). With respect to all Merchants, TP3 agrees to provide to Paymentech the data described on **Schedules B** hereto, and such other information as Paymentech may reasonably request from time to time to enable it to track and evaluate the Program's success and to meet Paymentech's compliance and reporting obligations to the Payment Brands, in such a timeframe as required on **Schedule B**. TP3 shall assume full financial liability, and be fully liable to Paymentech, for Transactions submitted on behalf of Merchants, as well as for any disputed Transactions, credits, or customer service-related expenses, Chargebacks, or fraud. TP3 shall be responsible for its and its Merchants' compliance with all Payment Brand Rules and other Payment Brand requirements, applicable state, federal, and local laws, ordinances, governmental rules, and regulations that may be applicable to either TP3 or Merchants as a result of the Program.

1.8 Commercial Entities. TP3 agrees and understands that the Payment Brand Rules require that, in addition to any contract between Merchant and TP3, Paymentech must enter into a written agreement with each Merchant having Visa annual sales greater than $100,000 or MasterCard annual sales greater than $1,000,000 (a "Commercial Entity") and that such requirements shall be included in either a separate agreement or in the TP3 Merchant Processing Agreement. TP3 shall promptly notify Paymentech of any Merchant which it has reason to believe may be or is likely to become a Commercial Entity, but such requirement shall not affect TP3's obligation to enter into an agreement with a Merchant as required by Section 1.5. At any time and from time to time, Paymentech shall be entitled to designate any Merchant as a Commercial Entity which Paymentech reasonably believes will meet the criteria outlined above, and to require, either directly or through TP3, such Merchant to execute an agreement with Paymentech in a form substantially similar to the form attached hereto as **Schedule C**, with such changes as the Payment Brands may require from time to time. With respect to each Merchant entity that Paymentech designates as a Commercial Entity, TP3 shall collect and forward all information requested by Paymentech to comply with Paymentech's or Member's legal or compliance obligations, Payment Brand Rules as well as Paymentech's or Member's then current policies, including, without limitation, its credit policies. Exercise of any right by Paymentech against any Merchant or TP3 shall not preclude Paymentech, in its sole discretion, from enforcing its right against, or recovery fromTP3.. Any Merchant having annual MasterCard sales greater than $1,000,000 must receive settlement funds directly from Paymentech as required by current Payment Brand Rules. TP3 will assist Paymentech in obtaining appropriate documentation pertaining to the settlement account from such Merchants.

2. AUTHORIZATIONS.

2.1 Obtaining Authorizations. TP3 is required to obtain authorization/approval codes through Paymentech, in accordance with this Agreement, for all Transactions. TP3 acknowledges for itself and on behalf of the Merchants that an authorization/approval code of a Transaction indicates **only** (i) that the Payment Instrument contains a valid account number; and (ii) that the Customer's Payment Instrument has an available credit balance sufficient for the amount of the Transaction at the time the authorization is given, but does not constitute a representation from Paymentech, Member, a Payment Brand, or a card issuing bank that a particular Transaction is a valid or undisputed transaction entered into by the actual Customer.

2.2 Lack of Authorization. Paymentech reserves the right to refuse to process any Transaction Record submitted by TP3 (i) unless a proper authorization/approval code is recorded, (ii) that Paymentech reasonably determines is or may become uncollectible from the Customer to which the Transaction would otherwise be charged, or (iii) that was prepared in violation of any provision of this Agreement or the Payment Brand Rules.

3. REFUNDS AND ADJUSTMENTS.

3.1 Disclosure of Refund Policy. TP3 is required to ensure that TP3 and all Merchants each maintain a fair policy with regard to the refund, return, or cancellation of merchandise or services and adjustments of Transactions. TP3 is also required to ensure that TP3 and each Merchant discloses its refund, return, or cancellation policy to Paymentech and to Customers.

3.2 Changes to Policy. Any change in a refund, return, or cancellation policy must be submitted to us, in writing, not less than fourteen (14) days prior to the effective date of such change. Paymentech reserves the right to refuse to process any Transaction Record made subject to a revised refund, return, or cancellation policy of which Paymentech has not been notified in advance.

3.3 Procedure for Refunds/Adjustments. If TP3 or the Merchants allow a price adjustment, return of merchandise, or cancellation of services in connection with a Settled or Conveyed Transaction, TP3 will prepare and deliver to us a Transaction Record reflecting such refund/adjustment within three (3) days of receiving the request for such refund/adjustment. The amount of the refund/adjustment cannot exceed the amount shown as the total on the original Transaction Record except by the exact amount required to reimburse the Customer for postage that the Customer paid to return merchandise. TP3 is not allowed to accept cash or any other payment or consideration from a Customer in return for preparing a refund to be deposited to the Customer's account; nor may cash refunds be given to a Customer in connection with a Settled or Conveyed Transaction, unless permitted or required by law.

4. SETTLEMENT.

4.1 Submission of Transaction Record. TP3 is required to submit the Transaction Record no later than the next business day immediately following the day that such Transaction Record is originated. Failure to do so can result in higher interchange fees and other costs and increased Chargebacks. For debit card transactions that are credits to a Customer's account, TP3 agrees to submit such Transaction Record within twenty-four (24) hours of receiving the authorization for such credit. Unless otherwise indicated on **Schedule A**, TP3 will be solely responsible for all communication expenses required to facilitate the submission and transmission of all Transaction Records to Paymentech.

4.2 TP3's Bank Account(s). Unless it has been agreed to by the parties that Paymentech will directly fund a Commercial Entity for its respective Transaction settlement funds, TP3 must maintain (a) one or more "for the benefit of" (FBO) accounts designated to receive funds related to the settlement of all Commercial Entities' Transactions; and (b) one or more FBO accounts designated to receive funds related to the settlement of all other Merchants' Transactions. All FBO accounts must be compliant with all applicable laws pertaining to such accounts, held at a bank that is a member of the Automated Clearing House ("ACH") system or the Federal Reserve wire system, and established in accordance with **Schedule D** attached hereto and incorporated herein by reference. TP3 must not, under Generally Accepted Accounting Principles (GAAP), account for funds in the FBO accounts as their own funds. Furthermore, TP3 must designate at least one bank account for the debit of any fees and costs associated with Paymentech's processing of the Transactions or for other obligations and liabilities of TP3 or the Merchants under this Agreement. All FBO and bank accounts designated by TP3 pursuant to this Section 4.2 shall be collectively referred to herein as "Settlement Account". During the term of this Agreement, and thereafter until we notify TP3 that all monies due from TP3 and all Merchants under this Agreement have been paid in full, TP3 agrees not to close the Settlement Account without giving Paymentech at least five (5) days' prior written notice and substituting another Settlement Account. TP3 is solely liable for all fees and costs associated with the Settlement Account and for all overdrafts. TP3 authorizes Paymentech to initiate electronic credit and debit entries and adjustments to the Settlement Account or applicable bank account at any time without regard to the source of any monies therein. Paymentech will not be liable for any delays in receipt of funds or errors in Settlement Account entries caused by third parties, including, but not limited to, delays or errors by the Payment Brands or TP3's bank.

4.3 Conveyed Transactions. To the extent that TP3 submits any Conveyed Transactions for processing by Paymentech and TP3 or the Merchant does not have a valid agreement in effect with the applicable Payment Brand, TP3 hereby authorizes Paymentech, at Paymentech's option, to submit such Transactions to the applicable Payment Brand, and to share with the applicable Payment Brand such information from the Application, or otherwise provided to Paymentech by TP3 or Merchant, as may be required in order to approve acceptance of such Payment Instrument as method(s) of payment. Subject to such approval, TP3 agrees to the applicable Payment Brand's standard terms and conditions with respect to such method(s) of payment. Upon the transmission of such Conveyed Transactions to Paymentech, the Conveyed Transaction will be forwarded to the appropriate Payment Brand. Payment of the proceeds due for such Conveyed Transaction will be governed by the agreement with that Payment Brand, and Paymentech bears no responsibility for performance of such agreement. Even if a valid authorization for a Conveyed Transaction is obtained, Paymentech is not liable for errors in Settlement Account entries relating to the funding of those Conveyed Transactions, including delays caused by TP3, Merchant, third parties, the Payment Brands, or TP3's or Merchant's bank.

4.4 Transfer of Settlement Funds. For all Settled Transactions, Paymentech will process the Transaction Records to facilitate the funds transfer between the various Payment Brands, TP3, and Merchant. Promptly after receiving credit for such Transaction Record, Paymentech will provide provisional credit to the Settlement Account for the proceeds. The proceeds payable shall be equal to the amounts received by Paymentech in connection with the Transaction Record less the sum of the following: (i) all fees, imposed by Paymentech or any third parties passed through to TP3, charges, and discounts set forth in **Schedule A**; (ii) all Chargebacks; (iii) all equipment charges (if any); (iv) all Customer refunds, returns, and adjustments; and (v) all Reserve Account amounts; (vi) any funds Paymentech may pay directly to a Merchant if direct funding is required by the Payment Brand Rules; and (vii) any fees, charges, fines, assessments, penalties, or other liabilities that may be imposed on Paymentech or the Member from time to time by the Payment Brands and all related costs and expenses incurred by Paymentech pursuant to this Agreement. Paymentech also reserves the right to withhold or offset from the proceeds owed to TP3 or any Merchant by Paymentech any or all amounts owed by TP3 or a Merchant to Paymentech or its affiliates under any other agreement between you and Paymentech. TP3 agrees that amounts set forth above, and any other amounts are due and payable by TP3 at the time the related services are rendered and may be imposed on a daily basis if Paymentech so determines; that all Reserve Account amounts due from TP3 hereunder are payable upon establishment; and that the related Chargebacks, Customer refunds and adjustments, fees, charges, fines, assessments, penalties, and all other liabilities are due and payable when Paymentech receives notice thereof from the Payment Brands or any third party, or otherwise pursuant to this Section 4.4. In the event Paymentech does not deduct such amounts from the proceeds payable, TP3 agrees to pay all such amounts immediately without any deduction or offsets. Alternatively, at Paymentech's sole option, Paymentech may debit the Settlement Account or the Reserve Account for such amounts at any time. Without limiting the foregoing or Paymentech's rights under Section 7.2 or Section 10, if a Payment Brand notifies Paymentech or the Member that it or they intend to impose any fine, fee, or penalty as a result of excessive Chargebacks or TP3's acts or omissions (including, without limitation, failure to fully comply with any Payment Brand Rules), Paymentech may suspend the processing of the Transactions upon at least 10 days prior notice.

4.5 Negative Balances. To the extent the proceeds from Settled Transactions do not represent sufficient credits or the Settlement Account does not have a sufficient balance to pay amounts due under this Agreement (in connection with either TP3's or Merchant's Transactions), in addition to any other rights and remedies Paymentech may have under this Agreement (including termination), Paymentech may pursue one or more of the following options: (i) demand and receive immediate payment for such amounts from TP3; (ii) debit the Settlement Account or Reserve Account for the amount of the negative balance; (iii) withhold or offset any or all settlement payments until all amounts are paid; (iv) delay presentation of refunds ; and (v) pursue any other remedies available at law or in equity. Furthermore, if the amount represented by Transaction Records in any day is negative due to refunds or credits being submitted in excess of the proceeds from the Transactions, TP3 shall provide sufficient funds prior to the submission of the Transaction Records to prevent the occurrence of a negative balance.

4.6 Reserve Account. If: (i) there is a material, adverse change in TP3's or a Merchant's financial condition; (ii) TP3 or Merchant is in material default of this Agreement; (iii) TP3 or Merchant changes its billing practice in relation to the provision or shipment of merchandise or fulfillment of service or changes refund procedures currently in place, and fails to notify Paymentech in advance; (iv) TP3 or Merchant is receiving excessive Chargebacks (as defined in Section 7.2 below); (v) TP3 or Merchant significantly alters the nature of its business or product lines; or (vi) Paymentech has reasonable grounds to believe that it may be or become liable to third parties for the provisional credit extended to TP3 or Merchant or that TP3 or Merchant may be liable to Customers, Payment Instrument issuing banks, or the Payment Brands, or (vii) Paymentech has reasonable grounds to believe that it may be subject to any additional liabilities, including, without limitation, any fines, fees, or penalties assessed by any of the Payment Brands, arising out of or relating to Transactions, the Program, Chargebacks, a Merchant or TP3's failure to comply with this Agreement, any of the Payment Brand Rules, or the Security Standards (as defined in Section 17), Paymentech may suspend or delay payments during investigation of the issue and/or designate an amount of funds Paymentech must maintain in order to protect it against the risk of, among other things, existing, potential, or anticipated Chargebacks and to satisfy the other obligations under this Agreement (such funds being hereinafter referred to as the "Reserve Account"), which may be funded in the same manner as provided for negative balances in Section 4.5. The Reserve Account will contain sufficient funds to cover any unbilled processing costs plus our estimated exposure based on reasonable criteria for Chargebacks, returns, unshipped merchandise and/or unfulfilled services, and all additional liabilities anticipated under this Agreement, including, but not limited to, Chargebacks, fines, fees, and penalties as set forth in Section 4.4. Paymentech may (but is not required to) apply funds in the Reserve Account toward, and set off any funds that would otherwise be payable against, the satisfaction of any amounts which are or may become due from TP3 or a Merchant pursuant to this Agreement. The Reserve Account will be held and controlled by Paymentech and TP3 will have no legal right or interest in the funds in the Reserve Account; provided, however, that upon satisfaction of all of obligations under this Agreement, Paymentech will pay to TP3 any funds then remaining in the Reserve Account. Any funds in the Reserve Account may be commingled with other funds, and need not be maintained in a separate account, but will be tracked and accounted for separately by Paymentech. Effective upon establishment of a Reserve Account, TP3 irrevocably grants to Paymentech a security interest in any interest TP3 has now or may later acquire in any and all funds, together with the proceeds thereof, that may at any time be in the Reserve Account and that would otherwise be payable to TP3 pursuant to the terms of this Agreement. TP3 agrees and agrees to cause Merchant to execute and deliver to Paymentech such instruments and documents (including, without limitation, security agreements and releases) that Paymentech may reasonably request to perfect and confirm the security interest in the Reserve Account.

5. ACCOUNTING. Paymentech will supply a detailed statement reflecting the activity for TP3's account(s) by online-access (or otherwise if agreed to by both parties). Paymentech will not be responsible for any error that TP3 does not bring to Paymentech's attention within one hundred and eighty (180) days from the date of such statement. TP3, for itself and on behalf of Merchant, acknowledges and agrees that it is TP3's and the Merchants' respective responsibility to ensure its secure online access.

6. RETRIEVAL REQUESTS.

6.1 Records. TP3 agrees to store and retain each Transaction Record in compliance with the Payment Brand Rules.

6.2 Response to Retrieval Requests. Paymentech will send TP3 any Retrieval Request that it cannot satisfy with the information it has on file concerning any Settled Transaction. In response, TP3 must provide, in writing by certified or overnight mail or by confirmed fax (or by other means as agreed to by Paymentech), the resolution of the investigation of such Retrieval Request and include legible copies of any documentation required by the Retrieval Request within seven (7) days after it is sent (or such shorter time as the Payment Brand Rules may require). TP3 acknowledges that failure to timely fulfill a Retrieval Request and in accordance with Payment Brand Rules may result in an irreversible Chargeback.

7. CHARGEBACKS.

7.1 Chargeback Reasons. TP3 or Merchant may receive a Chargeback from a Customer or Payment Brand for a number of reasons under the Payment Brand Rules. The following are some of the most common reasons for Chargebacks; in no way is this intended to be an exhaustive list of possible Chargeback reasons:

(1) Failure to issue a refund to a Customer upon the return of or failure to provide the applicable goods or services.
(2) A required authorization/approval code was not obtained.
(3) The Transaction Record was prepared incorrectly or fraudulently.
(4) TP3 did not respond to a Retrieval Request within 7 days or any shorter time period required by the Payment Brand Rules.
(5) The Customer disputes the Transaction or the authenticity of the signature on the Transaction Record or Payment Instrument, or claims that the Transaction is subject to a set-off, defense, or counterclaim.
(6) The Customer refuses to make payment for a Transaction because in the Customer's good faith opinion, a claim or complaint has not been resolved, or has been resolved in an unsatisfactory manner.
(7) The credit or debit card comprising the Payment Instrument was not actually presented at the time of the Transaction or an electronic record or physical imprint of such Payment Instrument was not obtained, and the Customer denies making the purchase. The TP3 acknowledges, for itself and on behalf of Merchant, that, under these circumstances, the fact that an authorization/approval code was obtained does not mean that a particular Transaction is a valid or undisputed transaction entered into by the actual Customer.

7.2 Excessive Chargebacks. If TP3 or Merchant are receiving an excessive amount of Chargebacks, as determined by the Payment Brands from time to time, in addition to other remedies under this Agreement, Paymentech may take the following actions: (i) review TP3's or Merchant's internal procedures relating to acceptance of Payment Instruments and notify TP3 or Merchant of new procedures which should be adopted to avoid future Chargebacks; (ii) collect from TP3 (pursuant to Section 4.6) an amount determined by us to be sufficient to cover anticipated Chargebacks and all related fees, penalties, expenses, and fines; (iii) terminate this Agreement or the agreement between Paymentech and Merchant; or (iv) refuse to process for Merchant's Transactions . TP3 also agrees to pay any and all penalties, fees, fines and costs assessed against TP3, A Merchant, Paymentech, and/or Member relating to TP3's or a Merchant's violation of this Agreement, a Commercial Entity Agreement or the Payment Brand Rules with respect to the acceptance of Payment Instruments, Transactions, or Excessive Chargebacks under this Section.

7.3 Claims of Customers. TP3 agrees that it will have full liability to Paymentech for all Chargebacks, regardless of whether TP3 receives payment or reimbursement from the Merchants therefore, and TP3 acknowledges that the funds provided to TP3 by Paymentech with respect to any Transaction represent only a provisional credit, and remain subject to potential Chargebacks. To the extent Paymentech has paid or may be called upon to pay a Chargeback, refund, or adjustment for or on the account of a Customer and TP3 does not immediately reimburse Paymentech as provided in this Agreement, then for the purpose of obtaining reimbursement of such sums paid or anticipated to be paid, Paymentech shall have all of the rights and remedies of such Customer under applicable federal, state, or local laws and TP3 (for itself and on behalf of the Merchants) authorizes Paymentech to assert any and all such claims in Paymentech's own name for and on behalf of any such Customer individually or all such Customers as a class.

8. Display Of Payment Brand Marks. TP3 is prohibited from using the Payment Brand Marks, as defined below, other than as expressly authorized by the Payment Brands or the Payment Brand Rules. TP3 shall also ensure that Merchant's use of the Payment Brand Marks shall only be as authorized and in accordance with all requirements of this Section and the Payment Brand Rules. Payment Brand Marks or Marks mean the brands, emblems, trademarks, and logos that identify a Payment Brand. Additionally, and except as authorized by the Payment Brands, TP3 shall not use the Payment Brand Marks other than to display decals, signage, advertising, and other forms depicting the Payment Brand Marks that are provided to TP3 (i) by the Payment Brands; (ii) by Paymentech pursuant to this Agreement; or (iii) as otherwise approved in writing by Paymentech. TP3 may use the Payment Brand Marks only to promote the services covered by the Payment Brand Marks by using them on decals, indoor and outdoor signs, advertising materials, and marketing materials; provided, that all such uses must be consistent with Payment Brand Rules. TP3 has no ownership rights in the Payment Brand Marks and shall not assign to any third party the rights to use the Payment Brand Marks. The right to use the Payment Brand Marks pursuant to this Agreement terminates simultaneously with the termination of this Agreement.

9. Fees.

9.1 Schedule A. TP3 agrees to pay Paymentech for the services as set forth in **Schedule A** in accordance with this Agreement, regardless of whether TP3 receives payment or reimbursement from the Merchants therefor. Unless otherwise expressly stated in **Schedule A**, pricing is based on all Transactions qualifying under the Payment Brand Rules for the lowest Payment Brand interchange rates. For Transactions that do not qualify for the best rate, the Payment Brands may dictate that the Transaction is subject to a "downgrade", which will result in TP3 being charged a higher rate than the qualified rate shown on **Schedule A**. Fees payable under this Agreement that contain a fraction of a cent will be rounded up to the next full cent.

9.2 Price Changes.

(a) Paymentech may modify the pricing on **Schedule A** upon thirty (30) days' prior written notice to TP3. If TP3 does not agree with the new pricing, TP3 may terminate this Agreement upon 120 days' notice to Paymentech.

(b) In addition, Paymentech may change its fees, charges, and discounts resulting from (i) changes in Payment Brand fees (such as interchange, assessments, and other charges); (ii) changes in pricing by any third party provider of a product or service used by TP3 or a Merchant; or (iii) fees which are added by a Payment Brand or card issuer. Such new prices will be applicable as of the effective date established by the Payment Brand or third party provider. For clarity, any price changes made pursuant to this Section 9.2(b) shall not give rise to a termination right by TP3.

10. Termination.

10.1 Term. This Agreement takes effect upon the earlier of (a) Paymentech's signature hereto; or (b) the date Paymentech processes TP3's first Transaction submitted pursuant to this Agreement and continues for five (5) years from such date. Unless otherwise terminated by either party as provided in this Agreement, this Agreement will automatically renew for successive one-year terms. Either party may give notice of non-renewal of this Agreement in writing no more than ninety (90) days and no less than thirty (30) days prior to any expiration date.

10.2 Events of Default. If any of the following events shall occur (each an "Event of Default"):

(a) any transfer or assignment in violation of Section 14.4 of this Agreement by either party;

(b) irregular Transactions submitted by TP3 (either for itself or on behalf of Merchant) that materially increase the anticipated risk and which have not been previously disclosed and approved by Paymentech, excessive Chargebacks related to TP3 or Merchant;

(c) any representation or warranty in this Agreement is breached in any material respect or was or is incorrect in any material respect when made or deemed to be made;

(d) TP3 fails in any material respect to perform any of its obligations with respect to the funding or establishing of a Reserve Account, as detailed in Section 4.6;

(e) material breach of Section 1.1 by either party;

(f) Either party fails in any material respect in performance or observance of any term, covenant, condition, or agreement contained in this Agreement, including the attached Schedule B, without limitation, compliance with Payment Brand Rules and Security Standards;

(g) a case or other proceeding shall be commenced by or against TP3 or Paymentech or Member in any court of competent jurisdiction seeking relief under the Bankruptcy Code or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up, or adjustment of debts, the appointment of a trustee, receiver, custodian, liquidator, or the like of TP3 or Paymentech or Member, or of all or any substantial part of the assets, domestic or foreign, of TP3 or Paymentech or Member, and such case or proceeding shall continue undismissed or unstayed for a period of sixty (60) consecutive days, or an order granting the relief requested in such case or proceeding against TP3 or Paymentech or Member (including, without limitation, an order for relief under the Bankruptcy Code) shall be entered;

(h) Paymentech, in its reasonable discretion, deems TP3 to be financially insecure, such that TP3 is unable to meets its obligations under this Agreement;

(i) any Payment Brand (i) notifies Paymentech or Member that it is no longer willing to accept Transactions from TP3 or support TP3's registration with the Payment Brands as a third party service provider; or (ii) requires Paymentech or Member to terminate or limit this Agreement;

(j) TP3 or any person owning or controlling TP3's business is listed in one or more databases of terminated or high risk merchants maintained by the Payment Brands;

(k) TP3 engages in conduct that creates or could tend to create harm or loss to the goodwill of any Payment Brand, Paymentech, or Member;

(l) for a period of more than sixty (60) consecutive days, TP3 does not transmit Transaction Data to Paymentech;

(m) TP3 fails to comply with Section 15.15

(n) Paymentech's Transaction processing services under this Agreement fail to conform to generally accepted standards for such services in the Transaction processing industry;

(o) TP3 engages in conduct that causes or could cause Paymentech or Member to be in violation of the Payment Brand Rules; or

(p) TP3 fails in any material respect to perform any of the obligations outlined in Schedule E.

then, the non-defaulting party may terminate this Agreement by providing the defaulting party with written notice of termination. Following receipt of such notice, and solely for termination based on subsections (c), (f) and (n) , the defaulting party shall have thirty (30) days to cure the Event of Default, and the Agreement shall terminate in the event such cure is not effected by the end of such period. No cure period shall be provided when termination is based any other Event of Default.

If this Agreement is terminated by Paymentech for TP3's default hereunder, TP3 acknowledges that Paymentech may be required to report TP3's business name and the names and other identification of its principals to the Payment Brands.

10.3 Other Events. In addition to the remedies above and any rights Paymentech may have under this Agreement, and without limiting such other rights and remedies, Paymentech may upon 5 days prior notice to TP3 suspend the processing of some or all of TP3's Transactions upon: (a) an occurrence of an Event of Default by TP3; (b) an occurrence of an event of default by Merchant, as defined in the applicable Commercial Entity Agreement; (c) receipt by Paymentech of notice that a Payment Brand intends to impose any fine or penalty as a result of excessive Chargebacks or TP3's or a Merchant's acts or omissions; or (d) receipt by Paymentech of objections or concerns expressed by a Payment Brand which render Paymentech's continued processing of TP3's Transactions unduly burdensome, impractical, or risky.

10.4 Termination of Merchants. Paymentech may require TP3 to immediately terminate a Merchant for fraudulent activity, a material violation of the Payment Brand Rules or applicable law relating to the Program or Transactions submitted to Paymentech for processing, actions which create or could tend to create harm or loss to the goodwill of any Payment Brand, Paymentech, or Member; or any other conduct by Merchant which creates reputational risk to Paymentech or Member.

10.5 Account Activity After Termination; Termination Reserve. The provisions governing processing and settlement of Transactions, all related adjustments, fees, and other amounts due from TP3, and the resolution of any related Chargebacks, disputes, or other issues involving Transactions, will continue to apply even after termination of this Agreement, with respect to all Transactions made prior to such termination or after such termination, as described below. After termination of this Agreement for any reason whatsoever, TP3 shall continue to bear total responsibility for all Chargebacks, fees, fines, assessments, credits, and adjustments resulting from Transactions processed pursuant to this Agreement and all other amounts then due or which thereafter may become due to Paymentech or Member under this Agreement or which may be due to Paymentech before or after such termination to either Paymentech or Member. If TP3 submits Transaction Data to Paymentech after the date of termination, Paymentech may, at its sole discretion and without waiving any of its rights or remedies under this Agreement, process such Transaction Data in accordance with and subject to all of the terms of this Agreement.

Upon notice of termination of this Agreement, Paymentech may estimate the aggregate dollar amount of anticipated Chargebacks, Refunds, and anticipated risks that Paymentech reasonably anticipates subsequent to termination, and TP3 agrees to immediately deposit such amount in its Settlement Account, or Paymentech may withhold such amount from settlement funds in order to establish a Reserve Account pursuant to and governed by the terms and conditions of this Agreement.

11. INDEMNIFICATION. The indemnities provided under this Section 11 shall survive the termination of this Agreement.

11.1 Paymentech. Paymentech agrees to indemnify TP3 and its affiliates, officers, directors, employees, and agents from any losses, liabilities, and damages of any and every kind (including, without limitation, costs, expenses, and reasonable attorneys' fees) arising out of any third party or Customer complaint, claim, demand or cause of action, or Chargeback related to (i) any failure by Paymentech to properly safeguard the Customer's account information, (ii) Paymentech's failure to deliver funds in accordance with Section 4.4 herein (which relates to settlement payments due from us for Transaction Records), or (iii) any voluntary or involuntary bankruptcy or insolvency proceeding by or against Paymentech, or (iv) Paymentech's noncompliance with this Agreement or the Payment Brand Rules. This indemnification does not apply to any claim or complaint relating to TP3's or Merchant's failure to resolve a payment dispute concerning merchandise or services sold by Merchant or TP3's or Merchant's negligence or willful misconduct.

11.2 TP3. TP3 agrees to indemnify Paymentech, Member, and their respective affiliates, officers, directors, employees, agents, and sponsoring banks from any claims, actions, arbitrations, judgments, losses, liabilities, and damages of any and every kind (including, without limitation, costs, expenses, and reasonable attorneys' fees) caused by, resulting from, arising out of, or in any way relating to (i) any claim, complaint, dispute, return, refund, or Chargeback with respect to any Transaction or Transaction Record submitted by TP3, (ii) TP3's or Merchant's noncompliance with this Agreement (specifically including any provision of **Schedules B**), a Commercial Entity Agreement, or the Payment Brand Rules, a breach of a representation or warranty made by TP3, and failure to comply with the Security Standards or any fines, fees, or penalties assessed against Paymentech by any of the Payment Brands arising out of or relating to TP3's or Merchant's Transactions or Chargebacks , (iii) any intentional or negligent misrepresentation by TP3 as to the type of business conducted by a Merchant, (iv) any voluntary or involuntary bankruptcy or insolvency proceeding by or against TP3 or Merchant, (iv) TP3's or any Merchant's failure to comply with applicable laws and regulations, including, without limitation, the receipt requirements of the Electronic Funds Transfer Act, or any action or omission by TP3 or Merchant which causes Paymentech, any Payment Brand, or any Payment Instrument-issuing bank to be in violation of any such applicable laws and regulations. This indemnification does not apply to any claim or complaint to the extent caused by Paymentech or Member's negligence or willful misconduct.

12. **TRANSACTION RECORD AND PAYMENT INSTRUMENT INFORMATION.** Financial information and other information about TP3 and the Merchants, Transaction Records, and other information that TP3 provides to Paymentech may be shared by Paymentech with its affiliates subject to the provisions of this Agreement and Payment Brand Rules. Paymentech will not otherwise disclose or use such information for any purpose whatsoever other than (i) as necessary to process the Transactions or otherwise provide services and maintain TP3's account pursuant to this Agreement; (ii) to detect, prevent, reduce, or otherwise address fraud, security, or technical issues; (iii) to enhance or improve Paymentech's products and services generally; or (iv) as otherwise required or permitted by the Payment Brands or applicable law. Paymentech may prepare, use, and/or share with third parties, aggregated, non-personally identifiable information derived from Transaction Records of all of Paymentech's customers or specific segments of Paymentech's customers.

TP3 acknowledges and understands, for itself and on behalf of Merchant, the importance of compliance with the Security Standards, such as those relating to the storage and disclosure of Transaction Record and Payment Instrument Information. Therefore, TP3 will, and will ensure that Merchants, exercise care to prevent disclosure or use of Payment Instrument Information, other than (i) to TP3's agents and contractors for the purpose of assisting TP3 in completing a Transaction, (ii) to the applicable Payment Brand, or (iii) as specifically required by law. Furthermore, TP3 acknowledges and understands that its use of any fraud mitigation or security enhancement solution (e.g., encryption product or service), whether provided to TP3 by Paymentech or by a third party, in no way limits TP3's obligation to comply with the Security Standards or TP3's liabilities set forth in this Agreement.

TP3 is allowed by the Payment Brand Rules to store only certain Payment Instrument Information (currently limited to the Customer's name, Payment Instrument account number, and expiration date) and is prohibited from storing additional Payment Instrument Information, including, without limitation, any security code data such as CVV2, CVC2, and PIN data, and any magnetic stripe track data. TP3 will store all media containing Payment Instrument Information in an unreadable format wherever it is stored and in an area limited to selected personnel on a "need to know" basis only and, prior to either party discarding any material containing Payment Instrument Information, the party will destroy it in a manner rendering the account numbers unreadable. If at any time TP3 determines that Payment Instrument Information has been compromised, TP3 will notify Paymentech immediately and assist in providing notification to such parties as may be required by law or Payment Brand Rules, or as Paymentech otherwise reasonably deems necessary.

TP3 agrees to comply with all Security Standards, as defined in Section 17. TP3 further agrees to provide upon Paymentech's request with such tests, scans, and assessments of TP3's compliance with Security Standards as required by the Payment Brands.

TP3 must notify Paymentech of its and any Merchant's use of a Service Provider and, to the extent required by each Payment Brand, all Service Providers must be (i) compliant with all Security Standards applicable to Service Providers, and (ii) registered with and/or recognized by such Payment Brand(s) as being so compliant. TP3 agrees to exercise due diligence to ensure that all of its and Merchant's Service Providers, agents, business partners, contractors, or subcontractors with access to Payment Instrument Information, maintain compliance with the Security Standards. To the extent required by each Payment Brand, all Payment Applications, or software involved in processing, storing, receiving or transmitting of Payment Instrument Information used by TP3 or a Merchant, shall be (i) compliant with all Security Standards applicable to such Payment Applications or software, and (ii) registered with and/or recognized by such Payment Brand(s) as being so compliant.

TP3 understands that failure of it or a Merchant to comply with the Payment Brand Rules, including the Security Standards, or the compromise of any Payment Instrument Information, may result in assessments, fines, and/or penalties by the Payment Brands, and TP3 agrees to indemnify and reimburse Paymentech immediately for any such assessment, fine, or penalty imposed on us or the Member and any related loss, cost, or expense incurred by Paymentech or the Member. If any Payment Brand requires a forensic examination of TP3 or a Merchant or any of their respective Service Providers, agents, business partners, contractors, or subcontractors due to a data security compromise event or suspected event, including without limitation, Chargeback, fraud, or data security compromise events or such other events that the Payment Brands include in the Payment Brand Rules ("Data Security Compromise Event"), TP3 shall cooperate (and shall cause Merchants and all applicable Service Providers to cooperate) with such forensic examination until it is completed (including, without limitation, the engagement of an examiner acceptable to the relevant Payment Brand). Notwithstanding the foregoing, the Payment Brands may directly engage, or demand that Paymentech engage, an examiner on behalf of TP3 or a Merchant in order to expedite the investigation of the Data Security Compromise Event. In either scenario, TP3 agrees to pay for all costs and expenses related to such forensic examination (including any attorneys' fees and other costs relating to such forensic examination).

By executing this Agreement, TP3 represents that, in the event of its failure, including bankruptcy, insolvency, or other suspension of business operations, TP3 will not sell, transfer, or disclose any materials that contain Transaction Record or Payment Instrument Information to third parties. TP3 must return such information to Paymentech or provide Paymentech with acceptable proof of its destruction.

13. Information About TP3's Business.

13.1 Additional Financial Information. Upon five (5) days' written notice, TP3 agrees to furnish to Paymentech (i) its most recently prepared financial statements and credit information and (ii) if applicable, its three (3) most recent filings with the SEC.

13.2 Audit Rights. With prior notice and during normal business hours, Paymentech's duly authorized representatives may visit TP3's business premises and may examine TP3's books and records that pertain to Transaction Records or compliance with this Agreement.

13.3 Other Information. TP3 agrees to provide us at least thirty (30) days' prior written notice of its or a Merchant's intent to change product lines or services, its trade name, or the manner in which it accepts Payment Instruments. If Paymentech determines such a change is material to our relationship with TP3, Paymentech may refuse to process any Transaction Records made subsequent to the change following 5 days prior notice to TP3. TP3 agrees to provide Paymentech with prompt written notice if TP3 or a Merchant is the subject of any voluntary or involuntary bankruptcy or insolvency petition or proceeding.

14. <u>Disclaimer; Limitation of Damages</u>. Subject to Section 5, Paymentech will, at its own expense, correct any Transaction Data to the extent that such errors have been caused by Paymentech or by malfunctions of Paymentech's processing systems. Under no circumstances will Paymentech's financial responsibility for its failure of performance under this Agreement exceed the total fees paid to Paymentech under this Agreement (net of Payment Brand fees, third party fees, interchange, assessments, penalties, and fines) for the twelve (12) months prior to the time the liability arose; provided, however, that the foregoing limitation shall not apply to Paymentech's indemnification obligations under Section 11.1. **EXCEPT AS OTHERWISE PROVIDED FOR IN THIS AGREEMENT, AND EXCEPT WITH RESPECT TO TP3'S OR A MERCHANT'S FAILURE TO COMPLY WITH THE SECURITY STANDARDS AND EXCEPT WITH REPSECT TO ALL OF THE INDEMNIFICATION OBLIGATIONS OF EACH PARTY UNDER SECTION 11, IN NO EVENT WILL ANY PARTY, ITS RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, OR AFFILIATES, BE LIABLE FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES, REGARDLESS OF THE FORM OF ACTION AND EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, OR ANY LOSS, THEFT, DISAPPEARANCE, OR DAMAGE TO DATA TRANSMITTED ELECTRONICALLY IN CONNECTION WITH THIS AGREEMENT. ANY FINES, FEES, PENALTIES, OR ASSESSMENTS IMPOSED BY THE PAYMENT BRANDS RELATED TO TP3'S OR MERCHANT'S ACCEPTANCE OF PAYMENT INSTRUMENTS SHALL NOT BE DEEMED TO BE CONSEQUENTIAL DAMAGES. ALL PARTIES ACKNOWLEDGE THAT THIS IS AN AGREEMENT FOR COMMERCIAL SERVICES. THE UNIFORM COMMERCIAL CODE DOES NOT APPLY AND PAYMENTECH AND MEMBER HEREBY DISCLAIM ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, MADE TO MERCHANT OR ANY OTHER PERSON, REGARDING QUALITY, SUITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR OTHERWISE (REGARDLESS OF ANY COURSE OF DEALING, CUSTOM, OR USAGE OF TRADE) OF ANY SERVICES PROVIDED UNDER THIS AGREEMENT OR ANY GOODS PROVIDED INCIDENTAL TO SUCH SERVICES.**

15. Miscellaneous.

15.1 Taxes. Unless TP3 is otherwise exempt, and, if applicable, provide a valid exemption certificate, TP3 agrees to pay any taxes imposed on the services, equipment, intellectual property, supplies, and other goods purchased or tangible property provided under this Agreement, and TP3 authorizes Paymentech to increase the amount we collect from TP3 to reflect any and all assessments or other taxes imposed on Paymentech as a result of the services provided to TP3 under this Agreement, if any.

15.2 Application and Credit Check. TP3 represents and warrants that statements made on the Application for this Agreement are true as of the date of execution of this Agreement. TP3 agrees to promptly update any changes thereto during the term of this Agreement. TP3's signature on this Agreement authorizes Paymentech to perform any credit check deemed necessary with respect to TP3 and its directors, officers, affiliates, principals, and guarantors (if applicable).

15.3 Section Headings. The section headings of this Agreement are for convenience only and do not define, limit, or describe the scope or intent of this Agreement.

15.4 Assignment. TP3 may not assign or transfer this Agreement, by operation of law, merger, or otherwise, without Paymentech's prior written consent. In the event of such transfer or assignment, the party to whom the Agreement was transferred or assigned shall be bound to the terms and conditions of this Agreement to the same extent as if Paymentech, Member and such assignee or transferee, as the case may be, entered into an agreement identical to this Agreement on the effective date of such transfer or assignment. Upon notice to Merchant, another Payment Brand member may be substituted for Member under whose sponsorship this Agreement is performed and for whom Paymentech is acting as agent hereunder. Subject to Payment Brand Rules, Paymentech may assign or transfer this Agreement and its rights and obligations hereunder and may delegate its duties hereunder, in whole or in part, to any third party, whether in connection with a change in sponsorship, as set forth in the preceding sentence, or otherwise, without notice to or consent of Merchant. No assignee for the benefit of creditors, custodian, receiver, trustee in bankruptcy, debtor in possession, sheriff or any other officer of a court, or other person charged with taking custody of a party's assets or business, shall have any right to continue or to assume or to assign this Agreement.

15.5 Parties; Public Statements. This Agreement binds TP3 and its respective heirs, representatives, and permitted and approved successors (including those by merger and acquisition) or assigns. This Agreement binds us and our respective heirs, representatives, successors, and assigns. TP3 represents and warrants that its execution of and performance under this Agreement (i) in no way breaches, contravenes, violates, or in any manner conflicts with any of its other legal obligations, including, without limitation, its corporate charter or similar document or any agreement between TP3 and any third party or any affiliated entity; (ii) has been duly authorized by all necessary action and does not require any consent or other action by or in respect of any third party; and (iii) that the person signing this Agreement on TP3 's behalf is duly authorized to do so. In providing services to TP3, we will not be acting in the capacity of agent, partner, or joint venturer; we are acting solely as an independent contractor. TP3 will not, without Paymentech's prior written consent in each instance, issue any media release, or make any other public announcement or public disclosure relating to this Agreement and/or the Program, except as may be approved in writing by the Paymentech and/or agreed by Paymentech pursuant to a separate written agreement between the parties. Notwithstanding the foregoing sentence or anything else set forth in the Agreement, TP3 may disclose this Agreement or the Program or any of the terms thereof pursuant to the requirements of any securities law or regulation, including the Securities Exchange Act of 1934, as amended (the "Act'), and the regulations promulgated thereunder. In any such event, TP3 shall use its best efforts to provide an opportunity to Paymentech to review and comment upon such disclosure. If TP3 is required to file a copy of this Agreement with the Securities and Exchange Commission under the Act or any regulation promulgated thereunder, TP3 shall seek confidential treatment by the Securities and Exchange Commission of information in the Agreement that is determined by TP3 to be confidential (in accordance with the rules promulgated under the Act).

15.6 Severability. Should any provision of this Agreement be determined to be invalid or unenforceable under any law, rule, or regulation, including any Payment Brand Rule, such determination will not affect the validity or enforceability of any other provision of this Agreement.

15.7 Waivers. No term or condition of this Agreement may be waived except pursuant to a written waiver executed by the party against whom such waiver is sought to be enforced.

15.8 Entire Agreement. The Payment Brand Rules, Application, and all schedules and attachments to this Agreement are made a part of this Agreement for all purposes. This Agreement represents the entire understanding between TP3 and Paymentech with respect to the matters contained herein and supersedes any prior agreements between the parties. This Agreement shall prevail over the terms of any agreement governing the Settlement Account or any agreement between TP3 and Merchant. The parties acknowledge and agree (i) that this Agreement applies only to Transaction Records generated within the United States; and (ii) that this is a contract for commercial services.

15.9 Notices. Except as otherwise provided in this Agreement, all notices must be given in writing and either hand delivered, faxed, mailed first class, postage prepaid, sent via electronic mail transmission, or sent via overnight courier (and will be deemed to be given when so delivered or mailed) to the addresses set forth below or to such other address as either party may from time to time specify to the other party in writing.

15.10 Governing Law; Waiver of Jury Trial. This Agreement will be governed by and construed in accordance with the laws of the State of Texas without reference to conflict of law provisions. Any action, proceeding, litigation, or mediation relating to or arising from this Agreement must be brought by Paymentech against TP3 in the county and state of TP3's principal office as indicated below, and by TP3 against Paymentech exclusively in Dallas County, Dallas, Texas. **THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS EITHER OF THEM MAY HAVE TO CONTEST JURISDICTION OR VENUE.** THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, ARISING OUT OF, OR IN CONNECTION WITH THIS AGREEMENT.

15.11 Force Majeure. Neither party will be liable for delays in processing or other nonperformance caused by such events as fires, telecommunications failures, utility failures, power failures, equipment failures, labor strife, riots, war, terrorist attack, nonperformance of our vendors or suppliers, acts of God, or other causes over which the respective party has no reasonable control, except that nothing in this Section 15.11 will affect or excuse your liabilities and obligations for Chargebacks, refunds, or unfulfilled products and services.

15.12 Amendment and Consents. Any provision of this Agreement may be amended, but only if the amendment is in writing and signed by all parties. In order to be effective, any consent required under this Agreement must be in writing and signed by the party granting the consent.Notwithstanding the foregoing, in the event the terms of this Agreement must be amended pursuant to a change required by law, the Payment Brand Rules or any third party regulatory or governmental entity with jurisdiction over the matters described herein, such amendment will be effective upon thirty (30) days prior notice to TP3. TP3's electronic signature or continued submission of Transactions following such notice will be deemed to be TP3's acceptance of such amendment.

15.13 Counterparts and Electronic Signature. This Agreement may be executed in several counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. A signature received via facsimile or electronically via email shall be as legally binding for all purposes as an original signature.

15.14 Survival. The provisions of Sections 1.7, 4.2, 4.4, 4.5, 4.6, 6.1, 7, 10.4, 10.5, 11, 12, 14, 15, and 16 shall survive the termination of this Agreement.

15.15 Federal Income Tax Reporting. Pursuant to 26 USC 6050W Paymentech is a "payment settlement entity", obligated to collect and report certain taxpayer information to the United States Internal Revenue Service. Therefore, in conjunction with the execution of this Agreement, TP3 shall provide Paymentech with the appropriate taxpayer certification documentation, via Internal Revenue Service (IRS) Form W-9 (or the appropriate versions of Form W-8, if applicable). TP3 shall promptly notify Paymentech if there are any changes in this information. Paymentech may deduct withholding taxes, if any, from proceeds payable to TP3 where required under applicable law. Paymentech may, in accordance with applicable law and from time to time during the term of this Agreement, request TP3 to recertify its taxpayer certification hereunder. Furthermore TP3 shall be responsible for any penalties related to the reporting obligations of Paymentech hereunder to the extent such penalties accrue based on the actions or inactions of TP3 provided that there has been reasonable notice from Paymentech.

To the extent Paymentech does not directly fund Merchants for the settlement proceeds of Transactions processed hereunder, the parties agree that Paymentech shall have no tax reporting obligations whatsoever for any Merchants which submit transactions through TP3 under this Agreement. Therefore, TP3 agrees to comply with any information reporting requirements under any Federal or State laws related to the payment by TP3 to Merchant of settlement proceeds from Transaction processed pursuant to this Agreement, including, without limitation, Internal Revenue Code (IRC) Section 6050W and similar laws enacted by any state or other taxing jurisdiction. TP3 agrees that TP3 has sole responsibility for gathering, storing and reporting all required Merchant and Transaction data to comply with such laws and TP3 agrees to fully indemnify and hold Paymentech and Member harmless against any applicable taxes, fines and penalties related to such compliance and reporting.

To the extent Paymentech does directly fund Merchants for the settlement proceeds of Transactions processed hereunder, TP3 shall assist Paymentech with the collection of appropriate taxpayer certification documentation from all applicable Merchants (via IRS Form W-9 or W-8). Unless otherwise provided herein or agreed to by the parties, Paymentech has sole responsibility for complying with all tax reporting obligations related to the payment by Paymentech to Merchant of settlement proceeds from Transaction processed pursuant to this Agreement, including, without limitation, Internal Revenue Code (IRC) Section 6050W and similar laws enacted by any state or other taxing jurisdiction.

15.16 No Third Party Beneficiaries. This Agreement confers no rights on any person not a signatory hereof, including, without limitation, any Merchant.

16. Definitions.

"Application" is a statement of TP3's financial condition, a description of the characteristics of TP3's business or organization, and related information TP3 has previously or concurrently submitted to Paymentech, including credit and financial information, to induce Paymentech to enter into this Agreement and that has induced Paymentech to process Transactions under the terms and conditions of this Agreement.

"Chargeback" is a reversal of a Transaction previously presented to Paymentech pursuant to Payment Brand Rules.

"Conveyed Transaction" is any Transaction conveyed to a Payment Brand for settlement by such Payment Brand directly to TP3 or Merchant.

"Customer" is the person or entity to whom a Payment Instrument is issued or who is otherwise authorized to use a Payment Instrument.

"Effective Date" means the date this Agreement takes effect pursuant to Section 10.1.

"JPMC" means J.P. Morgan Chase & Co. and its affiliates.

"Member" is JPMorgan Chase Bank, N.A. or other entity providing sponsorship to Paymentech as required by all applicable Payment Brands. Member is a principal party to this Agreement and your acceptance of Payment Brand products is extended by the Member.

"Payment Brand" is any payment method provider whose payment method is accepted by Paymentech for processing, including, but not limited to, Visa, U.S.A., Inc., MasterCard International, Inc., Discover Financial Services, LLC and other credit and debit card providers, debit network providers, electronic check and ACH payments, gift card and other stored value and loyalty program providers. Payment Brand also includes the Payment Card Industry Security Standards Council and the Electronic Payments Association (NACHA).

"Payment Brand Rules" are the bylaws, rules, and regulations, as they exist from time to time, of the Payment Brands, including, without limitation, any operating principles (including without limitation the TP3 Risk Management Standards and Operating Procedures identified in **Schedule C** of this Agreement), as may be revised from time to time by the Payment Brands in their sole discretion.

"Payment Application" is a third party application that is involved in the authorization or settlement of Transaction Record.

"Payment Instrument" is an account, or evidence of an account, authorized and established between a Customer and a Payment Brand, or representatives or members of a Payment Brand that TP3 or Merchant accepts from Customers as payment for a good or service. Payment Instruments include, but are not limited to, credit and debit cards, electronic check and ACH payments, stored value cards, loyalty cards, electronic gift cards, authorized account or access numbers, paper certificates and credit accounts.

"Payment Instrument Information" is information related to a Customer or the Customer's Payment Instrument, that is obtained by TP3 or Merchant from the Customer's Payment Instrument, or from the Customer in connection with his or her use of a Payment Instrument (for example a security code, a PIN number, or the customer's zip code when provided as part of an address verification system). Without limiting the foregoing, such information may include the Payment Instrument account number and expiration date, the Customer's name or date of birth, PIN data, security code data (such as CVV2 and CVC2) and any date read, scanned, imprinted, or otherwise obtained from the Payment Instrument, whether printed thereon, or magnetically, electronically or otherwise stored thereon. For the avoidance of doubt, the data elements that constitute Payment Instrument Information shall be treated according to their corresponding meanings as "cardholder data" and "sensitive authentication data" as such terms are used in the then current PCI DSS.

"Paymentech", ***"we"***, ***"our"***, and ***"us"*** is Paymentech, LLC, a Delaware limited liability company, having its principal office at 14221 Dallas Parkway, Dallas, Texas 75254.

"Retrieval Request" is a request for information by a Customer or Payment Brand relating to a claim or complaint concerning a Transaction.

"Security Standards" are all rules, regulations, standards or guidelines adopted or required by the Payment Brands or the Payment Card Industry Security Standards Council relating to privacy, data security and the safeguarding, disclosure and handling of Payment Instrument Information, including but not limited to the Payment Card Industry Data Security Standards ("PCI DSS"), visa's Cardholder Information Security Program ("CISP"), Discover's Information Security & Compliance Program, American Express's Data Security Operating Policy, MasterCard's Site Data Protection Program ("SDP"), Visa's Payment Application Best Practices ("PABP"), the payment Card Industry's Payment Application Data Security Standard ("PA DSS"), MasterCard's POS Terminal Security program and the Payment Card Industry PIN Entry Device Standard, in each case as they may be amended from time to time.

"Service Provider" is any party that processes, stores, receives, transmits, or has access to Payment Instrument Information TP3's behalf or any Merchant's behalf, including, but not limited to, TP3's or Merchants' agents, business partners, contractors, and subcontractors.

"Settled Transaction" is a Transaction conducted between a Customer and TP3 (on behalf of Merchant) utilizing a Payment Instrument in which consideration is exchanged between the Customer and Merchant for the purchase of a good or service or the return of refund of such purchase and the dollar amount of such Transaction is settled by the Payment Brand through Paymentech to TP3 or the Merchant's settlement account.
"Transaction" is a transaction conducted between a Customer and a Merchant utilizing a Payment Instrument in which consideration is exchanged between the Customer and Merchant, and which is submitted to Paymentech by TP3.
"Transaction Record" is the written or electronic record of a Transaction, including but not limited to an authorization code or settlement record submitted to Paymentech for processing.

IN WITNESS WHEREOF, the undersigned parties have duly executed this Agreement.

Agreed and Accepted by:	Agreed and Accepted by:
USATECHNOLOGIES, INC.	**PAYMENTECH, LLC** for itself and on behalf of **JPMORGAN CHASE BANK, N.A.**
TP3 Legal Name	
/s/Stephen P. Herbert	/s/***
By (authorized signature)	By
Stephen P. Herbert, Chairman/CEO	***
Print Name and Title	Print Name and Title
4/22/15	April 24, 2015
Date	*Date*
100 Deerfield Lane, Suite 140	***
Address	*Address*
Malvern, PA 19355	***
City, State Zip	City, State Zip

To Be Completed By Paymentech, LLC
Your Agreement Contract Number is: ___248258 - 540133_____________________________
Your Processing Identification Number Will Be Provided At Time of Processing Set Up

Schedule A
Pricing Schedule
****

SCHEDULE B
TP3 Risk and Compliance Obligations

TP3 agrees it will provide, comply and cooperate with Paymentech as follows:

1. ***TP3 Platform*** - TP3 agrees to provide the required information to support and certify to the TP3 Platform. The TP3 Platform requirements, include, but are not limited to, inclusion in transaction data of needed specifications for unique Merchant ID, as well as other data fields, such as Merchant name, tax id, MCC, status, and owner records (the Required Specifications are attached hereto as Exhibit B-1). Once certified to the TP3 Platform, in the event there are issues identified by Paymentech or by TP3 with data feeds or other errors, TP3 will remediate the issue within thirty (30) business days.

2. ***Sanctions Screening*** - Paymentech will perform sanctions screening of all prospective Merchants. If the screening indicates that the prospective or existing Merchant or its owner(s) are on a sanctions list, TP3 will research and provide additional demographic information, as may be requested by Paymentech, and will provide the results of such research to Paymentech within three (3) Business Days. TP3 shall ensure that a prospective Merchant listed on a sanctions list shall not be permitted to be a Merchant. In addition, if an existing Merchant is found on a sanctions list, Paymentech will notify TP3 and TP3 must terminate such Merchant within three (3) Business Days.

3. ***MATCH/TMF***

3.1 **Screening.** As required by the Payment Brands, TP3 will perform MATCH/TMF screening on all of its Merchants. Each prospective Merchant and its owner(s) must be cleared against Visa's TMF and MasterCard's MATCH files before TP3 enters into an agreement with or processes any transactions for a Merchant. If the initial query indicates that the prospective Merchant or its owner(s) are on the MATCH or TMF lists, TP3 will research and determine if Merchant is a true match and will provide the results of such query and research to Paymentech within three (3) Business Days. TP3 shall ensure that a prospective Merchant listed on the TMF or MATCH File is not permitted to be a Merchant.

3.2 **Termination.** If a decision is made to terminate a Merchant and MATCH or TMF Criteria is met (MATCH/TMF Criteria is determined by the respective Payment Brand and will be provided to TP3 by Paymentech upon request), TP3 will report such decision to terminate to Paymentech and will provide to Paymentech, within three (3) Business Days of the date in which the decision to terminate was made, information sufficient to permit Paymentech to add Merchant to MATCH/TMF within the time frame required by MasterCard and Visa.

4. ***CIP / KYC Requirements*** -TP3 is required to implement and maintain appropriate CIP/KYC procedures with respect to all of its Merchants. Paymentech will review, evaluate and examine the TP3's policies and procedures for customer identification to determine if they are adequate, meet all legal/regulatory obligations of the TP3, and can result in a reasonable conclusion that the TP3 knows its customers. If the TP3's policies are determined to be less than adequate, or do not meet their legal/regulatory obligations, TP3 agrees to remediate and correct any noted deficiencies in its policies and procedures within thirty (30) Business Days or within such other mutually acceptable time frame as may be agreed between the parties if it is not commercially reasonable for TP3 to correct such deficiencies within thirty (30) Business Days. TP3 agrees to provide Paymentech with the resulting data it obtains through its CIP/KYC process in a format and manner that is acceptable to Paymentech. TP3 also agrees to maintain the resulting CIP/KYC data/documentation in its records for at least seven (7) years. Any change in TP3's CIP/KYC policies and procedures must be submitted to us, in writing, not less than thirty (30) days prior to the effective date of such change.

5. ***Prohibited Merchant Types*** - The Prohibited Businesses and Business Activities, Prohibited Merchants, and Prohibited Transactions, which are identified in the attached Exhibit B-2, shall not be supported in the Program, and TP3 shall implement and maintain appropriate procedures to prevent the processing of transactions on behalf of such merchants and transaction types. TP3 shall notify Paymentech promptly in the event that it has reason to believe that any Merchant or any Merchant's activities or Transactions fall within any of the Prohibited Businesses and Business Activities, Prohibited Merchants, and Prohibited Transactions set forth in Exhibit B-2.

6. ***TP3 Transaction Monitoring*** - TP3 is required to perform transaction monitoring on all of its Merchants' transactions and to provide Paymentech with the resulting data in a manner and format that is acceptable to Paymentech. TP3 agrees to provide its policies and procedures to Paymentech, for review. Paymentech will to determine the adequacy of the TP3's due diligence and transaction monitoring policies, procedures, and processes and will advise TP3 on any changes or improvements that may be required. TP3 agrees to remediate and correct any noted deficiencies in its policies and procedures within thirty (30) Business Days or within such other mutually acceptable time frame as may be agreed between the parties if it is not commercially reasonable for TP3 to correct such deficiencies within thirty (30) Business Days. In addition, in the event that unusual activity is detected by TP3's transaction monitoring policies and procedures, TP3 will escalate and notify Paymentech in accordance to the Risk Escalation Quick Reference Guide (attached hereto as Exhibit B-3) and will investigate and provide Paymentech with a completed Risk Escalation Form (attached hereto as Exhibit B-4) showing the results of its investigation to Paymentech within three (3) Business Days.

7. ***Escalations and Investigations*** – In the event that Paymentech detects unusual activity, potentially prohibited activity or Paymentech becomes aware of circumstances that indicate a potential legal or regulatory issue with respect to TP3 or a Merchant, TP3 agrees to work with Paymentech in good faith and agrees to provide any information which may be requested by Paymentech in order to permit Paymentech to perform its own investigation and resolution of potential legal and/or regulatory violations or other questionable behavior pertaining to TP3 or TP3's Merchants.

8. ***Onsite Compliance Validations*** - TP3 will permit Paymentech to come onsite at the inception of this Agreement and on an on-going basis, as requested by Paymentech, thereafter, to review TP3's compliance with the requirements and obligations contained in this Agreement. These requirements include access to the requested information contained in this Schedule B, as well as the information and documentation required to complete the attached **Third Party Payment Processor Due Diligence Certification** (attached as Exhibit B-5), which TP3 will be required to execute, following such initial and yearly onsite, attesting to the compliance requirements contained therein.

8.1 During the onsite visit, a TP3 Questionnaire will be completed and will include the following questions about the TP3. TP3 agrees to provide information and documentation to Paymentech sufficient, as determined by Paymentech, to allow Paymentech to make the following determinations and evaluations:

a. Paymentech will determine the geographies of the TP3's physical presence and significant business operations, customers, vendors, suppliers, transaction activities, and income/revenues
b. Paymentech will obtain and evaluate the TP3's annual report/financial statement for any AML/sanctions risks
c. Paymentech will determine whether the TP3 has obtained all necessary state licenses, registrations, and approvals
d. Paymentech will determine whether the TP3 has procedures in place to meet requirements of regulations implementing the Unlawful Internet Gambling Enforcement Act of 2006
e. Paymentech will determine if the TP3 is also an MSB; if so, the information outlined in Section 8.2 below, is also required
f. Paymentech will determine if the TP3 intends to use its JPMC products and services on behalf of its customers;
g. Paymentech will gather information regarding the TP3's AML record, particularly related to any recent regulatory actions, tax avoidance issues and/or fines/penalties issued by a government agency.
h. Paymentech will determine whether the TP3 re-sells its services to a third party (e.g., an agent or provider of Independent Sales Organization (ISO) opportunities or gateway arrangements) or provides processing on behalf of other intermediaries through its accounts or services at JPMC.
i. Paymentech will require to gather information about the TP3's customers, including the average number and types
j. Paymentech will determine whether the TP3 will be depositing Remotely Created Checks (RCCs) generated on behalf of customers into its JPMC account
k. Paymentech will assess TP3's customer complaints (if applicable) Paymentech will identify if the TP3 uses more than one bank to process its customers' payments and whether the TP3 has a history of moving from one bank to another within a short period of time
l. Paymentech will review and discuss independent audit results
m. Paymentech will obtain a list of the TP3's customers, including name, address, to screen names for sanctions

n. Paymentech will validate directly or indirectly that the TP3's customers are legitimate businesses. Direct validation is performed by obtaining the TP3s new customers' information in accordance with JPMC requirements and performing CIP and name screening
o. Paymentech will determine if any of the TP3's customers are prohibited according to JPMC's Global KYC Standards or risk tolerance
p. Paymentech will review and evaluate information related to the TP3's return history at JPMC, including rates of return for ACH debit transactions and check deposits per month
q. Paymentech will obtain information on the TP3's customers' sales channels (e.g., Internet or store locations).
r. Paymentech will determine the swiping versus keying volume for credit card transactions and charge-back activity if JPMC processes the card activity.
s. For TP3s who offer services via mobile/smart phone/tablet POS, the following must also be obtained and evaluated:
   s.1 Paymentech will review of the TP3's device security and encryption capabilities
   s.2 Paymentech will review of the TP3's ability to validate location, IP address and/or Political Time Zone device functionality to identify transaction origination

8.2 In the event the TP3 is also an Money Service Business ("MSB"), or becomes an MSB at a later date, then TP3 (also referred to as "MSB" in this Section 8.2) also agrees to provide information and documentation to Paymentech sufficient, as determined by Paymentech, to allow Paymentech to make the following determinations and evaluations:

A. Paymentech will review and assess the MSB's operations, its size, dollar volumes, types of services, type/nature of customers, and internal control procedures

B. Paymentech will evidence that the MSB is registered in the jurisdiction and in compliance with any licensing requirements

C. Paymentech will review the MSB's agent oversight procedures and AML training materials used with employees and agents

D. Paymentech will obtain and document whether the MSB is acting as a principal or as an agent for another principal MSB. If acting as principal, obtaining a list of agents and their locations when the agents are receiving services directly or indirectly through the principal's JPMC account. If acting as agent, obtaining the principal's name and screening it against the OFAC and other countries' sanctions lists (as applicable), the JPMC Internal Name Screening Lists, and negative media

E. Paymentech will obtain and documenting sufficient information to form a reasonable understanding of the MSB's agent types

F. Paymentech will determine and evaluate the MSB's ownership

G. Paymentech will document information known or reasonably available publicly regarding the MSB customer's reputation and AML record, particularly related to any recent fines or penalties issued by a government agency.

H. Paymentech will validate the name and address of the person residing in the US and authorized to be agent to accept service of legal process; applicable if the MSB is located outside the US but is doing business wholly or substantially within the US

I. Paymentech will determine and understand the nature and duration of JPMC's relationship with the MSB and any of its subsidiaries and affiliates

J. Paymentech will determine the nature of MSB's business, anticipated activity, types of products and services offered and the locations and markets served by the MSB.

K. Paymentech will review the MSB's AML compliance program by obtaining a completed AML questionnaire form and considering the extent to which the program is reasonably designed to detect and prevent money laundering

L. If a foreign MSB (defined as an MSB that is located outside of the United States), then Paymentech will evaluate the AML environment and supervisory regime of the jurisdiction that issued the charter or license, and to the extent that information regarding such jurisdiction is reasonably available, of the jurisdiction in which any company which is an owner is incorporated or chartered.

Exhibit B-1

***

Prohibited Business Types

Exhibit B-2

Prohibited Merchants

The following merchant types are considered Prohibited in part due to image concerns, Association prohibition, unlawful activity and extreme high risk which increases potential liability above and beyond that which is expected in the normal course of business. These types of products and services may also have a history of creating a high level of fraud and chargeback activity. Applications from these merchant types will not be considered and should not be solicited.

Prohibited Merchants include but are not limited to:

- ***

Exhibit B-3

RISK ESCALATION QUICK REFERENCE GUIDE

SUSPICIOUS ACTIVITY/TRANSACTIONS
Fraudulent merchant applications, sales, credits, or other transactions; Excessive fraud related chargebacks; Identity theft; Merchant victimized from fraud scam and activity exceeds ***; Accounts linked to other known fraudulent activity or fraud related accounts; Merchant attempting to refund all transactions; Merchant is victim of unauthorized access into their terminal, and activity exceeds $25,000; Merchant is a victim of employee theft via refunds exceeding *** if employee is identified, *** if not identified; Merchant Collusion exceeding ***; Any money laundering activity regardless of termination; and Unauthorized fraud transactions are confirmed directly from Cardholders **NOTE:** This not an all inclusive list. Its purpose is to provide some thoughts and examples of activity that would warrant an escalation. Each case stands on its own and may have a unique set of circumstances that may not be listed above.

ESCALATION EVENT TYPES		
Event Type	**Dollar Threshold**	**Timeframe**
Internal/Insider fraud	No monetary amount	Immediately escalate TBD
Money Laundering	No monetary amount	Immediately escalate TBD
Suspect Known	******* or more	**CPS Requires**: No later than **5** business days after event identification.
No Suspect	******* or more	**CPS Requires**: No later than **5** business days after event identification.
Supplemental	No monetary amount	Immediately upon detection.
Correction	No monetary amount	Immediately upon detection of error.

NARRATIVE - IMPORTANT REMINDERS	
Do	**Don't**
Write the narrative in MS Word and use the Grammar/ Spell check feature **Write the 5 essential elements:** 1. **Who** is conducting the criminal or suspicious activity? 2. **What** type of suspicious activity occurred? 3. **When** were the significant dates in the case? 4. **Where** did the suspicious activity take place? 5. **Why** does the institution think the activity is suspicious?	**Insert** tables, files, or documents in the narrative field **Use** non-factual information, personal opinions, and/or bank jargon, e.g., chargebacks; retrieval requests; and other industry specific terms **Use** capitalized letters throughout the entire narrative **State**, "additional information is available upon request" or "please contact me for further information." **Write** in the first person

Exhibit B-4

TP3 Risk Escalation Form		
User ID #:	**Discovery Date of Activity:**	
Date Submitted to Paymentech:	**Submitted By:**	
User Information		
True/Owner Name:		
Residence Address:		
City:	State:	ZIP Code:
Email Address:		
Residence Tel #:	Date of Birth:	SSN:
Cell Phone #: None	[redacted]	
Account Information		
Account/User Name:		
Business Address:		
City:	State:	ZIP Code:
Business Tel #:	[redacted]	Activation Date:
First Transaction Date:	Freeze Date:	Deactivation Date:
Bank Name:	Routing #:	Account #:
Usage Information		
MCC Code:		
Device Information		
Number of Devices:		
Device #1:		
UDID:		
Transaction Information		
GPV: $		
Number Of Successful Transactions:	Number Of Unsuccessful Transactions:	
Number Of Chargebacks:	Total Dollar Value of Received Chargebacks: $	
Total Dollar Value of Frozen Collateral: $		
Additional Account Notations		
Why was action taken on the account? **If a merchant questionnaire was submitted, what was supplied?** **Relevant public information:** **Relevant background information:** **Notes from the overall payment activity:** **Notes from chargebacks/refunds/tipping:** **Relevant account connections:** **Shared card activity (if applicable):** **Summary of why the account is being escalated:**		

Exhibit B-5

THIRD PARTY PAYMENT PROCESSOR CERTIFICATION

This certification is a JPMorgan Chase Bank, N.A. ("JPMC") requirement for all third party processors including clients that process payments for their affiliates through their JPMC deposit accounts. This form is intended to facilitate JPMC's compliance with applicable Anti-Money Laundering (AML) laws and regulations. This form should be updated whenever the below named Client makes changes in their Due Diligence Program that would affect the accuracy of the information provided in this certification. As used in this form, the term "Customer" means the Client's customer, affiliate or other third party whose payments are being transmitted or otherwise processed through the Client's account at JPMC.

TO BE COMPLETED BY A SENIOR MANAGER OR COMPLIANCE OFFICER

Legal Name of Client: ____

TIN: ___________________

I am an authorized officer, member, manager, director or other authorized official of the above-named client (the "Client"). I hereby certify that the following information:

1. Does the Client have a duly authorized Compliance Officer?
   Yes ☐ No ☐
   If "Yes", list the following:
   Name: ____________________________ Title: _____________________________

1. Does the Client maintain risk-policies, procedures, and a system of internal controls to assure ongoing Customer Due Diligence validating the legitimacy of the Customers' businesses such as conducting background checks?
   Yes ☐ No ☐

2. Does the Client maintain a written Customer Identification Program ("CIP") that includes the validation of the identity of Customers through a particular process or tool?
   Yes ☐ No ☐
   If "Yes", please describe below:
   ____
   ____
   ____
   ____

3. Does the Client conduct AML training for employees involved in AML functions?
   Yes ☐ No ☐

4. Does the Client independently test for compliance with the program and applicable laws?
   Yes ☐ No ☐
   If "Yes", list the following:
   Date of last independent test: _______________________
   Name of Entity who conducted the test: ___________________________________

5. Does the Client perform transaction monitoring to assess and manage the risks associated with processing third party payments to identify potentially suspicious activity, including ACH debit returns (including unauthorized returns), and if applicable, charge-backs or other returns?
   Yes ☐ No ☐

6. Does the Client immediately report to JPMC any activity or transaction of a Customer that the Client suspects or becomes aware that such activity or transaction may be of an illegal or illegitimate nature?
   Yes ☐ No ☐

7. Does the Client conduct OFAC sanctions screening?
   Yes ☐ No ☐

8. Has the Client provided JPMC with a list of Customers' names, addresses, taxpayer identification numbers, and principal business activities?
   Yes ☐ No ☐

9. Does the Client notify JPMC of new customers including the name, address, taxpayer identification number, principal business activity, and does the Client collect customer identification due diligence and screening on such customers prior to submission?
   Yes ☐ No ☐

10. Can the Client verify they do not have any prohibited customer types (as identified to the Client by JPMC) transacting through JPMC accounts?
   Yes ☐ No ☐

11. Can the Client verify they do not permit its Customers to resell services to any parties as related to transactions through JPMC accounts or services?
   Yes ☐ No ☐

12. Can the Client verify they do not have any relationships with money service businesses, financial institutions, payment processors or any other intermediaries that may be executing payments on behalf of third parties through Client's accounts at JPMC?
   Yes ☐ No ☐

13. Can the Client verify they do not have any Customers that are involved in gaming where transactions are processed through JPMC accounts?
   Yes ☐ No ☐

14. Has the Client provided JPMC with a Regulation GG Unlawful Internet Gambling Certification for any U.S. dollar accounts? Yes ☐ No ☐	
The undersigned further certifies that he/she has read and understands this Certification, that the statements made in this Certification are complete and correct in all material respects, and that he/she is authorized to execute this Certification on behalf of the Client.	
Authorized Certifying Signature:	Date:
Printed Name:	Title:
Address:	Phone Number:

Schedule C
(Commercial Entities Agreement)

This Commercial Entity User Agreement ("CEA") is provided to all Program Participants that are Commercial Entities (as defined by Visa and MasterCard) and open an account with USA Technologies, Inc. ("USA Technologies). Each such entity or person receiving this CEA is referred to herein as "Merchant" and may be referred to herein as "you" and/or "your". This CEA constitutes your separate legally binding contract for credit and debit card processing for payment transactions between (1) you, as a Commercial Entity; and (2) Paymentech, LLC on behalf of itself and JPMorgan Chase Bank, NA (collectively, "Paymentech"). Paymentech shall be a third-party beneficiary of, and may enforce any provisions of, or cease providing credit and debit card processing services under, the USA Technologies ePort Connect Services Agreement ("ePCSA"), entered into by and between Merchant and USA Technologies, which sets forth requirements regarding credit and debit card payments, all of which are incorporated in this CEA by reference. In this CEA "we", "us" and "our" refer to Paymentech.

By signing the USA Technologies Payment Processing Services Agreement, the Merchant agrees to this CEA which is included in the ePCSA **as Exhibit A. Merchant agrees to the terms and conditions of this CEA and any documents incorporated by reference. Merchant further agrees that this CEA forms a legally binding contract between Merchant and Paymentech. Any rights not expressly granted herein are reserved by Paymentech.**

1. **Purpose of this CEA.** When your customers pay you, they may have the option of paying you through funding sources including a credit card funded payment. Since you may be the recipient of a credit card funded payment, Visa U.S.A., Inc. and Visa International ("Visa") and MasterCard International Incorporated ("MasterCard") (collectively the "Networks") require that you enter into a direct contractual relationship with a bank that is a Merchant of the Networks. By entering into the CEA, you are fulfilling the Network rule of entering into a direct contractual relationship with a Merchant bank, and you are agreeing to comply with Network rules as they pertain to payments you receive through USA Technologies.

2. **Network Rules.** The Networks require that you comply with all bylaws, rules and regulations of the Networks, as may be applicable to you and your payment transactions and as are in effect from time to time ("Network Rules"). You understand that Paymentech may be required to modify this CEA in order to comply with the requirements imposed by the Network Rules. You may use the logos of the Networks only in the manner authorized by the Networks and to indicate that Visa and MasterCard cards are accepted as methods of payment.

3. **Merchant represents, warrants, and covenants that, to the best of its knowledge, each Transaction:**
   (a) represents payment for or Refund of a bona fide sale or lease of the goods, services, or both, which Merchant has the legal right to sell and which is provided by Merchant in the ordinary course of its business;
   (b) is not submitted on behalf of a third party;
   (c) represents a current obligation of the customer solely for the amount of the Transaction;
   (d) does not represent the collection of a dishonored check or the collection or refinancing of an existing debt;
   (e) represents goods that have been provided or shipped, or services that have actually been rendered, to the customer;
   (f) is free from any material alteration not authorized by the customer;
   (g) or the amount thereof, is not subject to any dispute, setoff, or counterclaim;
   (h) if such Transaction represents a credit to a customer's payment card, is a refund for a Transaction previously submitted under the ePCSA; and

(i) complies with applicable laws and all applicable Network Rules.
(j)

4. Furthermore, Merchant represents, warrants, and covenants that, to the best of its knowledge, Merchant has *not*

(k) disbursed or advanced any cash to the customer (except as authorized by the Card Brand Rules) for itself or to any of its representatives, agents, or employees in connection with the Transaction;
(l) accepted payment for effecting credits to a customer or a customer's payment card;
(m) made any representation or agreement for the issuance of Refunds except as stated in Merchant's Refund Policy;
(n) been provided with any information that would lead Merchant to believe that the enforceability or collectibility of the Transaction is in any manner impaired; and
(o) submitted any Transaction that Merchant knows or should have known to be either fraudulent, illegal, damaging to the Network(s), not authorized by the customer, or otherwise in violation of any provision of this CEA, applicable law, or Network Rules.

5. Discrimination. Merchant agrees that it shall not engage in any acceptance practice that discriminates against or discourages the use of Visa or MasterCard in favor of any other card brand.

6. Access to Cardholder Data. Merchant may receive Cardholder Data in connection with services provided under this Agreement. Merchant agrees that (i) it will not use the Cardholder Data for any purpose that it knows or should know to be fraudulent or in violation of any Network Rules; (ii) it will not sell, purchase, provide or exchange in any manner or disclose Cardholder Data to anyone other than its acquirer, Visa or MasterCard (as applicable) or in response to a government request; and (iii) it will be compliant with the Payment Card Industry Data Security Standards (PCI DSS) and will cooperate in a forensic investigation if so required.

7. Merchant Identification. Merchant agrees to prominently and unequivocally inform the cardholder of the identity of the Merchant at all points of interaction.

8. Chargebacks. Merchant shall use all reasonable methods to resolve disputes with the cardholder. Should a chargeback dispute occur, Merchant shall promptly comply with all requests for information from USA Technologies or Paymentech. Merchant shall not attempt to recharge a cardholder for an item that has been charged back to the cardholder, unless the cardholder has authorized such actions.

9. Merchant's Refund Policy Must Be Clearly Communicated. If Merchant limits refund/exchange terms or other specific conditions for Card sales, Merchant's policy must be clearly provided to the cardholder prior to the sale and as part of the sale confirmation process.

10. Term and Termination. This CEA is effective upon the date Merchant accepted the ePCSA and continues so long as Merchant uses the service or until terminated by Merchant or Paymentech, provided that those terms which by their nature are intended to survive termination (including without limitation, indemnification obligations and limitations of liability) shall survive. This CEA may be terminated by Paymentech at any time based on a breach of any of Merchant's obligations under this Agreement or the ePCSA, or based on the termination of the payment processing relationship between USA Technologies and Paymentech. This CEA will terminate automatically upon any termination or expiration of Merchant's ePCSA.

11. Indemnification. Merchant agrees to indemnify and hold Paymentech harmless from and against all losses, liabilities, damages and expense: (a) resulting from any breach of any warranty, covenant or agreement or any misrepresentation by Merchant under this Agreement; (b) arising out of Merchant's or its employees' negligence or willful misconduct, in connection with Card transactions or otherwise arising from Merchant's provision of goods and services to customers; (c) arising out of Merchant's use of the payment processing services; or (d) arising out of any third party indemnifications Paymentech is obligated to make, or liabilities or other obligations Paymentech may incur, as a result of Merchant's actions (including indemnifications of or liabilities to, any Network or Issuing Bank). Paymentech agrees to indemnify and hold Merchant harmless from and against all losses, liabilities, damages and expenses: (a) resulting from any breach of any warranty, covenant, or agreement or any misrepresentation under this Agreement; or (b) arising from our gross negligence or willful misconduct in connection with this Agreement.

12. Assignment/Amendments. This CEA may not be assigned by Merchant without the prior written consent of Paymentech. Paymentech may assign its rights under this CEA without Merchant's consent. This CEA may be amended by the parties only upon mutual written agreement. Notwithstanding the above, Paymentech may amend this CEA to comply with Network and regulatory regulations upon written notice to Merchant.

13. Warranty Disclaimer. This CEA is a service agreement. We disclaim all representations or warranties, express or implied, made to Merchant or any other person, including without limitation, any warranties regarding quality, suitability, merchantability, fitness for a particular purpose or otherwise of any services or any goods provided incidental to the services provided under this CEA to the extent permitted by law.

14. Limitation of Liability. Except as provided otherwise in this CEA, in no event shall Paymentech or Merchant, or their respective affiliates, directors, officers, employees, agents or subcontractors, be liable for an indirect, consequential, incidental or punitive damages arising out of or related to this CEA or the payment services, including without limitation any inability, delay or errors in using the service. In addition, notwithstanding anything in this CEA to the contrary, Paymentech's cumulative liability for all losses, claims, suits, controversies, breaches or damages for any cause whatsoever (including, but not limited to, those arising out of or related to this CEA) and regardless of the form of action or legal theory, and whether or not arising in contract or tort, shall not exceed $25,000.

15. Chase Paymentech may:

(a) share information related to Merchant's Transactions and other information provided by Merchant with Chase Paymentech's affiliates;

(b) use or disclose information related to Merchant's Transactions:

i. as necessary to process Merchant's Transactions or otherwise provide Services and maintain Merchant's account pursuant to this Agreement;

ii. to detect prevent, reduce, or otherwise address fraud, security, or technical issues;

iii. to enhance or improve Chase Paymentech's products and Services generally; or

iv. as required or permitted by the Card Brands or applicable law; and

(c) prepare, use, or share with third parties, aggregated, non-personally identifiable information derived from Transactions of all of Chase Paymentech's customers or specific segments of Chase Paymentech's customers.

16. General Provisions. This CEA will be binding upon and will inure to the benefit of the parties' respective representatives, successors, and assigns. This CEA may not be amended except by Paymentech upon notice to you, and your continued use of USA Technologies' services after such notice constitutes your acceptance of such amendment. The failure of a party to this CEA to object to or to take affirmative action with respect to any conduct of the other party that is in violation of the terms of this CEA will not be construed as a waiver thereof, or as waiver of any future breach or subsequent wrongful conduct. If any term or condition of this CEA should be held invalid by a court, arbitrator, or tribunal of competent jurisdiction in any respect, such invalidity will not affect the validity of any other term or condition hereof. If any term or condition of this CEA should be held to be unreasonable as to time, scope, or otherwise by such a court, arbitrator, or tribunal, it will be construed by limiting or reducing it to the minimum extent so as to be enforceable under then applicable law. This CEA will be governed by and construed in accordance with the laws of the State of Texas, without regard to its choice of law rules. This CEA and all referenced documents and rules constitute the entire understanding between you and Paymentech and supersede any and all agreements or understanding, whether in writing or otherwise, relating specifically to the subject matter hereof.

SCHEDULE D
FBO ACCOUNTS

An FBO account may be set up as the funding account (Settlement Account) for Merchants, provided that the account meets the following terms and conditions:

- An FBO account is the Merchant's designated account for funding and the funds in the account belong to the Merchant.
- Funds pooled in an FBO account remain the property of each Merchant associated with that account and are not the property of TP3.
- The Merchant retains the right at all times to designate the use and disposition of the funds in the pooled account and can request funds be transferred to another account they control, or they can immediately access the funds in the pooled account by their own direction.
- An agreement is present to delineate the TP3 as the agent of the Merchant for purposes of the FBO account.
- The account represents a custodial arrangement and funds in the pooled FBO account are accounted for by TP3 as "off balance sheet" and are not commingled or accounted for as TP3's funds or subject to the benefit of any of TP3's creditors.
- Escheatment process is in place and unclaimed fund are escheated to the state as required by state law and are not retained by TP3.

SCHEDULE E
TP3 Remediation Plan

TP3 agrees to demonstrate its compliance with the following terms or provide the following information to Paymentech on or before the deadlines provided below:

1) TP3 must have documented CIP Policies and Procedures which include the method used to perform CIP validation (validation of customers identity); documentation if identity if verified, as well as documentation and actions that must be taken when discrepancies are found; and an action plan for escalation and termination, when appropriate.
Deadline for Remediation: *
Incremental Steps: Documented updates should be complete by April 2015. Once completed, Paymentech will review and determine if compliance is met

2) TP3 must perform OFAC screening and other applicable sanctions screening. TP3 must document how OFAC/sanctions screening s are being performed using their internal tools, as well as detailing how investigations and escalations will be done if and when a hit gets generated.
Deadline for Remediation: *
Incremental Steps: Paymentech will need credit application form as documentary evidence, as well as copies of updated policies and procedures referencing internal OFAC checks and detailing how investigations / escalations will be performed. USA Tech will need to define a process on how screening will be done for existing portfolio which has yet to be performed.

3) TP3 will need to develop an internal transaction monitoring system capable of detecting unusual and/or egregious transaction behavior.
Deadline for Remediation: *
Incremental Steps: An approach document detailing requirements, timelines, identifying a vendor, and sizing of the project.

4) TP3 processes transactions using a mobile device. TP3 must put controls in place to determine Geo-location of the mobile device and must put controls in place to test the security and encryption of the mobile device being used.
Deadline for Remediation: *
Incremental Steps: For mobile, one of two options must be decided: (1) Using Paymentech's mobile device that has already been validated for Geo-location and security controls or (2) Paymentech would not be able to support TP3's mobile-specific transactions and TP3 would need to agree not to submit them to Paymentech for processing.

5) TP3 must designate an AML Compliance officer.
Deadline for Remediation: *
Incremental Steps: David DeMedio has been assigned

6) TP3 must have AML Training for its employees.
Deadline for Remediation: *
Incremental Steps: Training to be developed and timeline created for employees

7) TP3 must put system in place to perform MATCH/TMF screening on all of its Merchants TP3 must also have a documented procedure designed and implemented which will appropriately handle investigations and escalations when a potential MATCH/TMF hit occurs.
Deadline for Remediation: *
Incremental Steps: USA Tech to develop MATCH policies and procedures when inquiries have a potential MATCH, detailing Service Level Agreements of 3 Business Days for investigations. In the event a merchant investigation does result in a true MATCH, steps will need to be outlined such as proper notification to Paymentech within 3 Business Days along with steps communicated to terminate the Merchant or decline the prospective merchant. In the event USA Tech decides to terminate a Merchant which meets MATCH criteria, USA Tech must notify Paymentech with (3) Business Days and provide the required information detailed by MATCH requirements.

8) TP3 must provide a copy of their internal policies and procedures relating to the Unlawful Internet Gambling Enforcement Act of 2006. TP3 must demonstrate that it is aware of this act and attest to how they prevent its applicability or comply with its mandates.
Deadline for Remediation: ***
Incremental Steps: Document provided by USA Tech, awaiting feedback from Compliance

9) TP3 must provide verification or sufficiently demonstrate they are registered as a PSP with Visa and are registered as a PF for MasterCard.
Deadline for Remediation: ***
In Process with ***

Exhibit 10.47

ELEVENTH AMENDMENT
TO
LOAN AND SECURITY AGREEMENT

This Eleventh Amendment to Loan and Security Agreement is entered into as of May 19, 2015 (the “Amendment”), by and between AVIDBANK CORPORATE FINANCE, a division of AVIDBANK (“Bank”), and USA TECHNOLOGIES, INC. (“Borrower”).

RECITALS

Borrower and Bank are parties to that certain Loan and Security Agreement dated as of June 21, 2012 and that certain First Amendment to Loan and Security Agreement dated as of January 1, 2013, that certain Second Amendment to Loan & Security Agreement dated as of April 2, 2013, that certain Third Amendment to Loan and Security Agreement dated as of April 11, 2013, that certain Fourth Amendment to Loan and Security Agreement dated as of April 29, 2013, that certain Fifth Amendment to Loan and Security Agreement dated as of September 26, 2013, that certain Sixth Amendment to Loan and Security Agreement dated as of May 15, 2014, that certain Seventh Amendment to Loan and Security Agreement is entered into as of June 17, 2014, that certain Eighth Amendment to Loan and Security Agreement is entered into as of June 30, 2014, that certain Ninth Amendment to Loan and Security Agreement is entered into as of September 30, 2014 and that certain Tenth Amendment to Loan and Security Agreement is entered into as of April 17, 2015 (collectively, the “Agreement”). Borrower and Bank desire to amend the Agreement in accordance with the terms set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. Notwithstanding the restrictions set forth in Section 7.1 of the Agreement, and subject to the terms and conditions set forth herein, Bank hereby consents to Borrower’s sale and disposition of certain equipment leases and related assets (the “Assets”) to Univest Capital, Inc. (“Buyer”) as set forth in that certain Master Agreement for Sale and Assignment of Equipment Leases by and between Univest Capital, Inc. and Borrower dated as of May 19, 2015 (the “Purchase Agreement”), on substantially the terms set forth in Exhibit A attached hereto. Following the effectiveness of the Purchase Agreement, at the “Effective Time” set forth in the Purchase Agreement, Bank releases the Assets from Bank’s security interest; acknowledging that Bank retains its security interest in the proceeds from the sale of the Assets, which proceeds constitute Collateral under the Loan Agreement. Within one business day following execution, Borrower shall deliver to Bank a fully executed copy of the Purchase Agreement, which shall be in substantially the same form as Exhibit A hereto, together with all schedules and exhibits and other related documents as Bank, in its reasonable discretion, may request.

2. Notwithstanding the restrictions set forth in Section 6.8, Borrower may open and maintain an account with Univest Bank and Trust Co. without an account control agreement in favor of Bank, for the sole purpose of satisfying Borrower’s requirement to maintain a restricted cash holdback account for the benefit of Univest Bank and Trust Co.; provided that the amount in such account shall be limited to that which is required by Buyer under the Purchase Agreement.

3. The following is hereby added to the end of Section 6.3 of the Agreement:

> Within 20 days of the end of each month, Borrower shall deliver to Bank copies of the monthly bank statements from Univest Bank and Trust Co. for so long as such account remains open.

4. Unless otherwise defined, all initially capitalized terms in this Amendment shall be as defined in the Agreement. The Agreement, as amended hereby, shall be and remain in full force and effect in accordance with its respective terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Bank under the Agreement, as in effect prior to the date hereof. Borrower ratifies and reaffirms the continuing effectiveness of all agreements entered into in connection with the Agreement.

5. Borrower represents and warrants that the representations and warranties contained in the Agreement are true and correct as of the date of this Amendment, and that no Event of Default has occurred and is continuing.

6. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original hereof. Notwithstanding the foregoing, Borrower shall deliver all original signed documents no later than ten (10) Business Days following the date of execution.

7. As a condition to the effectiveness of this Amendment, Bank shall have received, in form and substance satisfactory to Bank, the following:

(a) this Amendment, duly executed by Borrower; and

(b) payment of a consent and amendment fee equal to $1,500, plus payment of all Bank Expenses incurred by Bank through the date hereof.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the first date above written.

USA TECHNOLOGIES, INC.

By: /s/ David M. DeMedio

Title: Chief Financial Officer

AVIDBANK CORPORATE FINANCE,
a division of AVIDBANK

By: /s/ Jeffrey Javier

Title: Senior Vice President

EXHIBIT A

PURCHASE AGREEMENT

Exhibit 10.48

TWELFTH AMENDMENT
TO
LOAN AND SECURITY AGREEMENT

This Twelfth Amendment to Loan and Security Agreement is entered into as of June 18, 2015 (the "Amendment"), by and between AVIDBANK CORPORATE FINANCE, a division of AVIDBANK ("Bank"), and USA TECHNOLOGIES, INC. ("Borrower").

RECITALS

Borrower and Bank are parties to that certain Loan and Security Agreement dated as of June 21, 2012 and that certain First Amendment to Loan and Security Agreement dated as of January 1, 2013, that certain Second Amendment to Loan & Security Agreement dated as of April 2, 2013, that certain Third Amendment to Loan and Security Agreement dated as of April 11, 2013, that certain Fourth Amendment to Loan and Security Agreement dated as of April 29, 2013, that certain Fifth Amendment to Loan and Security Agreement dated as of September 26, 2013, that certain Sixth Amendment to Loan and Security Agreement dated as of May 15, 2014, that certain Seventh Amendment to Loan and Security Agreement dated as of June 17, 2014, that certain Eighth Amendment to Loan and Security Agreement dated as of June 30, 2014, that certain Ninth Amendment to Loan and Security Agreement dated as of September 30, 2014, that certain Tenth Amendment to Loan and Security Agreement dated as of April 17, 2015 and that certain Eleventh Amendment to Loan and Security Agreement dated as of May 19, 2015 (collectively, the "Agreement"). Borrower and Bank desire to amend the Agreement in accordance with the terms set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. The following definitions in Section 1.1 of the Agreement is amended in its entirety to read as follows:

"Revolving Maturity Date" means July 31, 2015.

2. Unless otherwise defined, all initially capitalized terms in this Amendment shall be as defined in the Agreement. The Agreement, as amended hereby, shall be and remain in full force and effect in accordance with its respective terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Bank under the Agreement, as in effect prior to the date hereof. Borrower ratifies and reaffirms the continuing effectiveness of all agreements entered into in connection with the Agreement.

3. Borrower represents and warrants that the representations and warranties contained in the Agreement are true and correct as of the date of this Amendment, and that no Event of Default has occurred and is continuing.

4. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original hereof. Notwithstanding the foregoing, Borrower shall deliver all original signed documents no later than ten (10) Business Days following the date of execution.

5. As a condition to the effectiveness of this Amendment, Bank shall have received, in form and substance satisfactory to Bank, the following:

(a) this Amendment, duly executed by Borrower; and

(b) payment of a pro-rated extension fee equal to $3,889, plus payment of all Bank Expenses incurred by Bank through the date hereof.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the first date above written.

USA TECHNOLOGIES, INC.

By: /s/ David M. DeMedio

Title: Chief Financial Officer

AVIDBANK CORPORATE FINANCE,
a division of AVIDBANK

By: /s/ Jeffrey Javier

Title: Senior Vice President

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Nos. 333-199009 and 333-198049) on Form S-8 of USA Technologies, Inc. of our report dated September 30, 2015, relating to our audits of the consolidated financial statements and schedule which appear in this Annual Report on Form 10-K for the year ended June 30, 2015.

/s/ McGladrey LLP
McGladrey LLP

New York, NY
September 30, 2015

Exhibit 31.1

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

I, Stephen P. Herbert, certify that:

1. I have reviewed this annual report on Form 10-K of USA Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the 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: September 30, 2015

/s/ Stephen P . Herbert
Stephen P. Herbert ,
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) UNDER THE EXCHANGE ACT
SECTION 302 OF THE SRBANES OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

I, J. Duncan Smith, certify that:

1. I have reviewed this annual report on Form 10-K of USA Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the 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: September 30, 2015

/s/ J. Duncan Smith
J. Duncan Smith
Chief Financial Officer

Exhibit 32.1

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

In connection with the accompanying Annual Report of USA Technologies, Inc., (the "Company") on Form 10-K for the period ended June 30, 2015 (the "Report"), I, Stephen P. Herbert, 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.

/s/ Stephen P. Herbert
Stephen P. Herbert
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 Annual Report of USA Technologies, Inc., (the “Company”) on Form 10-K for the period ended June 30, 2015 (the “Report”), I, J. Duncan Smith, 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.

/s/ J. Duncan Smith
J. Duncan Smith
Chief Financial Officer