

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

FORM 10-Q

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

For the quarterly period ended March 31, 2007

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

(State or other jurisdiction of incorporation)

23-2679963

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

100 Deerfield Lane, Suite 140, Malvern, Pennsylvania

(Address of principal executive offices)

19355

(Zip Code)

(610) 989-0340

(Registrant's telephone number, including area code)

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of May 14, 2007, there were 11,590,192 shares of Common Stock, no par value, outstanding.

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USA Technologies, Inc.
Consolidated Balance Sheets

	March 31, 2007	June 30, 2006
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,700,026	\$ 2,866,801
Available-for-sale securities	7,000,000	-
Accounts receivable, less allowance for uncollectible accounts of approximately \$190,000 at March 31, 2007 and \$229,000 at June 30, 2006	2,669,956	1,022,114
Finance receivables	361,623	418,184
Inventory	1,948,916	1,410,812
Subscription receivable	340,000	-
Prepaid expenses and other current assets	163,938	209,108
Total current assets	18,184,459	5,927,019
Finance receivables, less current portion	337,464	289,389
Property and equipment, net	1,532,611	1,119,304
Intangibles, net	7,431,182	8,358,632
Goodwill	7,663,208	7,663,208
Other assets	61,914	61,914
Total assets	\$ 35,210,838	\$ 23,419,466
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 2,315,857	\$ 2,448,611
Accrued expenses	1,724,293	2,012,938
Current obligations under long-term debt	432,319	89,917
Convertible senior notes	-	851,486
Total current liabilities	4,472,469	5,402,952
Convertible senior notes, less current portion	2,509,945	6,805,403
Long-term debt, less current portion	420,667	34,047
Total liabilities	7,403,081	12,242,402
Commitments and contingencies (Note 6)		
Shareholders' equity		
Preferred stock, no par value:		
Authorized shares- 1,800,000		
Series A convertible preferred- authorized shares- 900,000 issued and outstanding shares- 520,392 as of March 31, 2007 and 521,542 as of June 30, 2006 (liquidation preference of \$14,196,632 at March 31, 2007)	3,686,218	3,694,360
Common stock, no par value:		
Authorized shares- 640,000,000		
Issued and outstanding shares- 11,233,581 as of March 31, 2007 and 6,327,175 as of June 30, 2006	166,940,821	138,110,126
Accumulated deficit	(142,819,282)	(130,627,422)
Total shareholders' equity	27,807,757	11,177,064
Total liabilities and shareholders' equity	\$ 35,210,838	\$ 23,419,466

See accompanying notes.

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

	Three months ended March 31,		Nine months ended March 31,	
	2007	2006	2007	2006
Revenues:				
Equipment sales	\$ 2,279,452	\$ 1,285,138	\$ 5,604,573	\$ 4,024,183
License and transaction fees	410,962	333,638	1,106,460	916,231
Total revenues	2,690,414	1,618,776	6,711,033	4,940,414
Cost of sales:				
Cost of equipment	2,022,159	718,687	4,610,096	2,489,205
Cost of services	350,315	212,340	883,272	660,651
Cost of sales	2,372,474	931,027	5,493,368	3,149,856
Gross profit	317,940	687,749	1,217,665	1,790,558
Operating expenses:				
General and administrative	1,292,267	1,421,333	4,233,885	3,661,107
Compensation	2,308,277	1,566,573	6,172,890	4,359,936
Depreciation and amortization	428,275	437,642	1,284,771	1,269,416
Total operating expenses	4,028,819	3,425,548	11,691,546	9,290,459
Operating loss	(3,710,879)	(2,737,799)	(10,473,881)	(7,499,901)
Other expense:				
Interest income	105,705	34,080	164,817	70,861
Interest expense:				
Coupon or stated rate	(175,288)	(357,868)	(771,479)	(1,061,330)
Non-cash interest and amortization of debt discount	(338,996)	(252,281)	(1,096,317)	(884,460)
Total interest expense	(514,284)	(610,149)	(1,867,796)	(1,945,790)
Total other expense	(408,579)	(576,069)	(1,702,979)	(1,874,929)
Net loss	(4,119,458)	(3,313,868)	(12,176,860)	(9,374,830)
Cumulative preferred dividends	(390,294)	(391,232)	(781,451)	(783,289)
Loss applicable to common shares	\$ (4,509,752)	\$ (3,705,100)	\$ (12,958,311)	\$ (10,158,119)
Loss per common share (basic and diluted)				
	\$ (0.45)	\$ (0.74)	\$ (1.65)	\$ (2.15)
Weighted average number of common shares outstanding (basic and diluted)				
	9,652,693	5,027,952	7,770,543	4,714,494

See accompanying notes.

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

	Series A Convertible Preferred Stock	Common Stock	Accumulated Deficit	Total
Balance, June 30, 2006	\$ 3,694,360	\$ 138,110,126	\$ (130,627,422)	\$ 11,177,064
Issuance of 1,769,827 shares of common stock to an accredited investor at varying prices per share, less issuance costs of \$75,261	-	9,573,133	-	9,573,133
Issuance of 1,400,000 shares of common stock to an accredited investor at \$6.00 per share and 700,017 warrants exercisable at \$6.40 per share, less issuance costs of \$542,801	-	7,857,199	-	7,857,199
Issuance of 1,666,667 shares of common stock to an accredited investor at \$6.00 per share and 833,333 warrants exercisable at \$6.40 per share, less issuance costs of \$100,150	-	9,899,850	-	9,899,850
Conversion of 1,150 shares of preferred stock to 11 shares of common stock	(8,142)	8,142	-	-
Conversion of \$15,000 of cumulative preferred dividends into 15 shares of common stock at \$1,000 per share	-	15,000	(15,000)	-
Issuance of 50 shares of common stock from the conversion of senior notes	-	500	-	500
Issuance of 42,536 shares of common stock to settle legal disputes	-	288,000	-	288,000
Retirement of 1,300 shares of common stock	-	(23,000)	-	(23,000)
Issuance of 16,587 shares of common stock under the 2006-A stock compensation plan	-	104,345	-	104,345
Issuance of 12,013 shares of common stock under the 2007-A stock compensation plan	-	74,135	-	74,135
Charges incurred in connection with the issuance of common stock for employee compensation	-	750,363	-	750,363
Charges incurred in connection with stock options	-	283,028	-	283,028
Net loss	-	-	(12,176,860)	(12,176,860)
Balance, March 31, 2007	<u>\$ 3,686,218</u>	<u>\$ 166,940,821</u>	<u>\$ (142,819,282)</u>	<u>\$ 27,807,757</u>

See accompanying notes.

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

	Nine months ended March 31,	
	2007	2006
Operating activities		
Net loss	\$ (12,176,860)	\$ (9,374,830)
Adjustments to reconcile net loss to net cash used in operating activities:		
Charges incurred in connection with the issuance of common stock for employee compensation	928,843	12,640
Charges incurred in connection with stock options	283,028	10,533
Non-cash interest and amortization of debt discount	1,096,317	884,460
Charges incurred in connection with the issuance of common stock for legal settlements	288,000	-
Gain on repayment of senior notes	(44,285)	-
Bad debt expense	45,327	43,284
Amortization	927,450	927,450
Depreciation	357,321	341,966
Changes in operating assets and liabilities:		
Accounts receivable	(1,693,169)	(601,087)
Finance receivables	8,486	(32,195)
Inventory	(538,104)	346,208
Prepaid expenses and other assets	41,935	78,600
Accounts payable	(132,754)	(745,314)
Accrued expenses	(288,645)	152,723
Net cash used in operating activities	(10,897,110)	(7,955,562)
Investing activities		
Purchase of property and equipment	(334,454)	(650,110)
Purchase of available-for-sale securities	(7,000,000)	-
Net cash used in investing activities	(7,334,454)	(650,110)
Financing activities		
Net proceeds from the issuance of common stock and exercise of common stock warrants	26,967,182	7,683,607
Collection of subscriptions receivable	3,234	35,723
Proceeds from the issuance of senior notes	-	1,314,944
Repayment of senior notes	(6,198,476)	(972,405)
Net proceeds from (repayment of) long-term debt	292,849	(91,023)
Net cash provided by financing activities	21,064,789	7,970,846
Net increase in cash and cash equivalents	2,833,225	(634,826)
Cash and cash equivalents at beginning of period	2,866,801	2,097,881
Cash and cash equivalents at end of period	\$ 5,700,026	\$ 1,463,055
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 899,272	\$ 1,064,904
Conversion of senior notes to common stock	\$ 500	\$ 284,135
Conversion of convertible preferred stock to common stock	\$ 8,142	\$ 8,496
Conversion of convertible preferred dividends to common stock	\$ 15,000	\$ 18,320
Equipment and software under capital leases	\$ 436,173	\$ -
Subscription receivable	\$ 340,000	\$ -
Common stock issued to settle lawsuits	\$ 288,000	\$ -
Beneficial conversion feature related to senior notes	\$ -	\$ 123,322

See accompanying notes.

1. Accounting Policies

Interim Financial Information

The accompanying unaudited consolidated financial statements of USA Technologies, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and therefore should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2006. In the opinion of management, all adjustments considered necessary, consisting of normal recurring adjustments, have been included. Operating results for the nine-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending June 30, 2007. The balance sheet at June 30, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2006.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Stitch Networks Corporation ("Stitch") and USAT Capital Corp LLC ("USAT Capital"). 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 financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification

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

1. Accounting Policies (Continued)

Available-for-sale Securities

The Company accounts for investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Management determines the appropriate classifications of securities at the time of purchase and reevaluates such designation as of each balance sheet date. Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported as a separate component of shareholders' equity in accumulated other comprehensive income (loss). If the investment sustains an other-than-temporary decline in fair value, the investment is written down to its fair value by a charge to earnings. As of March 31, 2007, Available-for-sales securities consisted of auction market securities. There was no unrealized gain (loss) as of March 31, 2007.

Inventory

Inventory consists of finished goods and packaging materials. Through November 30, 2005, inventory was stated at the lower of cost (first-in, first-out basis) or market. Due to the implementation of a new accounting system on December 1, 2005, the Company's inventory is stated at the lower of cost (average cost basis) or market. The Company determined that the change in accounting principle was not material and therefore has excluded the current and cumulative effect of the change and pro forma disclosures.

Income Taxes

No provision for income taxes has been made in the nine months ended March 31, 2007 and 2006 given the Company's losses in 2006 and 2005 and available net operating loss carryforwards. A benefit has not been recorded as the realization of the net operating losses is not assured and the timing in which the Company can utilize its net operating loss carryforwards in any year or in total may be limited by provisions of the Internal Revenue Code regarding changes in ownership of corporations (i.e. IRS Code Section 382).

1. Accounting Policies (Continued)

Loss Per Common Share

Basic earnings per share are calculated by dividing income (loss) applicable to common shares by the weighted average common shares outstanding for the period. Diluted earnings per share is calculated by dividing income (loss) applicable to common shares by the weighted average common shares outstanding for the period plus the dilutive effect (unless such effect is anti-dilutive) of potential common shares. No exercise of stock options, purchase rights, stock purchase warrants, or the conversion of senior notes, debentures, preferred stock, or cumulative preferred dividends was assumed during the periods presented because the assumed exercise of these securities would be anti-dilutive.

Shared-Based Payment

On July 1, 2005, the Company adopted FAS123(R) "Share-Based Payment" which establishes standards for transactions in which an entity exchanges its equity instruments for goods or services. This standard requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. There were no common stock options granted during the quarter ended March 31, 2007. The Company recorded stock compensation expense of \$928,843 related to Common Stock grants and vesting of shares previously granted to employees and \$283,028 related to the vesting of Common Stock options during the nine months ended March 31, 2007.

Recent Pronouncements

On December 21, 2006, the Financial Accounting Standards Board (the "FASB") issued FASB Staff Position EITF 00-19-2 ("FSP EITF 00-19-2"). This FSP addresses an issuer's accounting for registration payment arrangements and specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement should be separately recognized and measured in accordance with FASB Statement No. 5, Accounting for Contingencies. This FSP was effective on December 21, 2006 for new arrangements. For registration payment arrangements entered into prior to the issuance of this FSP, this guidance is effective for financial statements issued for fiscal years beginning after December 15, 2006. The Company elected to adopt FSP EITF 00-19-2 early, on December 21, 2006. See Note 4.

2. Accrued Expenses

Accrued expenses consist of the following:

	March 31 2007	June 30 2006
	(unaudited)	
Accrued compensation and related sales commissions	\$ 457,525	\$ 384,256
Accrued interest	263,898	381,240
Accrued professional fees	120,466	162,051
Accrued taxes and filing fees	134,343	100,573
Advanced customer billings	106,384	109,007
Accrued legal fees	54,527	270,000
Accrued other	587,150	605,811
	\$ 1,724,293	\$ 2,012,938

3. Senior Notes and Long-term Debt

As of March 31, 2007, the outstanding balance of Senior Notes was \$2,509,945. This is comprised of notes with a face amount of \$3,652,000 less unamortized debt discount of \$1,142,055.

Debt discount and other issuance costs associated with the Senior Notes are amortized to interest expense over the remaining life of the Senior Notes. Upon conversion of Senior Notes into Common Stock, unamortized costs relating to the notes converted are charged to interest expense. Total charges to interest for amortization of debt discount and other issuance costs were \$338,996 and \$1,096,317 for the three and nine months ended March 31, 2007, respectively, and \$252,281 and \$884,460 for the three and nine months ended March 31, 2006, respectively.

During the nine months ended March 31, 2007 and 2006, Senior Notes totaling \$500 and \$284,135, respectively, were converted into 50 and 20,913 shares, respectively, of the Company's Common Stock.

In March 2007, and as permitted under the terms thereof, the Company repaid a total of \$1,645,841 of Convertible Senior Notes. These Convertible Senior Notes consisted of all the \$91,333 principal amount of outstanding 10% Convertible Senior Notes due December 31, 2008 and all the \$1,554,508 principal amount of outstanding 12% Convertible Senior Notes due December 31, 2008. During the nine months ended March 31, 2007, the Company also repaid \$360,800 and \$200,000 principal amounts of 12% and 10% Convertible Senior Notes due December 31, 2008 and 2010, respectively. The Company recognized a gain on the early repayment of the December 31, 2008 and 2010 Senior Notes totaling \$44,285.

3. Senior Notes and Long-term Debt (continued)

In December 2006, and as permitted under the terms thereof, the Company repaid a total of \$4,341,121 of Convertible Senior Notes. These Convertible Senior Notes consisted of all the \$983,327 principal amount of outstanding 10% Convertible Senior Notes due June 30, 2007, all the \$2,962,516 principal amount of outstanding 12% Convertible Senior Notes due December 31, 2007, and \$395,278 principal amount of 10% Convertible Senior Notes due December 31, 2008.

Long-term debt consists of the following:

	March 31 2007 <u>(unaudited)</u>	June 30 2006
Software licensing and other	\$ 416,813	\$ 123,964
Capital lease obligations	<u>436,173</u>	-
	852,986	<u>123,964</u>
Less current portion	<u>432,319</u>	<u>89,917</u>
Long-term debt	<u>\$ 420,667</u>	<u>\$ 34,057</u>

During March 2007, the Company entered into a capital lease agreement in connection with software licensing for approximately \$290,000, due in sixteen equal monthly payments of \$17,769 through July 2008 followed by two equal monthly payments of \$19,787 through September 2008 at an interest rate of 14.27% .

During March 2007, the Company entered into a capital lease agreement in connection with office equipment for approximately \$146,000, due in sixty equal monthly payments of \$2,965 through March 2012 at an interest rate of 7.83% .

During October 2006, the Company entered into a loan agreement with a financial institution bearing interest at 18% and collateralized by \$470,000 of the Finance Receivables. The Company received \$470,000 in proceeds and agreed to make 12 monthly payments of \$25,000 followed by 18 monthly payments of \$15,000, which include interest and principal, from the proceeds received from the Finance Receivables. As of March 31, 2007, \$227,350 and \$161,509 of the current and long-term Finance Receivables, respectively, are collateral for the outstanding balance of the loan, of which \$201,139 and \$176,113 is current and long-term debt, respectively.

4. Common Stock

During the nine months ended March 31, 2007, the Company issued 715,571 shares of Common Stock under the 2006 Common Stock Agreement between Mr. Illes and the Company dated February 17, 2006 (the "2006 Common Stock Agreement") for total gross proceeds of \$3,794,651.

On September 25, 2006, the Company entered into a new Common Stock Purchase Agreement (the "2006-B Common Stock Agreement") with Steve Illes. Mr. Illes agreed to purchase shares of the Company's Common Stock with an aggregate purchase price not to exceed \$15,000,000. Under the 2006-B Common Stock Agreement, the Company has the right at any time to require Mr. Illes to purchase Common Stock from the Company at the lower of: (i) \$30.00 per share; or (ii) 90% of the closing bid price per share on the date prior to the date of the delivery by the Company to Mr. Illes of notice of his obligation to purchase. The Company can require Mr. Illes to purchase shares only if the shares have been registered by the Company for resale by Mr. Illes under the Securities Act of 1933, as amended. The agreement also states that no additional shares shall be registered under the existing 2006 Common Stock Agreement. During any calendar month, Mr. Illes cannot be required by the Company to purchase Common Stock for an aggregate purchase price in excess of \$800,000. The 2006-B Common Stock Agreement terminates August 30, 2009. The initial number of shares of Common Stock subject to this agreement is 1,500,000. The Company registered 1,500,000 shares effective December 21, 2006.

The Company has the right in the future, if necessary, to register additional shares for resale by Mr. Illes in order to ensure that a sufficient number of shares are available for purchase by Mr. Illes under the 2006-B Common Stock Agreement. The Company agreed to issue to Mr. Illes 20,000 shares of Common Stock as a due diligence fee in connection with this transaction, and to register these shares for resale by Mr. Illes under the 1933 Act. During the nine months ended March 31, 2007, the Company issued 1,054,256 shares of Common Stock, including the 20,000 shares as a due diligence fee, under the 2006-B Common Stock Agreement for total gross proceeds of \$5,853,743, of which \$340,000 was classified as a Subscription Receivable at March 31, 2007. This Subscription Receivable was collected in April 2007. The Company incurred issuance costs of \$75,261 during the nine months ended March 31, 2007 in connection with this agreement.

4. Common Stock (continued)

On March 14, 2007, the Company entered into a Securities Purchase Agreement with S.A.C. Capital Associates, LLC (“SAC”). Pursuant thereto, the Company sold to SAC 1,666,667 shares of the Company’s Common Stock at a price of \$6.00 per share for an aggregate purchase price of \$10,000,000. The Company also issued warrants to SAC to purchase up to 833,333 shares of Common Stock at an exercise price of \$6.40 per share. The warrants are exercisable at any time within six years following the six-month anniversary of the issuance of the warrants. The fair value of these warrants was estimated to be \$2,897,204 using the Black-Scholes model with the following assumptions: dividend yield of 0%, expected stock price volatility of 0.545, risk free interest rate of 5.14%, and an expected life of six years. Upon vesting, the warrants are exercisable to the extent that such exercise would not result in the beneficial ownership by SAC and its affiliates of more than 9.99% of the number of shares outstanding immediately after giving effect to the issuance of shares upon exercise of the warrants. The warrant also provides that if the Company would issue securities in the future at a purchase price that is less than the exercise price of the warrant, then the exercise price of the warrant would be reduced to such lower purchase price, provided, however, that such exercise price can never be lower than \$5.90 which was the closing bid price of our shares on the day prior to the sale of our securities to SAC. The warrant also provides that in the event we issue securities at a purchase price less than the exercise price of the warrant, the number of shares issuable under the warrant shall be increased by that number of shares determined by multiplying the exercise price in effect immediately prior to such adjustment by the number of shares issuable under the warrant immediately prior to such adjustment and dividing the product thereof by the new exercise price of the warrant (which can never be less than \$5.90). Under this formula, the maximum number shares would be issuable under the warrant would be 903,955. The warrant provides that no adjustments shall be made for any shares sold to Mr. Illes by the Company under the 2006-B Common Stock Agreement. There were no commissions or placement agent fees paid by the Company in connection with this offering. The proceeds received by the Company were reduced by a \$100,000 expense allowance. The Company registered the shares under this agreement effective May 11, 2007.

For a period of five years, SAC has been granted the pre-emptive right to purchase that number of securities being offered for sale by the Company in order to maintain SAC’s pro-rata ownership of the Common Stock of the Company following the issuance of any such securities by the Company. SAC has also been granted the right to have one observer attend all of the Company’s Board of Director meetings for a period of one year.

4. Common Stock (continued)

On December 15, 2006, the Company entered into stock purchase agreements (the “Blair Agreements”) with certain investors (“Buyers”). Pursuant to the Agreements, the Company agreed to sell to the Buyers 1,400,000 shares of the Company’s Common Stock at a price of \$6.00 per share, for gross proceeds of \$8,400,000. The Company also agreed to issue to the Buyers warrants to purchase up to 700,017 common shares at an exercise price of \$6.40 per share exercisable at any time through December 31, 2011. The fair value of these warrants was estimated to be \$2,778,300 using the Black-Scholes model with the following assumptions: dividend yield of 0%, expected stock price volatility of 0.695, risk free interest rate of 4.76%, and an expected life of five years. The closing under the Blair Agreements occurred on December 20, 2006. William Blair & Co., LLC (“Blair”) acted as the exclusive placement agent for the private placement. As compensation for its services, the Company paid Blair cash compensation of \$542,801 and issued warrants to purchase up to 11,454 Common Shares at \$6.60 per share at any time through December 31, 2011. Pursuant to the Blair Agreements, the Company agreed to file a registration statement with the SEC covering the resale of these shares and of the shares underlying the warrants within thirty days from the date of the Agreements. The Company registered the 1,400,000 shares and 711,454 warrants effective February 13, 2007.

On January 8, 2007, the Board of Directors approved the 2007-A Stock Compensation Plan to allow up to 100,000 shares of Common Stock to be available for issuance to future or current employees, directors or consultants of the Company. As of March 31, 2007, there were 12,013 shares issued under the Plan totaling \$74,135 based on the grant date fair value of the shares. During the nine months ended March 31, 2007, the Company issued 16,587 shares under the 2006-A Stock Compensation plan totaling \$104,345 based on the grant date fair value of the shares.

On February 12, 2007, upon recommendation of the Compensation Committee of the Board of Directors of the Company, the Board adopted the Long-Term Equity Incentive Program (the “Program”) for each of George R. Jensen, Jr., Stephen P. Herbert, and David M. DeMedio. The Program is intended to ensure continuity of the Company’s executive management, to encourage stock ownership by such persons, and to align the interests of executive management with those of the shareholders.

4. Common Stock (continued)

Pursuant to and as defined in the Program, each executive would be awarded shares of the Company's Common Stock if the Company achieves certain target goals relating to revenues, gross profit, and EBITDA (earnings before interest, taxes, depreciation, and amortization) (the "Target Goals") of the Company during each of the fiscal years ending June 30, 2007, June 30, 2008 and June 30, 2009. The maximum number of shares that can be awarded under the Program is 952,298.

During each such fiscal year, the number of eligible shares to be awarded to the executive is based upon the following weightings: 40% of eligible shares are determined by revenues; 30% of eligible shares are determined by gross profit; and 30% of eligible shares are determined by EBITDA.

If the Target Goals are achieved by the Company during the applicable fiscal year, the executive officers would be awarded the following number of shares:

	Fiscal Year Ended		
	June 30,		
	2007	2008	2009
George R. Jensen, Jr.	178,570	178,570	178,570
Stephen P. Herbert	53,713	53,713	53,714
David M. DeMedio	21,663	21,663	21,664

If the actual results for a particular fiscal year exceeds the Target Goals, each executive would be awarded an additional pro rata portion of the eligible shares, up to an amount no greater than 125% of the number of eligible shares. If the actual results for a particular fiscal year is less than the Target Goals, each executive would be awarded a lesser pro rata portion of the number of eligible shares. If minimum Target Goals for a particular fiscal year are not achieved, no eligible shares would be awarded to each executive.

If a USA Transaction (as defined in Mr. Jensen's Employment Agreement) would occur during any such fiscal year, and provided that the executive is an employee of the Company on the date of such USA Transaction, the executive would be awarded shares for each of the fiscal years that have not yet been completed as of the date of such USA Transaction. The number of shares to be awarded to each executive for each of the uncompleted fiscal years is as follows: Mr. Jensen-178,570 shares; Mr. Herbert-53,713 shares; and Mr. DeMedio-21,663 shares.

4. Common Stock (continued)

In conjunction with the Program, during March 2007, each of Mr. Jensen, Mr. Herbert, and Mr. DeMedio signed amendments to their Employment and Non-Competition Agreements. In conjunction with the Program and the signing of the amendments to these agreements, the Company recorded compensation expense of \$124,948 and a corresponding amount to Common Stock for the period ended March 31, 2007. This amount was based on management's estimate of the probability of meeting the Target Goals and on the grant date fair value of the Company's stock of \$5.90. Management will update this estimate and adjust the amount of compensation expense recorded at each quarterly reporting date. There is no effect on the number of issued and outstanding shares of Common Stock until shares are awarded.

5. Common Stock Warrants

As of March 31, 2007, there were 1,747,727 Common Stock warrants outstanding, all of which were exercisable at exercise prices ranging from \$6.40 to \$20 per share.

6. Commitments and Contingencies

Various legal actions and claims occurring in the normal course of business are pending or may be instituted or asserted in the future against the Company. The Company does not believe that the resolution of these matters will have a material effect on the financial position or results of operations of the Company.

As previously disclosed, on September 20, 2006, the Company and Swartz Private Equity, LLC, agreed to fully settle the litigation between them by the issuance by the Company to Swartz of 40,000 shares of the Company's Common Stock. The settlement agreement and release implementing the settlement was signed by the parties on October 12, 2006. The Company had recorded a liability of \$270,000 as of June 30, 2006 to accrue for the value of the 40,000 shares of Common Stock that were issued in October under the settlement agreement.

The Company also issued 2,536 shares of Common Stock to a former employee totaling \$18,000 relating to the settlement of litigation.

In February 2004, the Company also leased 9,084 square feet of space, located in Malvern, Pennsylvania, on a month-to-month basis for a monthly payment of approximately \$8,000. During prior years, the facility was solely used to warehouse product. All product warehousing, shipping and customer support was transferred to this location from the executive office location during the first quarter of fiscal year 2005. During December 2006, the Company entered into an amendment to the lease covering 4,293 additional square feet that is contiguous to its existing space. The lease term was set to December 31, 2010 with rent of approximately \$13,000 per month commencing in April 2007 with escalating rental payments thereafter.

7. Subsequent Events

From April 1, 2007 through May 4, 2007, the Company issued an additional 167,537 shares of Common Stock to Mr. Illes under the 2006-B Common Stock Agreement for total gross proceeds of \$1,550,000. On April 6, 2007, the Company received the amounts due related to the \$340,000 Subscription Receivable.

In April 2007, and as permitted under the terms thereof, the Company repaid all of the remaining outstanding Convertible Senior Notes in the principal amount of \$3,652,000 of Convertible Senior Notes. These Convertible Senior Notes consisted of all the \$320,000 principal amount of outstanding 12% Convertible Senior Notes due June 30, 2009, all of the \$1,520,000 principal amount of outstanding 12% Convertible Notes due December 31, 2009 and all of the \$1,812,000 principal amount of outstanding 10% Convertible Notes due December 31, 2010. Each of the note holders has the right, for 30 days, to elect to convert the Senior Notes into shares of Common Stock in lieu of accepting the repayment. As of May 14, 2007, the holders of \$798,800 of these Senior Notes elected to convert their Senior Notes at the rate of \$10 per share into 79,880 shares of Common Stock in lieu of accepting repayment.

From April 1, 2007 through May 4, 2007, the Company sold \$3,000,000 of the available-for-sale securities. The Company used the proceeds from the sale to repay the outstanding Convertible Senior Notes as previously mentioned.

From April 1, 2007 through May 4, 2007, the holders of 32,098 warrants at \$6.40 per share exercised their warrants for total proceeds of \$205,427.

On May 14, 2007, the holder of 11,454 warrants at \$6.60 per share exercised their warrants for total proceeds of \$75,596.

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

Forward Looking Statements

This Form 10-Q contains certain forward looking statements 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, "believes," "expects," "anticipates," or similar expressions. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward looking information is based on various factors and was derived using numerous assumptions. Important factors that could cause the Company's actual results to differ materially from those projected, include, for example (i) the ability of the Company to generate sufficient sales to generate operating profits, or to sell products at a profit, (ii) the ability of the Company to raise funds in the future through sales of securities, (iii) whether the Company is able to enter into binding agreements with third parties to assist in product or network development, (iv) the ability of the Company to commercialize its developmental products, or if actually commercialized, to obtain commercial acceptance thereof, (v) the ability of the Company to compete with its competitors to obtain market share, (vi) the ability of the Company to obtain sufficient funds through operations or otherwise to repay its debt obligations or to fund development and marketing of its products, (vii) the ability of the Company to obtain approval of its pending patent applications or the risk that its technologies would infringe patents owned by others, (viii) the ability of the Company to satisfy its trade obligations included in accounts payable and accrued liabilities, (ix) the ability of the Company to predict or estimate its future quarterly or annual revenues given the developing and unpredictable market for its products and the lack of established revenues, (x) the ability of the Company to retain key customers as a significant portion of its revenues is derived from a limited number of key customers, and (xi) the ability of a key customer to reduce or delay purchasing products from the Company. Although the Company believes that the forward looking statements contained herein are reasonable, it can give no assurance that the Company's expectations will be met.

Results of Operations

Three months ended March 31, 2007

Revenues for the three months ended March 31, 2007 were \$2,690,414 compared to \$1,618,776 for the corresponding three-month period in the previous fiscal year. This \$1,071,638 or 66% increase was due to an increase in equipment sales of \$994,314 and an increase in license and transaction fees of \$77,324. The increase in equipment sales was due to an increase in e-Port vending sales of approximately \$1,363,000, relating primarily to our initiative with Mastercard Worldwide, an increase in other equipment sales of approximately \$63,000, which is offset by a decrease in sales of approximately \$331,000 of energy conservation equipment and a decrease of approximately \$101,000 in sales of business centers.

Cost of sales for the period consisted of equipment costs of \$2,022,159 and network and transaction related costs of \$350,315. The increase in total cost of sales of \$1,441,447 or 155% over the prior year period was due to an increase in equipment costs of \$1,303,472 and network and transaction related costs of \$137,975. The increase in equipment costs was due to the change in sales mixture that consisted of an increase in higher cost e-Port equipment, as compared to the cost of our energy conservation equipment. The increase in network and transaction costs relates to an increase in the number of devices on our network and the number of transactions processed.

Gross profit for the three months ended March 31, 2007 was \$317,940, compared to a gross profit of \$687,749 for the corresponding three-month period in the previous fiscal year. This 54% decrease is primarily due to the change in equipment sales mixture that consisted of an increase in sales of e-Ports at or near cost along with a decrease in sales of our higher margin energy conservation equipment sales. The resulting e-Port margins were driven by our market seeding program with Mastercard Worldwide. Product pricing under this program does not reflect the Company's current retail pricing.

General and administrative expense of \$1,292,267 decreased by \$129,066 or 9% primarily due to a decrease in repairs and maintenance costs of approximately \$97,000, a decrease in bad debt expense of approximately \$62,000, a decrease in royalty expense of approximately \$50,000, and an overall decrease in various expense categories of approximately \$71,000, offset by an increase in consulting expense of approximately \$151,000.

Compensation expense of \$2,308,277 (approximately \$532,000 of non-cash charges) increased by \$741,704 or 47% primarily due to an increase in salaries expense of approximately \$256,000 due to an increase in the number of employees, an increase in bonus expense of approximately \$491,000 due to non-cash charges from common stock issued to employees and executive officers and the vesting of common stock option grants to our executive officers, offset by a decrease in sales commissions of approximately \$28,000 due to a decrease in energy equipment sales and a new commission plan.

Interest expense of \$514,284 decreased by \$95,865 or 16% primarily due to a reduction in the amount of interest expense relating to senior notes that were repaid early in December 2006, offset by the recognition of the remaining unamortized debt discount on the \$1,645,841 of convertible Senior Notes that were repaid early in March 2007.

The quarter ended March 31, 2007 resulted in a net loss of \$4,119,458 (approximately \$1.2 million of non-cash charges) compared to a net loss of \$3,313,868 (approximately \$0.7 million of non-cash charges) for the quarter ended March 31, 2006.

Revenues for the nine months ended March 31, 2007 were \$6,711,033 compared to \$4,940,414 for the corresponding nine-month period in the previous fiscal year. This \$1,770,619 or 36% increase was primarily due to an increase in equipment sales of \$1,580,390 and license and transaction fees of \$190,229. The increase in equipment sales was due to an increase in sales of approximately \$2,404,000 of e-Port vending equipment sales, relating primarily to our initiative with MasterCard Worldwide, and approximately \$55,000 in other equipment sales, offset by decreases of approximately \$703,000 in energy conservation equipment, approximately \$114,000 in laundry equipment sales and approximately \$62,000 in business center sales.

Cost of sales for the period consisted of equipment costs of \$4,610,096 and network and transaction related costs of \$883,272. The increase in cost of sales of \$2,343,512 or 74% over the prior year period was due to an increase in equipment costs of \$2,120,891 and an increase of \$222,621 of network and transaction related costs. The increase in equipment costs is due to the increase in equipment sales, specifically, the increase in equipment costs was due to the change in sales mixture that consisted of an increase in our higher cost e-Port equipment, as compared to the cost of our energy conservation equipment. The increase in network and transaction costs relates to an increase in the number of devices on our network and the number of transactions processed.

Gross profit for the nine months ended March 31, 2007 was \$1,217,665 compared to gross profit of \$1,790,558 for the corresponding nine-month period in the previous fiscal year. This 32% decrease is primarily due to the change in equipment sales mixture that consisted of an increase in sales of e-Ports at or near cost along with a decrease in our higher margin energy Miser sales. The resulting e-Port margins were driven by our market seeding program with Mastercard Worldwide. Product pricing under this program does not reflect the Company's current retail pricing.

General and administrative expense of \$4,233,885, increased by \$572,778 or 16% primarily due to an increase in consulting expense of approximately \$408,000, an increase in legal fees of approximately \$219,000, an increase in temporary labor expenses of approximately \$84,000 and an increase of approximately \$119,000 in product development costs, offset by a decrease in repairs and maintenance expense of approximately \$121,000 and a decrease in royalty expense of approximately \$139,000.

Compensation expense of \$6,172,890 (approximately \$1,213,000 of non-cash charges) increased by \$1,812,954 or 42%, primarily due to an increase in salaries and benefits expense of approximately \$663,000 related to the increase in the number of employees and an increase in bonus expense of approximately \$1,091,000 due to non-cash charges from common stock issued to employees and executive officers and the vesting of common stock option grants to our executive officers.

Interest expense of \$1,867,796 decreased by \$77,994 or 4% primarily due to a reduction in the amount of interest expense relating to senior notes that were repaid early in December 2006, offset by the recognition of the remaining unamortized debt discount on the \$1,645,841 of convertible Senior Notes that were repaid early in March 2007.

The nine-month period ended March 31, 2007 resulted in a net loss of \$12,176,860 (approximately \$3.9 million of non-cash charges) compared to a net loss of \$9,374,830 (approximately \$2.2 million of non-cash charges) for the nine-month period ended March 31, 2006.

Liquidity and Capital Resources

For the nine months ended March 31, 2007, net cash of \$10,897,110 was used by operating activities, primarily due to the net loss of \$12,176,860 offset by non-cash charges totaling \$3,882,001 for transactions involving the issuance of Common Stock and Common Stock Options for compensation, the issuance of Common Stock for legal settlements, the gain on repayment of Senior Notes, bad debt expense, depreciation and amortization of assets, and amortization of debt discount. In addition to these non-cash charges, the Company's net operating assets increased by \$2,602,251 primarily due to the increases in accounts receivables and inventory along with decreases in accounts payable and accrued expenses.

Proceeds from financing activities for the nine months ended March 31, 2007 provided \$21,064,789 of funds, a portion of which was necessary to support cash used in operating and investing activities. Net proceeds of \$26,967,182 were realized from the issuance of Common Stock, \$3,234 of proceeds from the collection of subscriptions receivable and \$470,000 of proceeds from a loan agreement, offset by cash used to repay long-term debt (\$177,151) and Senior Notes less discount (\$6,198,476).

The Company has incurred losses since inception. Cumulative losses through March 31, 2007 amounted to approximately \$140,000,000. The Company has continued to raise capital through equity offerings to fund operations.

During the year ended June 30, 2006, cash used in operating activities was approximately \$925,000 per month. Using the prior fiscal year as a basis for estimating cash requirements for the year ending June 30, 2007 (which assumes a static level of revenues), cash requirements for the fiscal year 2007, including requirements for capital expenditures and repayments of long-term debt, would be approximately \$11,600,000.

As of March 31, 2007 the Company had approximately \$5,700,000 of cash and cash equivalents on hand and \$7,000,000 of short-term available-for-sale securities.

On September 25, 2006, the Company entered into the 2006-B Common Stock Agreement with Mr. Illes, as more fully disclosed in the Condensed Consolidated Financial Statements, pursuant to which he agreed to purchase shares with an aggregate purchase price not to exceed \$15,000,000. From April 1, 2007 through May 4, 2007, the Company issued an additional 167,537 shares of Common Stock to Mr. Illes under the 2006-B Common Stock Agreement for total gross proceeds of \$1,550,000. Of the \$15,000,000, \$7,403,743 in gross proceeds have been received through May 4, 2007, leaving \$7,596,257 of available funds through the expiration date of the agreement on August 30, 2009.

On April 30, 2007, the Company prepaid all of the remaining outstanding convertible senior notes in the principal amount of \$3,652,000. Each of the note holders has the right, for 30 days, to elect to convert the Senior Notes into shares of Common Stock in lieu of accepting the repayment. As of May 14, 2007, the holders of \$798,800 of these Senior Notes elected to convert their Senior Notes at the rate of \$10 per share into 79,880 shares of Common Stock in lieu of accepting repayment.

From April 1, 2007 through May 4, 2007, the holders of 32,098 warrants at \$6.40 per share exercised their warrants for total proceeds of \$205,427.

Funding sources in place to meet the Company's cash requirements for the year ending June 30, 2007 are primarily comprised of approximately \$6,000,000 in cash and cash equivalents on hand and \$4,000,000 of available-for-sale securities as of May 4, 2007, the proceeds that are available from Mr. Illes under the 2006-B Common Stock Agreement totaling \$7,596,257, as referred to above, and future exercises of warrants (750,802 of which are currently exercisable and in the money as of the date hereof and could generate proceeds of approximately \$4,850,000 and 833,333 of which will become exercisable on September 15, 2007 and are in the money as of the date hereof and could generate proceeds of approximately \$5,333,000), for total resources of approximately \$27,779,000. The foregoing warrants that become exercisable on September 15, 2007 can not be exercised to the extent the exercise would result in the holder thereof being the beneficial owner of more than 9.99% of our shares. The owner of these warrants is currently the beneficial owner of approximately 15% of our shares, and therefore these warrants could not be exercised by the holder unless and until its ownership of our shares is reduced. The Company believes these existing sources will provide sufficient funds to meet its cash requirements through at least June 30, 2008.

Item 3. 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 Senior Notes and long-term debt are generally fixed and its investments in cash equivalents and other securities are not significant. Market risks related to fluctuations of foreign currencies are not significant and the Company has no derivative financial instruments.

Item 4. 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 March 31, 2007. Based on this evaluation, they conclude that the disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Changes in internal controls.

There have been no changes during the quarter ended March 31, 2007 in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II - Other Information

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended March 31, 2007, the Company issued to Steve Illes 255,495 shares of Common Stock under the 2006-B Common Stock Purchase Agreement for an aggregate purchase price of \$1,573,000. The offer and sale of the shares were exempt from registration under Rule 506 promulgated under Section 4(2) of the Securities Act of 1933, as amended. Mr. Illes is an accredited investor, made appropriate investment representations, was afforded access to all public filings and all other information that the Company could reasonably obtain. As agreed between Mr. Illes and the Company, the shares issued to Mr. Illes were registered for resale by Mr. Illes under the 1933 Act.

On March 14, 2007, the Company entered into a Securities Purchase Agreement with S.A.C. Capital Associates, LLC (the "Buyer"). Pursuant thereto, the Company sold to the Buyer 1,666,667 shares of the Company's Common Stock at a price of \$6.00 per share for an aggregate purchase price of \$10,000,000. The Company also issued warrants to the Buyer to purchase up to 833,333 shares of Common Stock at an exercise price of \$6.40 per share. The warrants are exercisable at any time within six years following the six-month anniversary of the issuance of the warrants. The offer and sale of the shares and the warrants was exempt from the registration requirements of the 1933 Act pursuant to Section 4(2) and Rule 506 promulgated thereunder. There were no commissions or placement agent fees paid by the Company in connection with this offering. The proceeds received by the Company were reduced by a \$100,000 expense allowance. The terms and conditions of this sale and the warrants are more fully described in Note 4 to the Condensed Consolidated Financial Statements.

For a period of five years, the Buyer has been granted the pre-emptive right to purchase that number of securities being offered for sale by the Company in order to maintain Buyer's pro-rata ownership of the Common Stock of the Company following the issuance of any such securities by the Company. The Buyer has also been granted the right to have one observer attend all of the Company's Board of Director meetings for a period of one year.

The Buyer qualifies as an accredited investor as such term is defined in Rule 501 under the Securities Act of 1933, as amended. The shares of Common Stock and the warrants issued by the Company to the Buyer as well as the shares of Common Stock underlying the warrants have not been registered under the Act. The offer and sale of the shares, the warrants, and the shares underlying the warrants by the Company to the Buyer is exempt from the registration requirements of the Act pursuant to Section 4(2) thereof and Rule 506 of Regulation D promulgated thereunder. The Company has agreed at its cost and expense to register the shares of Common Stock and the shares underlying the warrants for resale under the Act until the earlier of the date on which all of the shares have been sold or the date on which all of the shares are eligible for sale under Rule 144(k) promulgated under the Act.

Item 3. Defaults Upon Senior Securities

There were no defaults on any senior securities. However, on February 1, 2007, an additional \$390,294 of dividends accrued on our cumulative Series A Convertible Preferred Stock. The total accrued and unpaid dividends on our Series A Convertible Preferred Stock as of May 11, 2007 are \$8,992,712. The dividend accrual dates for our Preferred Stock are February 1 and August 1. The annual cumulative dividend on our Preferred Stock is \$1.50 per share.

Item 5. Other Events.

On May 10, 2007, the Board of Directors of the Company approved the form of the Indemnification Agreement to be entered into between the Company and each of Messrs. Jensen, Herbert, DeMedio, Van Alen, Katz, Lurio, McHugh, and Brooks. The Indemnification Agreement supplements the indemnification rights currently provided to the Directors and executive officers under the By-laws of the Company, and provides for the maximum indemnity and expense advancement allowable under the laws of Pennsylvania.

Item 6. Exhibits

- 10.1 Form of Indemnification Agreement between the Company and each of its Directors and Executive Officers
- 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.

Signatures

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

USA TECHNOLOGIES, INC.

Date: May 15, 2007 /s/ George R. Jensen, Jr.
George R. Jensen, Jr., Chairman and
Chief Executive Officer

Date: May 15, 2007 /s/ David M. DeMedio
David M. DeMedio,
Chief Financial Officer

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT is made as of this ___ day of May, 2007, by and between USA TECHNOLOGIES, INC., a Pennsylvania corporation (the "Company"), and

("Indemnitee").

WHEREAS, highly competent persons have become more reluctant to serve corporations as directors or officers unless they are provided with adequate protection through insurance or adequate indemnification against risks of claims and actions against them arising out of their service to and activities on behalf of the corporation; and

WHEREAS, the Board of Directors of the Company has determined that the difficulty in attracting and retaining such persons is detrimental to the best interests of the Company's shareholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future; and

WHEREAS, the Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve as officers or directors of the Company, and to indemnify its officers and directors so as to provide them with the maximum protection permitted by law.

NOW, THEREFORE, the Company and Indemnitee, intending to be legally bound, hereby agree as follows:

1. Indemnification.

a) Third Party Proceedings. The Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was a director or officer of the Company or any affiliate of the Company, or by reason of any action or inaction on the part of Indemnitee while an officer or director of the Company or any affiliate of the Company, or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against Expenses, judgments, fines and amounts paid in

settlement actually and reasonably incurred by Indemnitee in connection with such action, suit or proceeding. Indemnitee shall only be entitled to indemnification under the prior sentence if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, in and of itself, create a presumption that (i) Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, (ii) with respect to any criminal action or proceeding, Indemnitee did not have reasonable cause to believe his conduct was lawful.

b) Proceedings By or in the Right of the Company.

The Company shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company or any subsidiary of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a director or officer of the Company or any affiliate of the Company, or by reason of any action or inaction on the part of Indemnitee while an officer or director of the Company or any affiliate of the Company, or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against Expenses actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such action or suit. Indemnitee shall only be entitled to indemnification under the prior sentence if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Company unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Expenses which the court shall deem proper.

c) Mandatory Indemnification. To the extent that Indemnatee has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1(a) or 1(b) or in defense of any claim, issue or matter therein, Indemnatee shall be indemnified against Expenses actually and reasonably incurred by Indemnatee in connection therewith.

d) Definition of Expenses. For purposes of this Agreement, the term "Expenses" shall include all attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and any and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in any applicable action, suit or proceeding, whether civil, criminal, administrative or investigative. "Expenses" shall also include expenses incurred in connection with any appeal resulting from an action, suit or proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent.

2. Expenses and Indemnification Procedure.

a) Advancement of Expenses. Notwithstanding any other provision of this Agreement, the Company shall pay to Indemnatee, in advance of the final disposition of any action, suit, or proceeding referred to in Section 1(a) or Section 1(b), all Expenses incurred by Indemnatee in connection with the investigation, defense, settlement or appeal of any such action, suit or proceeding within thirty (30) days after the receipt by the Company of a statement or statements from the Indemnatee requesting such advance or advances from time to time. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnatee and shall include or be preceded or accompanied by an undertaking to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnatee is not entitled to be indemnified by the Company as authorized hereby. Any such advances shall be unsecured and interest free. The financial ability of Indemnatee to repay any advance shall not be a prerequisite to the making of any such advance.

b) Procedures and Presumptions for Determination of Entitlement to Indemnification. It is the intent of this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may be permitted under the Pennsylvania Business Corporation Law of 1988, as amended, and public policy of the Commonwealth of Pennsylvania. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

i) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. Notice to the Company shall be directed to: USA Technologies, Inc., 100 Deerfield Lane, Suite 140, Malvern, Pennsylvania 19355 (or to such other address as the Company may from time to time designate in writing to Indemnitee). The Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

ii) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 3(b)(i) hereof, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case by one of the following three methods, which shall be at the election of the board: (1) by the board of directors by a majority vote of a quorum consisting of disinterested directors; (2) if such a quorum is not obtainable or if obtainable and a majority vote of a quorum of disinterested directors so directs, by Independent Legal Counsel in a written opinion, a copy of which shall be delivered to the Indemnitee, or (3) if so directed by the Board of Directors, by the shareholders of the Company. For purposes hereof, disinterested directors are those members of the Board of Directors of the Company who are not parties to the

action, suit or proceeding in respect of which indemnification is sought by Indemnatee.

iii) For purposes of this Agreement, "Independent Legal Counsel" shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnatee in any matter material to either such party (other than with respect to matters concerning Indemnatee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Legal Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnatee in an action to determine Indemnatee's rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

iv) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnatee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Neither the failure of the Company (including by its directors or Independent Legal Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnatee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Legal Counsel) that Indemnatee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnatee has not met the applicable standard of conduct.

v) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any action, claim or proceeding to which Indemnatee is a party is resolved in any manner other than by adverse judgment against Indemnatee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration) it shall be presumed for purposes of Section 1(c) that Indemnatee has been "successful on the merits or otherwise" in such action, suit or proceeding. For purposes of Section 1(c), the term "successful on the merits or otherwise" shall include, but not be limited to, (i) any termination, withdrawal, or dismissal (with or without prejudice) of any claim, action, suit or proceeding against Indemnatee without any express finding of liability or guilt against him, or (ii) the expiration of a reasonable period of time after the making of any claim or threat of an action, suit or proceeding without the institution of the same and without any promise or payment made to induce a settlement. Anyone seeking to overcome the presumptions set forth in this subsection shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

vi) The termination of any proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnatee to indemnification or create a presumption that Indemnatee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal proceeding, that Indemnatee had reasonable cause to believe that his conduct was unlawful.

c) Procedure. Any indemnification and advances provided for in Section 1 hereof and this Section 2 shall be made no later than thirty (30) days after receipt of the written request of Indemnatee, coupled with appropriate documentation to support the requested payment. If a claim under this Agreement is not paid in full by the Company

within thirty (30) days after receipt of a fully documented written request for payment thereof has first been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, subject to Section 13 hereof, Indemnitee shall also be entitled to be paid for the Expenses of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for Expenses incurred in connection with any action, suit or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed, but the burden of proving such defense shall be on the Company, and Indemnitee shall be entitled to receive interim payments of Expenses pursuant to Section 2(a) hereof unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that if the Company contests Indemnitee's right to indemnification or advancement of Expenses, the question of Indemnitee's right to indemnification or advancement of Expenses shall be for the court to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, Independent Legal Counsel, or its shareholders) to have made a determination that indemnification of, or advancement of Expenses to, Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, Independent Legal Counsel, or its shareholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not, as the case may be, met the applicable standard of conduct.

d)Notice to Insurers. If, at the time of the receipt of a notice of claim pursuant to Section 2 (a) or 2(b) hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a

result of such proceeding in accordance with the terms of such policies.

e) Selection of Counsel. If the Company shall be obligated under Section 1 or Section 2 hereof to pay the Expenses of any proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding; provided that (i) Indemnitee shall have the right to employ separate counsel in any such proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the reasonable fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

f) Change in Control. If, at any time subsequent to the date of this Agreement, members of the Incumbent Board (as defined in Section 16) do not constitute a majority of the members of the Board of Directors, or there is otherwise a Change in Control (as defined in Section 16), then upon the request of Indemnitee, the Company shall cause the determination of indemnification and advances required by Section 2 hereof to be made by Independent Legal Counsel. The fees and expenses incurred by the Independent Legal Counsel in making the determination of indemnification and advances shall be borne solely by the Company.

3. Additional Indemnification Rights.

a) Scope. Notwithstanding any other provision of this Agreement, the Company shall indemnify Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Articles of Incorporation, the Company's Bylaws or by statute. In the event of any change, after the date of this Agreement,

in any applicable law, statute, or rule which expands the right of a Pennsylvania corporation to indemnify a member of its board of directors or an officer, such changes shall be, ipso facto, within the purview of Indemnitee's rights and Company's obligations under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of a Pennsylvania corporation to indemnify a member of its board of directors or an officer, such changes (to the extent not otherwise required by such law, statute or rule to be applied to this Agreement) shall have no effect on this Agreement or the parties' rights and obligations hereunder.

b) Non-exclusivity. The indemnification and advancement of Expenses provided by this Agreement shall not be deemed exclusive of any rights to which an Indemnitee may be entitled under the Company's Articles of Incorporation, its Bylaws, any agreement, any vote of shareholders or disinterested directors, the Pennsylvania Business Corporation Law of 1988, as amended, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while holding such office.

c) Supplementary Coverage. The provisions of Article VII of the Bylaws of the Company (relating to indemnification and advances) shall be deemed to be in addition to, separate from, and shall not be limited or affected in any manner whatsoever by the provisions of this Agreement. Indemnitee shall be free to pursue any rights or claims under this Agreement and/or under Article VII of the Bylaws either concurrently or separately. The Company agrees that so long as Indemnitee is covered by this Agreement in accordance with Section 4 hereof, Article VII of the Bylaws, as existing on the date hereof, shall not be amended, repealed, or modified in any manner whatsoever as applied to Indemnitee, and such Bylaws shall remain in full force and effect and shall be fully enforceable by and for the benefit of the Indemnitee. The provisions of this paragraph are intended to constitute supplementary coverage authorized by 15 Pa.C.S.A. § 1746.

4. Continuation of Indemnity. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is a director or officer of the Company or any affiliate thereof (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (collectively, the

"other enterprises")) and shall continue thereafter, so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, that is referred to in or covered by this Agreement.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines or penalties actually or reasonably incurred by him in the investigation, defense, appeal or settlement of any civil or criminal action, suit or proceeding, but not for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses, judgments, fines or penalties to which Indemnitee is entitled.

6. Officer and Director Liability Insurance. To the extent that the Company maintains a policy or policies of directors' and officers' liability insurance, Indemnitee shall be insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director, or of the Company's officers, if Indemnitee is not a director of the Company but is an officer.

7. Severability. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this Section. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

a) Claims Initiated by Indemnitee. To indemnify or advance Expenses to Indemnitee with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification or advancements of Expenses under this Agreement, but such indemnification or advancement of Expenses may be provided by the Company in specific cases if the Board of Directors, at its sole discretion, finds it to be appropriate;

b) Lack of Good Faith. To indemnify Indemnitee for any Expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous;

c) Insured Claims. To indemnify Indemnitee for Expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) which have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors' liability insurance maintained by the Company or other enterprise; or

d) Claims Under Section 16(b). To indemnify Indemnitee for Expenses or the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Exchange Act (as defined in Section 16), or any similar successor statute.

9. Construction of Certain Phrases.

a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors and officers so that if Indemnitee is or was a director or officer or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of other enterprises, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such

constituent corporation if its separate existence had continued.

b)For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnatee with respect to an employee benefit plan; and reference to "serving at the request of the Company" shall include any service as a director or officer of the Company which imposes duties on, or involves services by, Indemnatee with respect to an employee benefit plan, its participants, or beneficiaries; and, if Indemnatee acted in good faith and in a manner Indemnatee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnatee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

c)For the purposes of this Agreement, references to "affiliates" shall mean any entity which, directly or indirectly, is in the control of, is controlled by, or is under common control with, the Company.

10. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and Indemnatee and Indemnatee's estate, heirs, legal representatives and assigns.

11. **Attorneys' Fees.** If any action is instituted by Indemnatee under this Agreement to enforce or interpret any of the terms hereof, Indemnatee shall be entitled to be paid all court costs and Expenses, including reasonable attorneys' fees, incurred by Indemnatee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnatee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnatee shall be entitled to be paid all court costs and Expenses, including attorneys' fees, incurred by Indemnatee in defense of such action (including with respect to Indemnatee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnatee's material defenses to such action was made in bad faith or was frivolous.

12. **Notice.** All notices, requests, demands and other communications under this Agreement shall be in writing and, unless otherwise provided, shall be deemed duly given (a) if delivered by hand and receipted for by the party addressee, on the date of such receipt, or (b) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. The address for notice to the Company shall be as set forth in Section 2(b) hereof, and the address for notice to Indemnitee shall be as set forth on the signature page of this Agreement, or as subsequently modified by written notice.

13. **Consent to Jurisdiction.** The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the Commonwealth of Pennsylvania for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement. Any action or proceeding instituted under or to enforce this Agreement shall be brought only in the state courts of the Commonwealth of Pennsylvania.

14. **Subrogation.** In the event of payment under this Agreement, Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company to effectively to bring suit to enforce such rights.

15. **Choice of Law.** This Agreement shall be governed by and its provisions construed in accordance with the laws of the Commonwealth of Pennsylvania, as applied to contracts between Pennsylvania residents entered into and to be performed within Pennsylvania.

16. **Definition of "Change in Control."** For purposes of this Agreement, "Change in Control" means the occurrence of any of the following events:

a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the combined voting power of the then-outstanding voting securities of the Company

entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this Section (a), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any company controlled by, controlling or under common control with the Company, or (D) any acquisition by any entity pursuant to a transaction that complies with Sections (c)(1), (c)(2) and (c)(3) of this definition;

b) Individuals who, as of May 10, 2007, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors;

c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such

transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Voting Securities, (2) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board of Directors providing for such Business Combination; or

d)Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COMPANY:
USA TECHNOLOGIES, INC.

By: _____
Name:
Title:

INDEMNITEE: _____

Address: _____

CERTIFICATIONS

I, George R. Jensen, Jr., Chief Executive Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of USA Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. 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
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2007

/s/ George R. Jensen, Jr.
George R. Jensen, Jr.,
Chief Executive Officer

CERTIFICATIONS

I, David M. DeMedio, Chief Financial Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of USA Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. 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
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2007

/s/ David M. DeMedio
David M. DeMedio,
Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of USA Technologies, Inc., (the "Company") on Form 10-Q for the period ended March 31, 2007 (the "Report"), I, George R. Jensen, Jr., Chief Executive Officer of the Company, hereby certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that to my knowledge:

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

/s/ George R. Jensen, Jr.
George R. Jensen, Jr.
Chief Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of USA Technologies, Inc., (the "Company") on Form 10-Q for the period ended March 31, 2007 (the "Report"), I, David M. DeMedio, Chief Financial Officer of the Company, hereby certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that to my knowledge:

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

/s/ David M. DeMedio
David M. DeMedio
Chief Financial Officer