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

FORM 1O-Q

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from ____________________ to _____________________

Commission file number 001-33365

USA Technologies, Inc.
(Exact name of registrant as specified in its charter)

Pennsylvania	23-2679963
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Deerfield Lane, Suite 140, Malvern, Pennsylvania	19355
(Address of principal executive offices)	(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 x No o

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

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

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

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

As of May 6, 2013, there were 33,059,977 shares of Common Stock, no par value, outstanding.

USA TECHNOLOGIES, INC.

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USA Technologies, Inc.
Consolidated Balance Sheets

		March 31, 2013		June 30, 2012
		(Unaudited)		
Assets				
Current assets:				
Cash and cash equivalents	$	3,948,537	$	6,426,645
Accounts receivable, less allowance for uncollectible accounts of $9,000 and $25,000, respectively		2,370,993		2,441,941
Finance receivables		113,485		206,649
Inventory		1,838,557		2,511,748
Prepaid expenses and other current assets		656,306		555,823
Total current assets		8,927,878		12,142,806
Finance receivables, less current portion		381,946		336,198
Property and equipment, net		15,528,584		11,800,108
Intangibles, net		639,653		1,196,453
Goodwill		7,663,208		7,663,208
Other assets		88,101		80,884
Total assets	$	33,229,370	$	33,219,657
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable	$	5,332,568	$	6,136,443
Accrued expenses		1,601,362		3,342,456
Line of credit		2,000,000		-
Current obligations under long-term debt		314,756		466,056
Total current liabilities		9,248,686		9,944,955
Long-term liabilities:				
Long-term debt, less current portion		159,775		262,274
Accrued expenses, less current portion		374,856		426,241
Deferred tax liabilities		33,333		12,599
Warrant liabilities, non-current		2,168,022		918,566
Total long-term liabilities		2,735,986		1,619,680
Total liabilities		11,984,672		11,564,635
Commitments and contingencies				
Shareholders' equity:				
Preferred stock, no par value:				
Authorized shares- 1,800,000 Series A convertible preferred- Authorized shares- 900,000 Issued and outstanding shares- 442,968 (liquidation preference of $16,026,004 and $15,361,552, respectively)		3,138,056		3,138,056
Common stock, no par value: Authorized shares- 640,000,000 Issued and outstanding shares- 32,878,702 and 32,510,069, respectively		220,926,047		220,513,327
Accumulated deficit		(202,819,405)		(201,996,361)
Total shareholders' equity		21,244,698		21,655,022
Total liabilities and shareholders' equity	$	33,229,370	$	33,219,657

See accompanying notes.

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

	Three months ended March 31, 2013	Three months ended March 31, 2012	Nine months ended March 31, 2013	Nine months ended March 31, 2012
Revenues:				
License and transaction fees	$ 7,562,589	$ 5,985,052	$ 21,872,187	$ 16,988,179
Equipment sales	1,418,215	1,541,999	4,383,216	4,126,218
Total revenues	8,980,804	7,527,051	26,255,403	21,114,397
Cost of services	4,525,244	3,749,862	13,080,816	11,494,690
Cost of equipment	774,221	981,969	2,748,785	2,836,995
Gross profit	3,681,339	2,795,220	10,425,802	6,782,712
Operating expenses:				
Selling, general and administrative	3,003,231	3,040,562	8,918,030	10,039,712
Depreciation and amortization	327,889	391,859	1,004,134	1,139,500
Total operating expenses	3,331,120	3,432,421	9,922,164	11,179,212
Operating income (loss)	350,219	(637,201)	503,638	(4,396,500)
Other income (expense):				
Interest income	11,082	14,029	52,910	45,183
Interest expense	(61,379)	(10,520)	(109,402)	(70,756)
Change in fair value of warrant liabilities	(1,308,954)	95,074	(1,249,456)	1,983,442
Total other income (expense), net	(1,359,251)	98,583	(1,305,948)	1,957,869
Loss before provision for income taxes	(1,009,032)	(538,618)	(802,310)	(2,438,631)
Provision for income taxes	(6,911)	-	(20,734)	-
Net loss	(1,015,943)	(538,618)	(823,044)	(2,438,631)
Cumulative preferred dividends	(332,226)	(332,226)	(664,452)	(664,452)
Net loss applicable to common shares	$ (1,348,169)	$ (870,844)	$ (1,487,496)	$ (3,103,083)
Net loss per common share (basic and diluted)	$ (0.04)	$ (0.03)	$ (0.05)	$ (0.10)
Weighted average number of common shares outstanding (basic and diluted)	32,821,345	32,466,528	32,690,374	32,400,049

See accompanying notes.

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

	Series A Convertible Preferred Stock		Common Stock		Accumulated	
	Shares	Amount	Shares	Amount	Deficit	Total
Balance, June 30, 2012	442,968	$ 3,138,056	32,510,069	$ 220,513,327	$ (201,996,361)	$ 21,655,022
Exercise of 96,086 warrants at $1.13 resulting in issuance of common stock			96,086	108,577		108,577
Cashless exercise of 36,186 warrants resulting in issuance of common stock			17,094	-		
Warrants issued in conjunction with Line of Credit Amendment			-	55,962		55,962
Issuance of fully-vested shares of common stock to employees and directors and vesting of shares under the 2010 Stock Incentive Plan			12,441	65,058		65,058
Issuance of fully-vested shares of common stock to employees and directors and vesting of shares under the 2011 Stock Incentive Plan			89,165	140,392		140,392
Issuance of fully-vested shares of common stock to employees and directors and vesting of shares under the 2012 Stock Incentive Plan			218,694	163,783		163,783
Retirement of common stock			(64,847)	(121,052)		(121,052)
Net loss	-	-	-	-	(823,044)	(823,044)
Balance, March 31, 2013	442,968	$ 3,138,056	32,878,702	$ 220,926,047	$ (202,819,405)	$ 21,244,698

See accompanying notes.

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

	Three months ended March 31,		Nine months ended March 31,	
	2013	2012	2013	2012
OPERATING ACTIVITIES:				
Net loss	$ (1,015,943)	$ (538,618)	$ (823,044)	$ (2,438,631)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Charges incurred in connection with the vesting and issuance of common stock for employee and director compensation	149,009	83,300	369,233	510,797
Change in fair value of warrant liabilities	1,308,954	(95,074)	1,249,456	(1,983,442)
Depreciation	1,003,610	631,330	2,742,196	1,747,445
(Gain) loss on disposal of property and equipment	(14,815)	13,844	(18,415)	1,841
Amortization	185,600	258,600	556,800	775,800
Non-cash interest and amortization of debt discount	26,934	-	26,934	-
Bad debt expense (recoveries), net	(1,599)	(3,788)	7,459	(45,356)
Provision for deferred tax liability	6,911	-	20,734	-
Changes in operating assets and liabilities:				
Accounts receivable	(1,212,990)	(484,290)	63,489	(451,770)
Finance receivables	22,714	(44,103)	47,416	(78,215)
Inventory	603,019	108,302	685,114	(562,988)
Prepaid expenses and other assets	59,841	(153,012)	51,730	(290,883)
Accounts payable	(1,115,013)	291,263	(803,875)	(1,030,781)
Accrued expenses	(223,669)	164,417	(1,792,479)	1,054,468
Net cash provided by (used in) operating activities	(217,437)	232,171	2,382,748	(2,791,715)
INVESTING ACTIVITIES:				
Purchase of property and equipment	(31,413)	(30,158)	(81,691)	(404,103)
Purchase of property for rental program	(1,778,344)	(1,226,518)	(6,320,514)	(3,282,512)
Proceeds from sale of property and equipment	18,908	-	18,908	-
Net cash used in investing activities	(1,790,849)	(1,256,676)	(6,383,297)	(3,686,615)
FINANCING ACTIVITIES:				
Net proceeds from the issuance (retirement) of common stock and exercise of common stock warrants	74,840	-	(12,475)	(2,031)
Proceeds from line of credit, net of repayments	1,000,000	-	2,000,000	-
Repayment of long-term debt	(164,363)	(111,841)	(465,084)	(317,115)
Net cash provided by (used in) financing activities	910,477	(111,841)	1,522,441	(319,146)
Net decrease in cash and cash equivalents	(1,097,809)	(1,136,346)	(2,478,108)	(6,797,476)
Cash and cash equivalents at beginning of period	5,046,346	7,330,381	6,426,645	12,991,511
Cash and cash equivalents at end of period	$ 3,948,537	$ 6,194,035	$ 3,948,537	$ 6,194,035
Supplemental disclosures of cash flow information:				
Cash paid for interest	$ 32,551	$ 11,619	$ 84,220	$ 28,419
Equipment and software acquired under capital lease	$ 80,883	$ -	$ 80,883	$ 495,955
Equipment and software financed with long-term debt	$ -	$ -	$ -	$ 40,871
Prepaid items financed with debt	$ 2,340	$ 28,419	$ 130,402	$ 28,419
Prepaid interest from issuance of warrants for debt costs	$ 55,962	$ -	$ 55,962	$ -
Disposal of property and equipment	$ 7,700	$ -	$ 7,700	$ 54,638
Reclass of rental program property to inventory	$ 2,296	$ -	$ 11,923	$ -
Depreciation expense allocated to cost of sales	$ 861,321	$ 498,071	$ 2,294,862	$ 1,383,745

See accompanying notes.

1. ACCOUNTING POLICIES

Business

USA Technologies, Inc. (the “Company”, “We” or “Our”), incorporated in the Commonwealth of Pennsylvania in January 1992, provides wireless networking, cashless transactions, asset monitoring and other value-added services principally to the small ticket unattended retail markets. Our ePort® technology, including the NFC-ready ePort® G8, can be installed and/or embedded into everyday devices such as vending machines, kiosks, and our eSuds™ technology is installed in washer and dryers. USA Technologies also provides other cashless acceptance technologies including its ePort Mobile™ for customers on the go, and QuickConnect™, an API Web service for developers. Our associated network service, ePort Connect®, is a PCI-compliant, comprehensive service that facilitates electronic payment options as well as telemetry and machine-to-machine (“M2M”) services, including wireless connectivity, all elements of payment processing, customer service and the ability to remotely monitor, control and report on the results of distributed assets containing our electronic payment solutions. In addition, the Company provides energy management products, such as its VendingMiser® and CoolerMiser™, which reduce energy consumption in vending machines and coolers.

Interim Financial Information

The accompanying unaudited consolidated financial statements of USA Technologies, Inc. have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements and therefore should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended June 30, 2012. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting of normal recurring adjustments, have been included. Operating results for the three and nine-month periods ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending June 30, 2013. The balance sheet at June 30, 2012 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

The Company has incurred losses of $1,015,943 and $823,044 for the three and nine-month periods ended March 31, 2013, the Company had incurred losses from its inception through June 30, 2012. Although the Company anticipates nearing profitability for the full 2013 fiscal year, profitability is not assured. The impact on profitability of future changes to the fair value of our warrant liabilities, which is subject to secondary market conditions, is not reasonably predictable. The Company’s ability to meet its future obligations is dependent upon the success of its products and services in the marketplace and the available capital resources. Until the Company’s products and services can generate sufficient annual cash flows, the Company will be required to use its cash and cash equivalents on hand, its line of credit, and may be required to raise equity capital to meet its cash flow requirements.

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 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.

Cash Equivalents

Cash equivalents represent all highly liquid investments with original maturities of three months or less. Cash equivalents are comprised of money market funds. The Company maintains its cash in bank deposit accounts, which may exceed federally insured limits at times.

At March 31, 2013 and June 30, 2012, none of the cash and cash equivalents of the Company was payable to our customers. Included in accounts receivable are amounts for transactions processed with our card processers for which cash has not been received by the Company and included in accounts payable are amounts for transactions processed with our card processers and due to our customers, which are recorded net of fees due to the Company. Generally, contractual terms require us to remit amounts owed to our customers on a weekly basis.

1. ACCOUNTING POLICIES (CONTINUED)

Finance Receivables

The Company offers extended payment terms to certain customers for equipment sales under its Quick Start Program. Notes receivable or Quick Start leases are generally for a 36 or 60 month term. Finance receivables are carried at their contractual amount and charged off against the allowance for credit losses when management determines that recovery is unlikely and the Company ceases collection efforts. The Company recognizes a portion of the note or lease payments as interest income in the accompanying consolidated financial statements based on the effective interest rate method.

Inventory

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

Fair Value of Financial Instruments

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2010-06, “Fair Value Measurements and Disclosures (“Topic 820”): Improving Disclosures about Fair Value Measurements.” ASU 2009-06 amends certain disclosure requirements of Subtopic 820-10. This ASU provides additional disclosures for transfers in and out of Levels 1 and 2 and for activity in Level 3. This ASU also clarifies certain other existing disclosure requirements including level of desegregation and disclosures around inputs and valuation techniques.

The Company’s financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

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

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

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

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

Property and Equipment

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

Accounting for Equity Awards

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

1. ACCOUNTING POLICIES (CONTINUED)

Income Taxes

A provision for income taxes of $6,911 and $20,734 (all deferred income taxes) was recorded for the three and nine months ended March 31, 2013. The provision for income taxes is not a function of nor related to the loss before provision for income taxes of $1,009,032 and $802,310 for the three and nine-month periods, respectively, because the Company has significant operating loss carryforwards that are available to negate any taxable income that would create current liabilities for income taxes. The provision for income taxes relates to the amortization of indefinite life intangible assets and goodwill that are being amortized for income tax purposes but not for financial reporting purposes giving rise to basis differences in such assets between financial and income tax reporting.

The Company has substantial operating loss carryforwards and other items that create net deferred tax assets that have been offset by a valuation allowance as the realization of the deferred tax assets is not likely, principally due to a lack of earnings history. The deferred tax liabilities related to the amortization of the indefinite life assets are not subject to offset against deferred tax assets with finite lives. As of March 31, 2013 and June 30, 2012, deferred tax liabilities of $33,333 and $12,599, respectively, were recorded for the potential future state and federal income tax effects for these basis differences.

There was no provision for income taxes for the three and nine months ended March 31, 2012.

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 year plus the effect of potential common shares unless such effect is anti-dilutive.

Reclassification

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

2. FINANCE RECEIVABLES

Finance Receivables consist of the following:

	March 31, 2013 (unaudited)	June 30, 2012
Total finance receivables	$ 495,431	$ 542,847
Less current portion	113,485	206,649
Non-current portion of finance receivables	$ 381,946	$ 336,198

As of March 31, 2013 and June 30, 2012, there was no allowance for credit losses of finance receivables. As the Company collects monthly payments of the receivables from the customers' transaction funds, the risk of loss was determined to be remote.

Credit Quality Indicators
As of March 31, 2013

Credit risk profile based on payment activity:

	Leases
Performing	$ 495,431
Nonperforming	-
Total	$ 495,431

2. FINANCE RECEIVABLES (CONTINUED)

Age Analysis of Past Due Finance Receivables
As of March 31, 2013

	31 – 60 Days Past Due	61 – 90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Finance Receivables
Leases	$ 9,277	$ -	$ -	$ 9,277	$ 486,154	$ 495,431
Total	$ 9,277	$ -	$ -	$ 9,277	$ 486,154	$ 495,431

3. ACCRUED EXPENSES

Accrued expenses consist of the following:

	March 31, 2013	June 30, 2012
	(unaudited)	
Accrued compensation and related sales commissions	$ 417,817	$ 767,926
Accrued professional fees	167,987	482,664
Accrued taxes and filing fees	553,997	663,078
Advanced customer billings	324,310	311,767
Accrued proxy contest and litigation costs	-	992,520
Accrued rent	242,551	278,862
Accrued other	269,556	271,880
	$ 1,976,218	$ 3,768,697

4. LINE OF CREDIT

On July 10, 2012, the Company entered into a Loan and Security Agreement and other ancillary documents (the "Loan Documents") with Avidbank Corporate Finance, a division of Avidbank (the "Bank"), providing for a secured asset-based revolving line of credit in an amount of up to $3.0 million (the "Line of Credit"). The Company intends to use advances under the Line of Credit towards the financing of growth initiatives like its JumpStart Program and other working capital needs.

The Loan Documents provide that the aggregate amount of advances under the Line of Credit shall not exceed the lesser of (i) $3.0 million, or (ii) 75% of eligible accounts receivable as defined in the Loan Documents plus 80% of the prior two months transaction processing revenues and networking service fees as defined in the Loan Documents, provided that the amounts advanced on account of such processing revenues and service fees shall not exceed $2,000,000 without the Bank's prior consent, after the First Amendment entered into on January 2, 2013.

As a condition of the Bank entering into the First Amendment, the Company issued to the Bank warrants to purchase up to 45,000 shares of common stock of the Company. The warrants are exercisable at any time prior to December 31, 2017 at an exercise price of $2.10 per share. Upon the issuance of the 45,000 shares of common stock, the fair value of the warrants is $55,962 using a Black Scholes model, which was recorded as prepaid interest and included in other assets on the consolidated Balance Sheet at March 31, 2013 and is being amortized as non-cash interest expense over the remaining term of the Line of Credit as amended in January 2013. Non-cash interest of $26,934 has been recognized for the quarter ended March 31, 2013.

The outstanding balance of the amounts advanced under the Line of Credit will bear interest at 2% above the prime rate as published in The Wall Street Journal or 5% whichever is higher. Interest is payable by the Company to the Bank on a monthly basis, provided, that the minimum interest payable by the Company to the Bank with respect to each six-month period shall be $20,000.

4. LINE OF CREDIT (CONTINUED)

The Line of Credit and the Company's obligations under the Loan Documents are secured by substantially all of the Company's assets, including its intellectual property. At the time of maturity all outstanding advances under the Line of Credit as well as any unpaid interest is due and payable. Prior to maturity of the Line of Credit, the Company may prepay amounts due under the Line of Credit without penalty, and subject to the terms of the Loan Documents, may re-borrow any such amounts.

On April 15, 2013, the Company and the Bank, entered into a Third Amendment (the "Third Amendment") to the Loan and Security Agreement. The Third Amendment provides that, among other things, the aggregate amount available under the Line of Credit will be increased from $3.0 million to $5.0 million, and the maturity date of the Line of Credit will be extended for another twelve months, or until June 21, 2014.

The Third Amendment provides that the aggregate amount of advances now available to the Company under the Line of Credit cannot exceed the lesser of (i) $5.0 million, or (ii) 80% of the prior three months transaction processing revenues and networking service fees as defined in the Loan Agreement.

The Loan Documents contain customary affirmative and negative covenants. The Loan Documents also require the Company to achieve a minimum Adjusted EBITDA, as defined in the Loan Documents, measured on a quarterly basis. Prior to the Third Amendment, the Company was required to maintain a balance of unrestricted cash in accounts with the Bank of at least $3.0 million. The Third Amendment provided that if the amount of the Company's monthly "net cash provided by (used in) operating activities" including Jumpstart investments, as set forth in the Company's monthly cash flow statements prepared in accordance with United States' Generally Accepted Accounting Principles ("GAAP") (the "RML") is negative, the Company must maintain a balance of unrestricted cash in accounts with the Bank plus the availability under the Line of Credit of at least six times the RML. If the RML is positive, then in lieu of the foregoing requirement, the Company must maintain a minimum ratio of current assets to current liabilities of at least 1.00 to 1.00.

On April 29, 2013, the Company and the Bank entered into a Fourth Amendment ("Fourth Amendment") to the Loan and Security Agreement to change the RML from the monthly "net cash provided by (used in) operating activities" including Jumpstart investments to the average monthly amount (based on the prior three months) of the Company's "net cash provided by (used in) operating activities" including JumpStart investments, as set forth in the Company's monthly cash flow statements prepared in accordance with GAAP.

The Loan Documents also contain customary events of default, including, among other things, payment defaults, breaches of covenants, and bankruptcy and insolvency events, subject to grace periods in certain instances. Upon an event of default, the Bank may declare all of the outstanding obligations of the Company under the Line of Credit and Loan Documents to be immediately due and payable, and exercise any other rights provided for under the Loan Documents. At March 31, 2013, the balance due on the Line of Credit was $2,000,000.

5. LONG-TERM DEBT

Long-term debt consists of the following:

	March 31, 2013	June 30, 2012
	(unaudited)	
Capital lease obligations	$ 365,515	$ 426,007
Loan agreement	109,016	302,323
	474,531	728,330
Less current portion	314,756	466,056
	$ 159,775	$ 262,274

During July 2012, the Company financed a portion of the premiums for various insurance policies totaling $128,062, due in ten monthly payments of $13,103 through May 2013 at an interest rate of 5.02%.

5. LONG-TERM DEBT (CONTINUED)

During January 2013, the Company entered into a capital lease for network equipment totaling approximately $45,000, due in thirty-seven monthly payments of $1,501 through December 2015 at an interest rate of 13.88%.

During March 2013, the Company entered into a capital lease for equipment to support customer service totaling approximately $15,000, due in thirty-six monthly payments of $464 through January 2016 at an interest rate of 7.40%.

During March 2013, the Company entered into a capital lease for network equipment totaling approximately $24,000, due in three annual installments of $8,686 through April 2015 at an interest rate of 4.89%.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the fair value hierarchy described in Note 2, the following table shows the fair value of the Company's financial instruments that are required to be measured at fair value as of March 31, 2013 and June 30, 2012:

March 31, 2013 (unaudited)	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 192,572	$ -	$ -	$ 192,572
Common stock warrant liability, warrants exercisable at $2.6058 from September 18, 2011 through September 18, 2016	$ -	$ -	$ 2,167,854	$ 2,167,854
Common stock warrant liability, warrants exercisable at $5.90 through September 14, 2013	$ -	$ -	$ 168	$ 168

June 30, 2012	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 141,107	$ -	$ -	$ 141,107
Common stock warrant liability, warrants exercisable at $2.6058 from September 18, 2011 through September 18, 2016	$ -	$ -	$ 917,440	$ 917,440
Common stock warrant liability, warrants exercisable at $5.90 through September 14, 2013	$ -	$ -	$ 1,126	$ 1,126

As of March 31, 2013 and June 30, 2012, the fair values of the Company's Level 1 financial instruments were $192,572 and $141,107, respectively. These financial instruments consist of cash equivalents, including money market accounts. As of March 31, 2013 and June 30, 2012, the Company held no Level 2 financial instruments.

As of March 31, 2013 and June 30, 2012, the fair values of the Company's Level 3 financial instruments totaled $2,168,022 and $918,566, respectively. The Level 3 financial instruments consist of common stock warrants issued by the Company in March 2011 and March 2007, which include features requiring liability treatment of the warrants. The fair value of warrants issued in March 2011 to purchase 3.9 million shares of the Company's common stock is based on valuations performed by an independent third party valuation firm. The fair value was determined using proprietary valuation models using the quality of the underlying securities of the warrants, restrictions on the warrants and security underlying the warrants, time restrictions and precedent sale transactions completed in the secondary market or in other private transactions. As of March 31, 2013, the fair value of warrants issued in March 2007 to purchase 903,955 shares of the Company's common stock was estimated by the Company to be $168 using the Black-Scholes with the following assumptions: dividend yield of 0%, expected stock price volatility of 0.54, risk free interest rate of 0.11%, and an expected life of six months. There were no transfers of assets or liabilities between level 1, level 2, or level 3 during the periods ended March 31, 2013 and June 30, 2012.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarizes the changes in fair value of the Company's Level 3 financial instruments for the nine months ended March 31, 2013 and 2012:

	Nine months ended March 31, 2013	Nine months ended March 31, 2012
	(unaudited)	(unaudited)
Balance, Beginning of period	$ 918,566	$ 2,732,253
Purchase, sales, issuance, settlements, or transfers	-	-
Gain (loss) due to change in fair value of warrant liabilities, net	(1,249,456)	1,983,442
Balance, End of period	$ 2,168,022	$ 748,811

7. COMMON STOCK AND COMMON STOCK WARRANTS

Under the 2010 Stock Incentive Plan, the Company recorded stock compensation expense of $15,074 and $65,058 and issued 500 and 12,441 shares of Common stock during the three and nine months ended March 31, 2013. The fiscal year to date expenses for the vesting of shares of Common Stock as of March 31, 2013 related to the following: $29,375 for shares granted under employment agreements entered into with its executive officers in April 2011; $14,921 for shares granted to Directors of the Company in June 2011 and March 2012; $19,038 for shares issued to Company Directors in lieu of cash payment; and $1,724 for shares granted to an employee.

In July 2012, the Board of Directors accepted the recommendation of the Compensation Committee that each of the three non-employee Directors who joined the Board after March 31, 2012 receive a stock award of 10,000 shares of Common Stock. Under the 2011 Stock Incentive Plan (the "2011 Plan") 30,000 shares of Common Stock were awarded with a grant date fair value of $1.45 per share, and vest as follows: 9,999 on August 10, 2012; 9,999 on August 10, 2013; and, 10,002 on August 10, 2014. Under the 2011 Plan the Company recorded stock compensation expense of $28,697 and $140,392 and issued 10,454 and 89,165 shares of Common stock during the three and nine months ended March 31, 2013, respectively. The fiscal year to date expenses for the vesting of shares of Common Stock as of March 31, 2013 related to the following: $44,532 for shares granted under employment agreements entered into with its executive officers in September 2011; $38,160 of expenses related to vesting of shares granted to employees in April 2012; $28,999 of expenses related to vesting of shares granted to Directors of the Company in July 2012; and $28,701 for shares issued to Company Directors in lieu of cash payment.

In September 2012, the Board of Directors accepted the recommendation of the Compensation Committee granted and 71,429 shares of Common Stock with a grant date fair value of $100,000 to its Chief Executive Officer ("CEO Incentive Plan") under the 2012 Stock Incentive Plan (the "2012 Plan") to vest over a period of up to three years based on performance of the Company's Common Stock. In October 2012, the Company adopted a plan pursuant to which up to 60,000 shares of Common stock would be awarded to employees based on various performance targets of the Company for the 2013 fiscal year. The Company recorded stock compensation expense of $105,238 and $163,783 and issued 46,696 and 218,694 shares of Common Stock during the three and nine months ended March 31, 2013. The fiscal year to date expenses for the vesting of shares of Common Stock as of March 31, 2013 related to the following: $33,334 for shares granted to an executive officer in September 2012 under the CEO Incentive Plan and which become vested in March 2013; $102,261 for shares issued to Company Directors in lieu of cash payment; and $28,188 for shares granted to employees in October 2012. 58,599 shares of Common Stock were issued to Company Directors in lieu of cash payment for compensation for services to the Company in the nine months ended March 31, 2013. 136,285 shares of Common Stock were issued to its executive officers under the Fiscal Year 2012 Performance Share Plan (the "2012 Performance Plan") after the filing of the Company's form 10-K on September 26, 2012; and, 23,810 shares of Common Stock were issued for the CEO Incentive Plan which became vested in March 2013.

On September 5, 2012, at the recommendation of the Compensation Committee, the board of directors adopted the Fiscal Year 2013 Performance Share Plan (the "2013 Performance Plan") covering the Company's executive officers. Under the 2013 Performance Plan, each executive officer would be awarded common stock in the event the Company achieves certain performance goals during the fiscal year ending June 30, 2013. The metrics under the 2013 Performance Plan as well as the relative weightings of these metrics are identical to those originally set forth in the 2012 Performance Plan. No awards would be made under the 2013 Performance Plan if either (i) none of the minimum, threshold performance target goals has been achieved, or (ii) if operating earnings for the 2013 fiscal year are not equal or better than those during the 2012 fiscal year.

7. COMMON STOCK AND COMMON STOCK WARRANTS (CONTINUED)

If all of the target goals are achieved under the 2013 Performance Plan, the executive officers would be awarded shares having the following value: Mr. Herbert – $275,000; and Mr. DeMedio – $100,000. If all of the minimum, threshold performance target goals are achieved, the executive officers would be awarded shares having the following value: Mr. Herbert – $75,000; and Mr. DeMedio – $25,000. If all of the maximum, distinguished performance target goals are achieved, the executive officers would be awarded shares having the following value: Mr. Herbert – $550,000; and Mr. DeMedio – $200,000. If the actual results for the fiscal year are less than the target goals (but greater than the minimum, threshold performance target goals), each executive would be awarded a lesser pro rata number of shares from the target goal, if actual results are between target and maximum, then a pro rata number of shares between target and maximum is earned, and if actual results are above maximum (distinguished) than pro rata shares above maximum is earned.

As of September 5, 2012 and through March 31, 2013, there were not sufficient shares for the maximum awards available under the existing 2012 stock incentive plan or another stock plan that had been approved by the shareholders of the Company. Therefore, in accordance with ASC Topic 718, “Stock Compensation”, this award is accounted for as a liability of the Company. As of March 31, 2013 and for the three and nine months then ended the Company recorded a liability as if the award will be settled in cash of $42,200 and recorded an expense reversal and expense of $45,537 and $42,200, respectively, as its estimate of the award earned by Messrs. Herbert and DeMedio.

As of March 31, 2012, the Company recorded a liability of $114,117, and expense for the three and nine months then ended of $47,549 and $114,117, respectively, for the 2012 Performance Plan.

During the three and nine months ended March 31, 2012, the Company recorded stock compensation expense of $83,300 and $510,797, and issued 5,480 and 195,278 shares of Common Stock, respectively. The 2012 fiscal year to date expenses for the vesting of shares of Common Stock as of March 31, 2012 related to the following: $109,980 of expense associated with severance for our former CEO; $124,842 and $210,186 for grants to the executive officers in April and September 2011, respectively; $6,991 of expenses related to vesting of shares granted to employees in June 2011; $43,798 of expenses related to vesting of shares granted to Directors of the Company in June 2011; and $15,000 for shares issued to Company Directors in lieu of cash payment.

In the nine months ended March 31, 2012, executive officers exercised their right to cancel shares of common stock awarded to them under prior employment agreements and the 2012 Performance Plan for the payment of payroll taxes. In total 64,847 shares of the Company’s Common Stock were cancelled to satisfy $121,052 of related payroll obligations.

Warrants to purchase up to 291,432 shares of Common Stock, issued in conjunction with the 2009 Rights Offering, exercisable at $2.20 per share expired unexercised on August 6, 2012; and, warrants to purchase up to 17,532 shares of Common Stock, issued in 2007, exercisable at $7.70 per share expired unexercised on October 17, 2012. Warrants issued under the 2010 Public Offering were exercised in the nine months ended March 31, 2013, resulting in the issuance of 96,086 shares of Common Stock at $1.13; in addition, broker-dealers exercised warrants issued through the 2010 Public and Rights Offerings resulting in the issuance of 17,094 shares of Common stock and the cancellation of 19,092 warrants for the cashless exercises.

8. COMMITMENTS

The Company leases space in Malvern, Pennsylvania for its product warehousing, shipping and customer support. In October 2011, the Company amended the lease of its operations site in Malvern, Pennsylvania, to extend the lease term from December 31, 2011 to December 31, 2012. The amendment includes monthly rental payments of approximately $15,100 to $16,200. Beginning in January 2012 the straight-lined rent expense for this office is approximately $15,600 per month for the duration of the amended lease period. In November 2012, the Company amended and extended this lease to January 31, 2013 with monthly rent of $16,721 for January 2013.

In November 2012, the Company entered into a lease for a new operations site in Malvern, Pennsylvania to replace its existing site and lease. The lease term for the 11,250 square feet of space is January 1, 2013 through February 29, 2016. The lease includes monthly rental payments from $0 to $4,678. Beginning in January 2013 the straight-lined rent expense for this operations site is approximately $4,300 per month for the duration of the lease period.

9. SUBSEQUENT EVENTS

Line of Credit

On April 15, 2013, USA Technologies, Inc. (the “Company”) and Avidbank Corporate Finance, a division of Avidbank (the “Bank”), entered into a Third Amendment (the “Third Amendment”) to the Loan and Security Agreement dated as of June 21, 2012 previously entered into by them, as amended by a First Amendment thereto dated as of January 1, 2013, and by a Second Amendment thereto dated as of April 2, 2013 (collectively, the “Loan Agreement”). The Loan Agreement provides for a secured asset-based revolving line of credit facility (the “Line of Credit”). The Third Amendment provides that, among other things, the aggregate amount available under the Line of Credit will be increased from $3.0 million to $5.0 million, and the maturity date of the Line of Credit will be extended for another twelve months, or until June 21, 2014.

Prior to the Third Amendment, the aggregate amount of advances available to the Company under the Line of Credit could not exceed the lesser of (i) $3.0 million, or (ii) 75% of eligible accounts receivable as defined in the Loan Agreement plus 80% of the prior two months transaction processing revenues and networking service fees as defined in the Loan Agreement, provided that the amounts advanced on account of such processing revenues and service fees could not exceed $2.0 million without the Bank’s prior consent.

The Third Amendment provides that the aggregate amount of advances now available to the Company under the Line of Credit cannot exceed the lesser of (i) $5.0 million, or (ii) 80% of the prior three months transaction processing revenues and networking service fees as defined in the Loan Agreement.

Prior to the Third Amendment, the Company was required to maintain a balance of unrestricted cash in accounts with the Bank of at least $3.0 million. The Third Amendment now provides that if the amount of the Company’s monthly “net cash provided by (used in) operating activities” including Jumpstart investments, as set forth in the Company’s monthly cash flow statements prepared in accordance with GAAP (the “RML”) is negative, the Company must maintain a balance of unrestricted cash in accounts with the Bank plus the availability under the Line of Credit of at least six times the RML. If the RML is positive, then in lieu of the foregoing requirement, the Company must maintain a minimum ratio of current assets to current liabilities of at least 1.00 to 1.00.

On April 29, 2013, the Company and the Bank entered into a Fourth Amendment (“Fourth Amendment”) to the Loan and Security Agreement to change the RML from the monthly “net cash provided by (used in) operating activities” including Jumpstart investments to the average monthly amount (based on the prior three months) of the Company’s “net cash provided by (used in) operating activities” including JumpStart investments, as set forth in the Company’s monthly cash flow statements prepared in accordance with GAAP.

Common Stock

In April 2013, based on performance of the Company’s Common Stock an additional, 23,810 shares of Common Stock became vested under the CEO Incentive Plan (see Note 7).

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

Forward-Looking Statements

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

- general economic, market or business conditions;
- the ability of the Company to generate sufficient sales to generate operating profits, or to conduct operations at a profit;
- the ability of the Company to raise funds in the future through sales of securities in order to sustain its operations if an unexpected or unusual event would occur;
- the ability of the Company to compete with its competitors to obtain market share;
- whether the Company's current or future customers purchase, rent or utilize ePort devices or our other products in the future at levels currently anticipated by our Company, including appropriate diversification resulting from sources other than our JumpStart Program;
- whether the Company's current customers continue to add additional connections to our network in the future at levels currently anticipated by the Company;
- whether the Company's customers continue to utilize the Company's transaction processing and related services, as our customer agreements are generally cancelable by the customer on thirty to sixty days' notice;
- whether the significant increase in the interchange fees charged by Visa and MasterCard for small ticket debit card transactions effective October 1, 2011, would adversely affect our business, including our revenues, gross profits, and anticipated future connections to our network;
- 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;
- the ability of the Company to satisfy its trade obligations included in accounts payable and accrued expenses;
- the incurrence by us of any unanticipated or unusual non-operating expenses which would require us to divert our cash resources from achieving our business plan, including the commercial production and introduction of our next generation G-9 and G-10 devices;
- the ability of the Company to predict or estimate its future quarterly or annual revenues and expenses given the developing and unpredictable market for its products;
- the ability of the Company to retain key customers from whom a significant portion of its revenues is derived;
- the ability of a key customer to reduce or delay purchasing products from the Company;
- the ability of the Company to obtain widespread commercial acceptance of its products;
- whether any patents issued to the Company will provide the Company with any competitive advantages or adequate protection for its products, or would be challenged, invalidated or circumvented by others; and
- whether our suppliers would increase their prices, reduce their output or change their terms of sale.

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

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

RESULTS OF OPERATIONS

Three months ended March 31, 2013 compared to the three months ended March 31, 2012

Results for the fiscal quarter ended March 31, 2013 continued to demonstrate significant growth and improvements in the Company's operations as compared to the quarter ended March 31, 2012. Highlights of year over year improvements include:

- Total revenue up 19%;
- Gross profit dollars up 32%
- Recurring license and transaction fee revenue up 26%;
- GAAP net loss of ($1.0) million (includes $1.3 million non-cash charge for change in fair value of warrants), from a GAAP net loss of ($0.5) million (includes $0.1 million benefit for fair value of warrants); and,
- Non-GAAP net income of $293,011, up from a non-GAAP net loss of ($633,692) in the same quarter a year ago.

Revenues for the quarter ended March 31, 2013 were $8,980,804, consisting of $7,562,589 of license and transactions fees and $1,418,215 of equipment sales, compared to $7,527,051 for the quarter ended March 31, 2012, consisting of $5,985,052 of license and transaction fees and $1,541,999 of equipment sales. The increase in total revenue of $1,453,753, or 19%, was primarily due to an increase in license and transaction fees of $1,577,537, or 26%, offset by a decrease in equipment sales of $123,784 or 8%, from the same period in the prior year.

Revenue from license and transaction fees is fueled primarily by monthly ePort Connect® service fees and transaction processing fees. License and transaction fee highlights for the quarter ended March 31, 2013 included:

- Revenue from license and transaction fees grew 26%, to approximately $7.6 million for the third quarter of fiscal 2013 from $6.0 million for the same period a year ago. These recurring revenues represented 84% and 80% of total revenue for the third quarter of fiscal 2013 and 2012, respectively;
- Gross profit margin improvement of approximately 4 percentage points to 41% for the third quarter fiscal 2013 compared to 37% a year ago;
- Increases in the number of small-ticket, credit/debit transactions and dollars handled in the third quarter of 26% and 29%, respectively, compared to the same period a year ago;
- 21%, or 425 more ePort Connect customers added in the current quarter than the prior year third quarter, for 4,525 customers at March 31, 2013; and
- As of March 31, 2013, the Company had approximately 196,000 connections to the ePort Connect service as compared to approximately 148,000 connections to the ePort Connect service as of March 31, 2012.

The increase in license and transaction fees was due to the growth in ePort Connect service fees and transaction dollars handled from the increased number of connections to our ePort Connect service. As of March 31, 2013, the Company had approximately 196,000 connections to the ePort Connect service as compared to approximately 148,000 connections to the ePort Connect service as of March 31, 2012. During the quarters ended March 31, 2013 and 2012, the Company added approximately 10,000 and 12,000, respectively, net connections to our network.

Pursuant to its agreements with customers, in addition to ePort Connect service fees the Company earns transaction processing fees equal to a percentage of the dollar volume processed by the Company. During the quarter ended March 31, 2013, the Company processed approximately 32.4 million transactions totaling approximately $54.5 million compared to approximately 25.7 million transactions totaling approximately $42.4 million during the quarter ended March 31, 2012, an increase of approximately 26% in the number of transactions and approximately 29% in the value of transactions processed.

It typically takes 30-60 days for a new connection to begin contributing to the Company's license and transaction fee revenues. The Company counts its ePort Connect connections upon shipment of an active terminal to a customer under contract, at which time activation on its network is performed by the Company, and the terminal is capable of conducting business via the Company's network and related services. An ePort Connect connection does not necessarily mean that the unit is actually installed by the customer on a machine, or that the unit has begun processing transactions, or that the Company has begun receiving monthly service fees in connection with the unit. Rather, at the time of shipment of the ePort, the customer becomes obligated to pay the one-time activation fee, and is obligated to pay monthly service fees in accordance with the terms of the customer's contract with the Company. We anticipate that our license and transaction fee revenues would continue to increase if the number of connections to our network would continue to increase.

New ePort Connect customers added during the quarter ended March 31, 2013 totaled 425, bringing the total number of such customers to approximately 4,525 as of March 31, 2013. The Company added approximately 350 new customers in the quarter ended March 31, 2012. By comparison, the Company had approximately 2,850 customers as of March 31, 2012, representing a 59% increase during the past twelve months.

The $123,784 decrease in equipment sales was mainly a result of a decrease of approximately $137,000 in Energy products, offset by an increase of approximately $13,000 in ePort and other product sales. The $137,000 decrease in Energy products is directly attributable to selling fewer units during the quarter ended March 31, 2013 than during the quarter ended March 31, 2012.

Cost of sales consisted of cost of services for license and transaction fee related costs of $4,525,244 and $3,749,862 and equipment costs of $774,221 and $981,969, for the quarters ended March 31, 2013 and 2012, respectively. The increase in total cost of sales of $567,634, or 12%, was due to an increase in cost of services of $775,382 and a decrease in equipment costs of $207,748. The increase in cost of services was predominantly related to increases in units connected to the network and increases in transaction dollars processed. Of the $208,000 decrease in equipment costs, $119,000 and $76,000 is directly attributable to decrease in number of Energy & ePort products sold, respectively, during the quarter ended March 31, 2013 than during the quarter ended March 31, 2012. Gross profit ("GP") for the quarter ended March 31, 2013 was $3,681,339 compared to GP of $2,795,220 for the previous corresponding quarter, an increase of $886,119, of which $802,155 represents increases attributable to license and transaction fees and $83,964 of greater equipment sales GP. Overall margins increased from 37% to 41% due to license and transaction fees margins having increased from 37% to 40% and by equipment sales margins having increased from 36% to 45%. Improved license and transaction fee margins are due to increased efficiencies stemming from new and/or renegotiated partnership agreements as well as a larger ePort Connect service base.

Selling, general and administrative ("SG&A") expenses of $3,003,231 for the quarter ended March 31, 2013, decreased by $37,331, or 1%, from the same quarter in the prior fiscal year. Quarter over quarter, SG&A activity was fairly consistent.

Other income and expense for the quarter ended March 31, 2013, mostly consisted of $1,308,954 of non-cash charges for the change in the fair value ("FV") of the Company's warrant liabilities. Factors affecting the change in fair value include the increase in the Black-Scholes value ("BSV") of the warrants and the decrease in the discount from the BSV to the FV due to the Company's increased market capitalization (rising stock price during the quarter fueled the increase), and the decreasing volatility of the Company's Common Stock. In the same quarter a year ago, the Company had a non-cash gain of $95,074 for the same warrant liabilities.

The quarter ended March 31, 2013 resulted in a net loss of $1,015,943 compared to a net loss of $538,618 for the quarter ended March 31, 2012, an increased loss of $477,325 from the prior corresponding fiscal quarter. For the fiscal quarters ended March 31, 2013 and 2012, the loss per common share (basic and diluted) was $0.04 and $0.03, respectively.

Non-GAAP net income was $293,011, compared to a non-GAAP net loss of $633,692 for the third quarters of fiscal 2013 and 2012, respectively. Management believes that non-GAAP net income (loss) and non-GAAP diluted earnings (loss) per common share are important measures of USAT's business. Management uses the aforementioned non-GAAP measures to monitor and evaluate ongoing operating results and trends and to gain an understanding of our comparative operating performance. We believe that these non-GAAP financial measures serve as useful metrics for our management and investors because they enable a better understanding of the long-term performance of our core business and facilitate comparisons of our operating results over multiple periods, and when taken together with the corresponding GAAP (United States' Generally Accepted Accounting Principles) financial measures and our reconciliations, enhance investors' overall understanding of our current and future financial performance.

Reconciliation of net loss to Non-GAAP net income (loss) for the quarters ended March 31, 2013 and 2012 is as follows:

	Three months ended March 31, 2013	Three months ended March 31, 2012
Net loss	$ (1,015,943)	$ (538,618)
Non-GAAP adjustments:		
Fair value of warrant adjustment	1,308,954	(95,074)
Non-GAAP net income (loss)	$ 293,011	$ (633,692)
Net loss	$ (1,015,943)	$ (538,618)
Non-GAAP net income (loss)	$ 293,011	$ (633,692)
Cumulative preferred dividends	(332,226)	(332,226)
Net loss applicable to common shares	$ (1,348,169)	$ (870,844)
Non-GAAP net loss applicable to common shares	$ (39,215)	$ (965,918)
Weighted average number of common shares outstanding (basic and diluted)	32,821,345	32,466,528
Net loss per common share (basic and diluted)	$ (0.04)	$ (0.03)
Non-GAAP net loss per common share (basic and diluted)	$ (0.00)	$ (0.03)

As used herein, non-GAAP net income (loss) represents GAAP net loss excluding costs relating to any adjustment for fair value of warrant liabilities. As used herein, non-GAAP loss per common share is calculated by dividing non-GAAP net loss applicable to common shares by the weighted average number of shares outstanding.

For the quarter ended March 31, 2013, the Company had Adjusted EBITDA of $1,688,438. Reconciliation of net loss to Adjusted EBITDA for the quarters ended March 31, 2013 and 2012 is as follows:

	Three months ended March 31, 2013	Three months ended March 31, 2012
Net loss	$ (1,015,943)	(538,618)
Less interest income	(11,082)	(14,029)
Plus interest expense	61,379	10,520
Plus income tax expense	6,911	-
Plus depreciation expense	1,003,610	631,330
Plus amortization expense	185,600	258,600
Less change in fair value of warrant liabilities	1,308,954	(95,074)
Plus stock-based compensation	149,009	83,300
Adjusted EBITDA	$ 1,688,438	$ 336,029

As used herein, Adjusted EBITDA represents net loss before interest income, interest expense, income taxes, depreciation, amortization, change in fair value of warrant liabilities, stock-based compensation expense, and impairment expense on intangible assets. We have excluded the non-operating item, change in fair value of warrant liabilities, because it represents a non-cash charge that is not related to the Company’s operations. We have excluded the non-cash expenses, stock-based compensation, and impairment expense, as they do not reflect the cash-based operations of the Company. Adjusted EBITDA is a non-GAAP financial measure, which is not required by or defined under GAAP. The presentation of this financial measure is not intended to be considered in isolation or as a substitute for the financial measures prepared and presented in accordance with GAAP, including the net income or net loss of the Company or net cash used in operating activities. Management recognizes that non-GAAP financial measures have limitations in that they do not reflect all of the items associated with the Company’s net income or net loss as determined in accordance with GAAP, and are not a substitute for or a measure of the Company’s profitability or net earnings. Adjusted EBITDA is presented because we believe it is useful to investors as a measure of comparative operating performance and liquidity, and because it is less susceptible to variances in actual performance resulting from depreciation and amortization and non-cash charges for changes in fair value of warrant liabilities and stock-based compensation expense.

Nine months ended March 31, 2013 compared to the nine months ended March 31, 2012

Results for the nine-month period ended March 31, 2013 continued to demonstrate significant growth and improvements in the Company's operations as compared to the nine months ended March 31, 2012. Highlights of year over year improvements include:

- Total revenue up 24%;
- Gross profit dollars up 54%;
- Recurring license and transaction fee revenue up 29%;
- GAAP net loss of ($0.8) million (includes $1.2 million non-cash charge for change in fair value of warrants), from a GAAP net loss of ($2.4) million (includes $2.0 million benefit for fair value of warrants); and,
- Non-GAAP net income of $754,412, up from a non-GAAP net loss of ($3,447,073).

Revenues for the nine-month period ended March 31, 2013 were $26,255,403, consisting of $21,872,187 of license and transactions fees and $4,383,216 of equipment sales, compared to $21,114,397 for the nine-month period ended March 31, 2012, consisting of $16,988,179 of license and transaction fees and $4,126,218 of equipment sales. The increase in total revenue of $5,141,006, or 24%, was primarily due to an increase in license and transaction fees of $4,884,008, or 29%.

License and transaction fee highlights for the nine-month period ended March 31, 2013 included:

- Revenue from license and transaction fees, which is fueled primarily by monthly ePort Connect® service fees and transaction processing fees, grew 29%, to approximately $21.9 million for the first nine months of fiscal 2013 from $17.0 million for the same period a year ago. These recurring revenues represented 83% and 80% of total revenue for the first nine months of fiscal 2013 and 2012, respectively;
- Gross profit margin improvement of approximately 8 percentage points to 40% gross margins for the first nine months of fiscal 2013 compared to 32% a year ago;
- Increases in the number of small-ticket, credit/debit transactions and dollars handled in the first nine months of fiscal 2013 of 23% and 26%, respectively, compared to the same period a year ago; and,
- 36%, or 1,225 new ePort Connect customers added in the first nine months of fiscal 2013, for 4,525 customers at March 31, 2013.

As of March 31, 2013, the Company had approximately 196,000 connections to the ePort Connect service as compared to approximately 148,000 connections to the ePort Connect service as of March 31, 2012. During the nine-month periods ended March 31, 2013 and 2012, the Company added approximately 32,000 and 29,000 net connections to our network, representing a 4,000 connection increase, or 14%. JumpStart units represented approximately 80% and 50% of net connections added during the first nine months of the 2013 and 2012 fiscal years, respectively, which also contribute to license and transaction fee revenue.

Pursuant to its agreements with customers, the Company in addition to ePort Connect service fees earns transaction processing fees equal to a percentage of the dollar volume processed by the Company, which are included as licensing and transaction processing revenues in its Consolidated Statements of Operations. During the nine-month period ended March 31, 2013, the Company processed approximately 92.6 million transactions totaling approximately $156 million compared to approximately 75.3 million transactions totaling approximately $124 million during the nine-month period ended March 31, 2012, an increase of approximately 23% in the number of transactions and approximately 26% in the value of transactions processed.

It typically takes 30-60 days for a new connection to begin contributing to the Company's license and transaction fee revenues. The Company counts its ePort Connect connections upon shipment of an active terminal to a customer under contract, at which time activation on its network is performed by the Company, and the terminal is capable of conducting business via the Company's network and related services. An ePort Connect connection does not necessarily mean that the unit is actually installed by the customer on a machine, or that the unit has begun processing transactions, or that the Company has begun receiving monthly service fees in connection with the unit. Rather, at the time of shipment of the ePort, the customer becomes obligated to pay the one-time activation fee, and is obligated to pay monthly service fees in accordance with the terms of the customer's contract with the Company. We anticipate that our license and transaction fee revenues would continue to increase if the number of connections to our network would continue to increase.

In addition, our customer base increased with approximately 1,225 new ePort Connect customers during the nine-month period ended March 31, 2013 bringing the total number of such customers to approximately 4,525 as of March 31, 2013. The Company added approximately 900 new customers in the nine-month period ended March 31, 2012. By comparison, the Company had approximately 2,850 customers as of March 31, 2012, representing a 59% increase during the past twelve months.

The $256,998 increase in equipment sales was mainly a result of an increase of approximately $740,000 in ePort product sales, offset by a decrease of approximately $459,000 in Energy products. The $740,000 increase in ePort products was directly attributable selling more units during the nine-month period ended March 31, 2013 than during the nine-month period ended March 31, 2012, as well as a $301,000 increase in activation fees on connections in the period compared to the prior year. In addition, we had approximately $250,000 net revenues under various special projects for customers. The $459,000 decrease in Energy products is directly attributable to selling fewer units during the nine-month period ended March 31, 2013 than during the nine-month period ended March 31, 2012. Cost of sales consisted of cost of services for network and transaction fee related costs of $13,080,816 and $11,494,690 and equipment costs of $2,748,785 and $2,836,995, for the nine-month periods ended March 31, 2013 and 2012, respectively. The increase in total cost of sales of $1,497,916 was due to an increase in cost of services of $1,586,126, which was offset by a decrease in equipment costs of $88,210. The increase in cost of services was predominantly related to increases in units connected to the network and increases in transaction dollars processed. The overall decrease in equipment costs is predominately attributable to selling fewer Energy products, which was partially offset by selling more ePort units during the nine-month period ended March 31, 2013 than during the nine-month period ended March 31, 2012.

GP for the nine-month period ended March 31, 2013 was $10,425,802 compared to GP of $6,782,712 for the previous corresponding nine-month period, an increase of $3,643,090, of which $3,297,882 represents increases attributable to license and transaction fees and $345,208 equipment sales GP. Overall margins increased from 32% to 40% due to license and transaction fees margins having increased from 32% to 40% and by equipment sales margins having increased from 31% to 37%. License and transaction fee margins increased due to improved efficiencies stemming from recent partnership agreements as well as a larger ePort Connect service base. The year ago period’s margin of 32% was negatively impacted by approximately $316,000 of costs associated with higher regulated debit interchange acceptance prior to the Company entering into its agreement with Visa (see following paragraph), as well as other actions it took to bring the cost of accepting debit transactions to pre-Durbin levels. The current period was not impacted by these higher interchange costs due to the extension of the Visa Agreement in October 2012.

On October 9, 2012, the Company and Visa U.S.A. Inc. entered into a First Amendment (the “First Amendment”) to the agreement that had been previously entered into between them on October 12, 2011 (the “Agreement”). Pursuant to the First Amendment, the original one-year term of the Agreement has been extended until October 31, 2013, and will automatically renew for an additional year, or until October 31, 2014, unless either party would provide at least 60-days prior notice of non-renewal. Pursuant to the Agreement, Visa has agreed to make available to the Company reduced interchange fees for debit card transactions. These reduced interchange fees will allow the Company to continue to accept Visa’s debit card products during the term of the Agreement, as amended, without adversely impacting the Company’s historical gross profit from license and transaction fee revenues.

Selling, general and administrative (“SG&A”) expenses of $8,918,030 for the nine-month period ended March 31, 2013, decreased by $1,121,682, or 11%, from the same nine-month period ended in the prior fiscal year. Approximately $647,000 of this decrease was attributable to approximately $975,000 in charges related to costs associated with the investigation and separation of our former CEO during the nine-month period ended March 31, 2012 not occurring in the March 31, 2013 nine-month period, offset by approximately $328,000 in charges related to the proxy contest and related litigation included in the $8,918,030 of SG&A expenses during the nine-month period ended March 31, 2013 and not in the nine-month period ended March 31, 2012.

Outside of the proxy contest and related litigation expenses of the current year, offset by the former CEO separation costs of the prior year, SG&A expenses decreased an additional $474,682, or 5%, in the nine-month period ended March 31, 2013 as compared to the nine-month period ended March 31, 2012. This decrease in expenses is due primarily to $320,000 decrease in employee compensation and benefit costs, mostly associated with the elimination of one executive position (our former CEO) in October 2011, and $160,000 of sales tax expenses in the prior year resulting from a state audit.

Other income and expense for the nine months ended March 31, 2013, mostly consisted of $1,249,456 of non-cash expenses for the change in the fair value (“FV”) of the Company’s warrant liabilities. Factors affecting the change in fair value include the increase in the Black-Scholes value (“BSV”) of the warrants and the decrease in the discount from the BSV to the FV due to the Company’s increased market capitalization (rising stock price during the quarter fueled the increase), and the decreasing volatility of the Company’s Common Stock. In the same period a year ago, the Company had a non-cash gain of $1,983,442 for the same warrant liabilities.

The nine-month period ended March 31, 2013 resulted in net loss of $823,044 compared to a net loss of $2,438,631 for the nine-month period ended March 31, 2012, an improvement of $1,615,587 from the prior corresponding fiscal period. For the nine-month period ended March 31, 2013 and 2012, the loss per common share (basic and diluted) was $0.05 and $0.10, respectively.

Non-GAAP net income was $754,412, compared to a non-GAAP net loss of $3,447,073 for the nine months ended March 31, 2013 and 2012, respectively. Management believes that non-GAAP net income (loss) and non-GAAP diluted earnings (loss) per common share are important measures of USAT’s business. Management uses the aforementioned non-GAAP measures to monitor and evaluate ongoing operating results and trends and to gain an understanding of our comparative operating performance. We believe that these non-GAAP financial measures serve as useful metrics for our management and investors because they enable a better understanding of the long-term performance of our core business and facilitate comparisons of our operating results over multiple periods, and when taken together with the corresponding GAAP financial measures and our reconciliations, enhance investors’ overall understanding of our current and future financial performance.

Reconciliation of net loss to Non-GAAP net income (loss) for the nine months ended March 31, 2013 and 2012 is as follows:

	Nine months ended March 31,	
	2013	2012
Net loss	$ (823,044)	$ (2,438,631)
Non-GAAP adjustments:		
Operating expenses		
Selling, general and administrative:		
Proxy related costs	328,000	-
CEO Separation	-	975,000
Fair value of warrant adjustment	1,249,456	(1,983,442)
Non-GAAP net income (loss)	$ 754,412	$ (3,447,073)
Net loss	$ (823,044)	$ (2,438,631)
Non-GAAP net income (loss)	$ 754,412	$ (3,447,073)
Cumulative preferred dividends	(664,452)	(664,452)
Net loss applicable to common shares	$ (1,487,496)	$ (3,103,083)
Non-GAAP net income (loss) applicable to common shares	$ 89,960	$ (4,111,525)
Weighted average number of common shares outstanding (basic and diluted)	32,690,374	32,400,049
Net loss per common share (basic and diluted)	$ (0.05)	$ (0.10)
Non-GAAP net income (loss) per common share (basic and diluted)	$ 0.00	$ (0.13)

As used herein, non-GAAP net income (loss) represents GAAP net loss excluding costs relating to the proxy contest, the costs associated with the separation of the former CEO, any adjustment for fair value of warrant liabilities, and any charges for impairment of intangible assets. As used herein, non-GAAP diluted earnings (loss) per common share is calculated by dividing non-GAAP net income (loss) applicable to common shares by the diluted weighted average number of shares outstanding.

For the nine-month period ended March 31, 2013, the Company had Adjusted EBITDA of $4,171,867 that includes approximately $328,000 of proxy related expenses. Reconciliation of net loss to Adjusted EBITDA for the nine-month periods ended March 31, 2013 and 2012 is as follows:

	Nine months ended March 31,	
	2013	2012
Net loss	$ (823,044)	$ (2,438,631)
Less interest income	(52,910)	(45,183)
Plus interest expense	109,402	70,756
Plus income tax expense	20,734	-
Plus depreciation expense	2,742,196	1,747,445
Plus amortization expense	556,800	775,800
Less change in fair value of warrant liabilities	1,249,456	(1,983,442)
Plus stock-based compensation	369,233	510,797
Adjusted EBITDA	$ 4,171,867	$ (1,362,458)

As used herein, Adjusted EBITDA represents net loss before interest income, interest expense, income taxes, depreciation, amortization, the change in fair value of warrant liabilities, stock-based compensation expense, and impairment expense on intangible assets. We have excluded the non-operating item, change in fair value of warrant liabilities, because it represents a non-cash charge that is not related to the Company's operations. We have excluded the non-cash expenses, stock-based compensation, and impairment expense, as they do not reflect the cash-based operations of the Company. Adjusted EBITDA is a non-GAAP financial measure, which is not required by or defined under GAAP. The presentation of this financial measure is not intended to be considered in isolation or as a substitute for the financial measures prepared and presented in accordance with GAAP, including the net income or net loss of the Company or net cash used in operating activities. Management recognizes that non-GAAP financial measures have limitations in that they do not reflect all of the items associated with the Company's net income or net loss as determined in accordance with GAAP, and are not a substitute for or a measure of the Company's profitability or net earnings. Adjusted EBITDA is presented because we believe it is useful to investors as a measure of comparative operating performance and liquidity, and because it is less susceptible to variances in actual performance resulting from depreciation and amortization and non-cash charges for changes in fair value of warrant liabilities and stock-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

For the nine-month period ended March 31, 2013, net cash provided by operating activities was $2,382,748 as result of a net loss of $823,044, which was offset by non-cash charges of $4,954,397 and net cash used in the change in operating assets and liabilities of $1,748,605. Of the $4,954,397 of non-cash charges, the most significant during the nine months were depreciation and amortization of assets, the increase in fair value of warrant liabilities, and charges for the vesting and issuance of common stock for employee and director compensation. The cash used in the $1,748,605 change in the Company’s operating assets and liabilities was primarily the result of decreases of $1,792,479 in accrued expenses and $803,875 in accounts payable, offset by decreases in receivables, inventory, and other assets of $110,905, $685,114, and $51,730, respectively.

During the nine-month period ended March 31, 2013, the Company used $6,383,297 for investing activities of which $6,320,514 related to the purchase of equipment for the JumpStart Program. The Company obtained net cash of $1,522,441 through financing activities, $2,000,000 of which are net proceeds from the Line of Credit and cash proceeds of $108,577 from warrant exercises, offset by $465,084 related to repayment of debt and $121,052 related to retirement of Common Stock. .

Until this fiscal year, the Company had incurred losses since inception; and, therefore, raised capital through equity offerings in order to fund operations. Our accumulated deficit through March 31, 2013 is composed of cumulative losses amounting to approximately $199,980,000, preferred dividends converted to common stock of approximately $2,690,000, and charges incurred for the open-market purchases of preferred stock of approximately $150,000.

As a result of the continued growth in connections to our ePort Connect service that has fueled the strong growth in recurring revenue from license and transaction fees and the substantial improvement in GP dollars, the operations of the business are now contributing to funding operations of the Company.

Adjusted EBITDA during the current nine-month period was $4,171,867 compared to an Adjusted EBITDA loss of $1,362,458 for the comparable nine-month period last fiscal year. The Company reports Adjusted EBITDA to reflect the liquidity of operations and a measure of operational cash flow. Adjusted EBITDA excludes significant non-cash charges such as depreciation, amortization of intangibles, fair value warrant liability changes and stock-based compensation from net income (loss). We believe that, provided there are no unusual or unanticipated material non-operational expenses, achieving positive Adjusted EBITDA is sustainable, and will continue to increase, as our connection base increases.

For the nine months ended March 31, 2013, cash provided by operating activities was $2,382,748. The Company believes it will continue to generate positive cash flow from operations during the remainder of the 2013 fiscal year, and into the 2014 fiscal year, as the Company adds connections to its existing base of connections, provided there are no material unanticipated or unusual non-operational events. The largest use of cash is for ePorts purchased during the first nine months of the fiscal year for use in the Company’s JumpStart Program. During the three and nine months ended March 31, 2013, the Company used cash of $1,778,344 and $6,320,514, respectively, in its JumpStart Program.

The Company anticipated using the JumpStart Program for approximately 55% to 60% of its anticipated connections in fiscal 2013 as a result of the potential diversification from the kiosk market, where many customers only require our ePort SDK or Quick Connect Web service. The Company’s sales, marketing, development and partnering efforts are focused on securing connections from sources away from JumpStart, such as ePort SDK, Quick Connect web, ePort Mobile and direct sales of its ePort hardware device. However, since the actual percentage of total connections from JumpStart during the nine months ended March 31, 2013 have been higher than anticipated, and given the use of cash required by the JumpStart Program, the Company may choose to adjust JumpStart levels or modify the JumpStart Program, subject to contractual obligations, to ensure our cash resources stay at levels deemed necessary in order to fund the ongoing operational requirements of the Company.

For example, during April 2013, the Company entered into a mutually exclusive agreement with a new customer in a vertical market outside of the vending market. The connections to be added to the Company's ePort Connect Service related to this new customer would not require utilization of the Company's JumpStart Program.

The Company has three sources of cash available to fund and grow the business: (1) cash on hand of approximately $3.9 million at March 31, 2013; (2) the anticipated cash generated from operations; and (3) the availability of the line of credit with Avidbank, which in April 2013 the borrowing base was increased to $5 million, provided we continue to satisfy the various affirmative and negative covenants set forth in the loan agreement.

In addition to the above, as of March 31, 2013, the Company currently has outstanding 2,435,170 common stock warrants at an exercise price of $1.13 per share expiring on December 31, 2013. The warrants currently trade on NASDAQ under the symbol USATZ. Provided the Company's current stock price remains above the exercise of $1.13, the exercise of these warrants could provide additional cash resources of up to $2,751,742 by December 31, 2013.

Therefore, based upon the above assumptions, the Company believes its existing cash, cash equivalents and available cash resources as of March 31, 2013, would provide sufficient funds through at least July 1, 2013 in order to meet its cash requirements, including payment of its accrued expenses and payables, any cash resources to be utilized for the JumpStart Program, other anticipated capital expenditures, and the repayment of long-term debt.

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 long-term debt are generally fixed and its investments in cash equivalents are not significant. The Company has no exposure to market risks related to Available-for-sale securities. Market risks related to fluctuations of foreign currencies are not significant and the Company has no derivative instruments.

Item 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, 2013. Based on this evaluation, they conclude that the disclosure controls and procedures were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

There have been no changes during the quarter ended March 31, 2013 in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Part II - Other Information.

Item 3. Defaults Upon Senior Securities

There were no defaults on any senior securities. However, on February 1, 2013 an additional $332,226 of dividends were accrued on our cumulative Series A Convertible Preferred Stock. The total accrued and unpaid dividends on our Series A Convertible Preferred Stock as of March 31, 2013 are $11,596,324. The dividend accrual dates for our Preferred Stock are February 1 and August 1. The annual cumulative dividend on our Preferred Stock is $1.50 per share.

Item 6. Exhibits

Exhibit Number	Description
10.1	Fourth Amendment to Loan and Security Agreement dated April 29, 2013, between the Company and Avidbank Corporate Finance, a division of Avidbank
31.1	Certifications of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certifications of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of the Chief Executive Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of2002.

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 14, 2013	/s/ Stephen P. Herbert Stephen P. Herbert, Chief Executive Officer
Date: May 14, 2013	/s/ David M. DeMedio David M. DeMedio Chief Financial Officer

Exhibit 10.1

FOURTH AMENDMENT
TO
LOAN AND SECURITY AGREEMENT

This Fourth Amendment to Loan and Security Agreement is entered into as of April 29, 2013 (the “Amendment”), by and between AVIDBANK CORPORATE FINANCE, a division of AVIDBANK (“Bank”), and USA TECHNOLOGIES, INC. (“Borrower”).

RECITALS

Borrower and Bank are parties to that certain Loan and Security Agreement dated as of June 21, 2012 and that certain First Amendment to Loan and Security Agreement dated as of January 1, 2013, that certain Second Amendment to Loan & Security Agreement dated as of April 2, 2013, and that certain Third Amendment to Loan and Security Agreement dated as of April 11, 2013 (collectively, the “Agreement”). The parties desire to amend the Agreement in accordance with the terms of this Amendment.

NOW, THEREFORE, the parties agree as follows:

1. The following definition in Section 1.1 of the Agreement is hereby amended and restated in its entirety to read as follows:

> “RML” means the average monthly amount (based on the prior three months) of Borrower’s “Net cash provided by (used in) operating activities” including Jumpstart investments, as set forth in Borrower’s monthly cash flow statements prepared in accordance with GAAP.

2. Unless otherwise defined, all initially capitalized terms in this Amendment shall be as defined in the Agreement. The Agreement, as amended hereby, shall be and remain in full force and effect in accordance with its respective terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Bank under the Agreement, as in effect prior to the date hereof. Borrower ratifies and reaffirms the continuing effectiveness of all agreements entered into in connection with the Agreement.

3. Borrower represents and warrants that the representations and warranties contained in the Agreement are true and correct as of the date of this Amendment, and that no Event of Default has occurred and is continuing.

4. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original hereof. Notwithstanding the foregoing, Borrower shall deliver all original signed documents no later than ten (10) Business Days following the date of execution.

5. The Borrower shall promptly pay all Bank Expenses incurred by Bank in connection with the preparation, negotiation, and execution of this Amendment.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the first date above written.

USA TECHNOLOGIES, INC.

By: /s/ David M. DeMedio

Title: Chief Financial Officer

AVIDBANK CORPORATE FINANCE,
a division of AVIDBANK

By: /s/ Jeffrey Javier

Title: Senior Vice President

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Stephen P. Herbert., certify that:

1. I have reviewed this quarterly report on Form 10-Q of USA Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the issuer’s most recent fiscal quarter (the issuer’s fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the issuer’s internal control over financial reporting; and

5. The issuer’s other certifying officer and I have disclosed, based on our most recent evaluation, of internal control over financial reporting to the auditors and the audit committee of the issuer’s board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the issuer’s ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer’s internal control over financial reporting.

Date: May 14, 2013

/s/ Stephen P. Herbert
Stephen P. Herbert
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, David M. DeMedio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of USA Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the issuer’s most recent fiscal quarter (the issuer’s fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the issuer’s internal control over financial reporting; and

5. The issuer’s other certifying officer and I have disclosed, based on our most recent evaluation, of internal control over financial reporting to the auditors and the audit committee of the issuer’s board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the issuer’s ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer’s internal control over financial reporting.

Date: May 14, 2013

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

Exhibit 32.1

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

In connection with the accompanying Quarterly Report of USA Technologies, Inc., (the “Company”) on Form 10-Q for the period ended March 31, 2013 (the “Report”), I, Stephen P. Herbert., Chief Executive Officer of the Company, hereby certify that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2013

/s/ Stephen P. Herbert
Stephen P. Herbert
Chief Executive Officer

Exhibit 32.2

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

In connection with the accompanying Quarterly Report of USA Technologies, Inc., (the "Company") on Form 10-Q for the period ended March 31, 2013 (the "Report"), I, David M. DeMedio, Chief Financial Officer of the Company, hereby certify that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2013

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