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 December 31, 2011

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 February 1, 2012, there were 32,646,606 shares of Common Stock, no par value, outstanding.

USA TECHNOLOGIES, INC.

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USA Technologies, Inc.
Consolidated Balance Sheets

	December 31, 2011 (Unaudited)	June 30, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 7,330,381	$ 12,991,511
Accounts receivable, less allowance for uncollectible accounts of $34,000 and $113,000, respectively	1,643,767	1,634,719
Finance receivables	283,153	285,786
Inventory	3,341,622	2,670,332
Prepaid expenses and other current assets	1,115,379	846,033
Total current assets	13,714,302	18,428,381
Finance receivables, less current portion	$ 232,346	$ 195,601
Property and equipment, net	9,217,557	7,395,775
Intangibles, net	1,677,153	2,194,353
Goodwill	7,663,208	7,663,208
Other assets	85,584	126,687
Total assets	$ 32,590,150	$ 36,004,005
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 4,316,318	$ 5,638,361
Accrued expenses	1,747,910	1,088,090
Current obligations under long-term debt	297,980	155,428
Total current liabilities	6,362,208	6,881,879
Long-term liabilities:		
Long-term debt, less current portion	336,134	97,633
Accrued expenses, less current portion	396,940	166,709
Warrant liabilities, non-current	843,885	2,732,253
Total long-term liabilities	1,576,959	2,996,595
Total liabilities	7,939,167	9,878,474
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value:		
Authorized shares- 1,800,000 Series A convertible preferred-Issued and outstanding shares- 442,968 (liquidation preference of $15,029,326 and $14,697,100, respectively)	3,138,056	3,138,056
Common stock, no par value: Authorized shares- 640,000,000 Issued and outstanding shares- 32,465,454 and 32,281,140, respectively	220,198,064	219,772,598
Accumulated deficit	(198,685,137)	(196,785,123)
Total shareholders' equity	24,650,983	26,125,531
Total liabilities and shareholders' equity	$ 32,590,150	$ 36,004,005

See accompanying notes.

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

	Three months ended December 31,		Six months ended December 31,	
	2011	2010	2011	2010
Revenues:				
License and transaction fees	$ 5,583,464	$ 3,755,690	$ 11,003,127	$ 7,100,163
Equipment sales	1,298,134	2,260,826	2,584,219	3,357,020
Total revenues	6,881,598	6,016,516	13,587,346	10,457,183
Cost of services	3,983,251	2,684,812	7,744,828	5,121,011
Cost of equipment	959,891	843,683	1,855,027	1,492,581
Gross profit	1,938,456	2,488,021	3,987,491	3,843,591
Operating expenses:				
Selling, general and administrative	3,531,081	2,262,967	6,999,150	5,176,266
Depreciation and amortization	344,409	365,677	747,641	707,218
Total operating expenses	3,875,490	2,628,644	7,746,791	5,883,484
Operating loss	(1,937,034)	(140,623)	(3,759,300)	(2,039,893)
Other income (expense):				
Interest income	13,286	17,469	31,154	42,779
Interest expense	(49,072)	(9,977)	(60,236)	(22,629)
Change in fair value	151,759	-	1,888,368	-
Total other income, net	115,973	7,492	1,859,286	20,150
Net loss	(1,821,061)	(133,131)	(1,900,014)	(2,019,743)
Cumulative preferred dividends	-	-	(332,226)	(333,351)
Loss applicable to common shares	$ (1,821,061)	$ (133,131)	$ (2,232,240)	$ (2,353,094)
Loss per common share (basic and diluted)	$ (0.06)	$ (0.01)	$ (0.07)	$ (0.09)
Weighted average number of common shares outstanding (basic and diluted)	32,448,040	26,005,257	32,368,339	25,923,931

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, 2011	442,968	$ 3,138,056	32,281,140	$ 219,772,598	$ (196,785,123)	$ 26,125,531
Issuance of shares for exercise of warrants at $2.20 per share			4,550	10,010		10,010
Issuance and vesting of shares granted to employees and directors under the 2010 Stock Incentive Plan			48,132	158,529		158,529
Issuance and vesting of shares granted to employees and directors under the 2011 Stock Incentive Plan			141,666	268,968		268,968
Retirement of 10,034 shares of common stock			(10,034)	(12,041)		(12,041)
Net loss					(1,900,014)	(1,900,014)
Balance, December 31, 2011	442,968	$ 3,138,056	32,465,454	$ 220,198,064	$ (198,685,137)	$ 24,650,983

See accompanying notes.

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

	Six months ended December 31,	
	2011	2010
OPERATING ACTIVITIES:		
Net loss	$ (1,900,014)	$ (2,019,743)
Adjustments to reconcile net loss to net cash used in operating activities:		
Charges incurred in connection with the issuance and vesting of common stock for employee and director compensation	427,497	8,802
Charges incurred in connection with the Long-term Equity Incentive Program	-	54,395
Change in fair value of warrants	(1,888,368)	-
(Gain) Loss on disposal of property and equipment	(12,003)	10,380
Depreciation, $885,674 and $414,646, respectively, of which is allocated to cost of services	1,116,115	604,664
Amortization	517,200	517,200
Bad debt expense (recovery)	(41,568)	25,728
Changes in operating assets and liabilities:		
Accounts receivable	32,520	761,748
Finance receivables	(34,112)	96,141
Inventory	(2,727,284)	(2,541,602)
Prepaid expenses and other assets	(137,871)	447,635
Accounts payable	(1,322,043)	197,559
Accrued expenses	890,051	(331,201)
Net cash used in operating activities	(5,079,880)	(2,168,294)
INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(373,945)	(213,745)
Net cash used in investing activities	(373,945)	(213,745)
FINANCING ACTIVITIES:		
Net proceeds from issuance (retirements) of common stock and exercise of common stock warrants	(2,031)	5,824
Repayment of long-term debt	(205,274)	(232,113)
Net cash used in financing activities	(207,305)	(226,289)
Net decrease in cash and cash equivalents	(5,661,130)	(2,608,328)
Cash and cash equivalents at beginning of period	12,991,511	7,604,324
Cash and cash equivalents at end of period	$ 7,330,381	$ 4,995,996
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 16,800	$ 23,269
Equipment and software acquired under capital lease	$ 495,955	$ -
Prepaid insurance financed with long-term debt	$ 90,372	$ 94,311
Conversion of convertible preferred stock to common stock	$ -	$ 10,620
Conversion of cumulative preferred dividends to common stock	$ -	$ 33,000
Reclass of inventory to fixed assets for rental units	$ 2,055,994	$ 3,823,972
Disposal of property and equipment	$ 54,638	$ 140,931

See accompanying notes.

USA Technologies, Inc.
Notes to Consolidated Financial Statements

1. Accounting Policies

Business

USA Technologies, Inc. (the "Company", "We" or "Our") was incorporated in the Commonwealth of Pennsylvania in January 1992. The Company is a leading supplier of cashless, remote management, reporting and energy management solutions serving the unattended Point of Sale ("POS") market. Our networked devices and associated services enable the owners and operators of everyday, stand-alone, distributed assets, such as vending machines, kiosks, personal computers, photocopiers, and laundry equipment, the ability to remotely monitor, control and report on the results of these distributed assets, as well as the ability to offer their customers cashless payment options. The Company also manufactures and sells energy management products which reduce the electrical power consumption by various equipment such as refrigerated vending machines and glass front coolers, thus reducing the electrical energy costs associated with operating this equipment. The Company's customers are primarily located in the United States.

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 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, 2011. 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 six month period ended December 31, 2011 are not necessarily indicative of the results that may be expected for the year ending June 30, 2012. The balance sheet at June 30, 2011 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 from its inception through June 30, 2011 and losses have continued through December 31, 2011 and are expected to continue during fiscal year 2012. The Company's ability to meet its future obligations is dependent upon the success of its products and services in the marketplace and available capital resources. Until the Company's products and services can generate sufficient operating revenues, the Company will be required to use its cash and cash equivalents on hand, as well as raise capital to meet its cash flow requirements including the potential issuance of Common Stock.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Stitch Networks Corporation ("Stitch") and USAT Capital Corp LLC ("USAT Capital"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

Cash and 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.

Included in cash and cash equivalents at December 31, 2011 and June 30, 2011 was approximately $0 and $410,000, respectively, of cash received by the Company for transaction processing services which is 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)

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

In September 2009, 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. Inventory is transferred to property and equipment upon the shipment of ePorts to our customers under the terms of an operating lease.

Income Taxes

No provision for income taxes has been made for the three months ended December 31, 2011 and 2010 given the Company's losses in 2011 and 2010 and available net operating loss carryforwards. A benefit has not been recorded as the realization of the net operating losses is not assured and the timing in which the Company can utilize its net operating loss carryforwards in any year or in total may be limited by provisions of the Internal Revenue Code regarding changes in ownership of corporations.

Equity Awards

In accordance with the FASB Accounting Standards Codification ("ASC") Topic 718 the cost of employee and director 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)

Equity Awards (Continued)

On September 15, 2011, at the recommendation of the Compensation Committee, the board of directors adopted the Fiscal Year 2012 Performance Share Plan (the "2012 Plan") covering the Company's executive officers. On that date there were not sufficient shares available under the existing stock plans that had been approved by the shareholders of the Company. Pursuant to the 2012 Plan the Company may be required to pay the executives an amount of cash equal to the value of shares earned but not available to be issued to the executives. As such and in accordance with ASC Topic 718, "Stock Compensation", this award is accounted for as a liability of the Company. The Company recorded a liability as if the award will be settled in cash and recorded expense of $18,986 and $66,568 for the three and six months ended December 31, 2011, respectively, as its estimate of the award earned by Company's executive officers.

The Company recorded stock compensation expense of $187,044 and $427,497 related to common stock grants and vesting of shares previously granted to employees and directors during the three and six months ended December 31, 2011, respectively. There was no expense during the three or six months ended December 31, 2011 related to the Long-Term Equity Incentive Program ("LTIP" or "LTIP Program") the Company had for its executives in prior fiscal years. There were no common stock options granted, vested or recorded as expense during the three or six months ended December 31, 2011 and 2010.

The Company recorded stock compensation expense of $699 and $8,802 related to common stock grants and vesting of shares previously granted to employees and directors during the three and six months ended December 31, 2010, respectively. Related to the change in fair value and/or the vesting of shares under the LTIP, the Company recorded a reduction of stock compensation expense and expense of $6,907 and $54,395 during the three and six months ended December 31, 2010, respectively.

Loss Per Common Share

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

Recent Accounting Pronouncement

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

In December 2010, the Financial Accounting Standards Board issued ASU 2010-28 Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts Consensus reached in EITF Issue No. 10-A. This is effective for the Company in the current 2012 fiscal year.

In April 2011, the Financial Accounting Standards Board issued ASU Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP. This will be effective for the Company beginning with the quarter ending March 31, 2012.

In September 2011, the Financial Accounting Standards Board issued ASU 2011-08 Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment. This will be effective for the Company beginning with the fiscal year ending June 30, 2013.

In December 2011, the Financial Accounting Standards Board issued ASU 2011-11 Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. This will be effective for the Company beginning with the fiscal year ending June 30, 2014.

In December 2011, the Financial Accounting Standards Board issued ASU 2011-12 Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This will be effective for the Company beginning with the fiscal year ending June 30, 2013.

USA Technologies, Inc.
Notes to Consolidated Financial Statements

2. Finance Receivables

Finance receivables include sales-type leases to accommodate extended payment terms for equipment purchases to certain customers. 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. Monthly payments for the receivables are collected by deduction from our customers' vending and equipment transaction funds. The Company recognizes a portion of the lease payments as interest income in the accompanying consolidated financial statements based on the effective interest rate method.

Finance receivables consist of the following:

	December 31, 2011 (unaudited)	June 30, 2011
Total finance receivables	$ 515,499	$ 481,387
Less current portion	283,153	285,786
Non-current portion of finance receivables	$ 232,346	$ 195,601

As of December 31, 2011 and June 30, 2011, 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 December 31, 2011

Credit risk profile based on payment activity:

	Leases
Performing	$ 515,499
Nonperforming	-
Total	$ 515,499

Age Analysis of Past Due Finance Receivables
As of December 31, 2011

	31 – 60 Days Past Due	61 – 90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Finance Receivables
Finance Receivables	-	-	-	-	$ 515,499	$ 515,499
Total	$ -	$ -	$ -	$ -	$ 515,499	$ 515,499

3. Accrued Expenses

Accrued expenses consist of the following:

	December 31, 2011 (unaudited)	June 30, 2011
Accrued compensation and related sales commissions	$ 463,348	$ 269,335
Accrued professional fees	259,135	197,964
Accrued taxes and filing fees	554,018	302,147
Accrued rent	305,861	114,511
Advanced customer billings	223,617	100,398
Accrued other	338,871	270,444
	$ 2,144,850	$ 1,254,799

USA Technologies, Inc.
Notes to Consolidated Financial Statements

4. Long-Term Debt

Long-term debt consists of the following:

	December 31, 2011	June 30, 2011
	(unaudited)	
Capital lease obligations	$ 463,755	$ 84,043
Loan agreement	170,359	169,018
	634,114	253,061
Less current portion	297,980	155,428
	$ 336,134	$ 97,633

During July 2011, the Company financed a portion of the premiums for various insurance policies totaling $90,372 due in nine equal monthly installment payments of $10,283 at an interest rate of 5.57%.

During August 2011, the Company entered into a capital lease for network equipment totaling approximately $496,000, due in thirty-six monthly payments of $14,145 through August 2014 at an interest rate of 6.8%.

5. Fair Value of Financial Instruments

In accordance with the fair value hierarchy described in Note 1, the following table shows the fair value of the Company's financial instruments that are required to be measured at fair value as of December 31, 2011 and June 30, 2011:

December 31, 2011	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 115,859	$ -	$ -	$ 115,859
Common stock warrant liability, warrants exercisable at $2.6058 from September 18, 2011 through September 18, 2016	$ -	$ -	$ 841,448	$ 841,448
Common stock warrant liability, warrants exercisable at $5.90 through September 14, 2013	$ -	$ -	$ 2,437	$ 2,437
June 30, 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 83,267	$ -	$ -	$ 83,267
Common stock warrant liability, warrants exercisable at $2.6058 from September 18, 2011 through September 18, 2016	$ -	$ -	$ 2,638,629	$ 2,638,629
Common stock warrant liability, warrants exercisable at $5.90 through September 14, 2013	$ -	$ -	$ 93,624	$ 93,624

As of December 31, 2011 and June 30, 2011, the fair values of the Company's Level 1 financial instruments were $115,859 and $83,267, respectively. These financial instruments consist of money market accounts classified as cash equivalents on the Company's consolidated balance sheets.

As of December 31, 2011 and June 30, 2011, the Company held no Level 2 financial instruments.

5. Fair Value of Financial Instruments (Continued)

As of December 31, 2011 and June 30, 2011, the fair values of the Company's Level 3 financial instruments totaled $843,885 and $2,732,253, 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. 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 using the Black-Scholes model and applying an estimated fair value adjustment primarily related to the illiquidity of the warrants. Prior to March 31, 2011, the fair value of these warrants was determined to be de minimus and was not included on the Company's consolidated balance sheets.

There were no transfers of assets or liabilities between level 1, level 2, or level 3 during the six months ended December 31, 2011 and 2010.

	Six months ended December 31, 2011 (unaudited)	2010 (unaudited)
Balance, beginning of period	$ (2,732,253)	$ -
Unrealized gains included in other income related to the change in the fair value of warrant liabilities	1,888,368	-
Purchases, sales, issuances, settlements, or transfers	-	-
Balance, end of period	$ (843,885)	$ -

6. Common Stock and Preferred Stock

On October 14, 2011 and pursuant to the Separation Agreement and Release (the "Separation Agreement") entered into by Mr. George R. Jensen, Jr. and the Company, Mr. Jensen resigned as Chairman, Chief Executive Officer and as a Director of the Company, effective immediately. In accordance with the Separation Agreement the Company issued to Mr. Jensen 41,667 shares of the Company's common stock which had been awarded to Mr. Jensen in connection with the signing of an amendment to his employment agreement in April 2011 and which would not have otherwise vested until April 2012, as well as 50,000 shares of the Company's common stock which had been awarded to Mr. Jensen in connection with the signing of his amended and restated employment agreement in September 2011 and which would not have otherwise vested until September 2012. Also pursuant to the Separation Agreement, 41,667 shares of common stock that would have vested in April 2013 in connection with the signing of an amendment to Mr. Jensen's employment agreement in April 2011 and 50,000 shares of common stock that would have vested in September 2013 in connection with the signing of his amended and restated employment agreement in September 2011 were forfeited. In the three months ended September 30, 2011 the Company issued 50,000 shares of common stock to Mr. Jensen in accordance with an amended and restated employment agreement entered into on September 27, 2011.

On November 30, 2011, the Company appointed Mr. Stephen P. Herbert as the Chairman of the Board of Directors and Chief Executive Officer of the Company and entered into an Amended and Restated Employment and Non-Competition Agreement (the "Herbert Agreement") that replaced his prior employment agreement with the Company. Notwithstanding the Herbert Agreement, the 100,000 shares of common stock awarded to Mr. Herbert under his prior employment agreement dated September 27, 2011 would vest as follows: 33,333 on September 27, 2011; 33,333 on the first anniversary of the date of signing (September 27, 2012); and 33,334 on the second anniversary of the date of signing (September 27, 2013).

On September 27, 2011, the Company and Mr. DeMedio entered into a fifth amendment to his employment agreement pursuant to which Mr. DeMedio was granted an aggregate of 25,000 shares of common stock as a bonus for his performance during the last six months of the 2011 fiscal year which vest as follows: 8,333 on the date of signing the amendment (September 27, 2011); 8,333 on the first anniversary of such signing date (September 27, 2012); and 8,334 on the second anniversary of such signing date (September 27, 2013). Mr. DeMedio also agreed that the premiums for his supplemental long term disability policy being paid by the Company would now be included in his taxable wages.

6. Common Stock and Preferred Stock (Continued)

On September 15, 2011, at the recommendation of the Compensation Committee, the board of directors adopted the Fiscal Year 2012 Performance Share Plan (the “2012 Plan”) covering the Company’s executive officers. Under the 2012 Plan, each executive officer will be awarded common stock in the event the Company achieves target goals during the fiscal year ending June 30, 2012 relating to the total number of connections, total revenues, operating expenses, and operating earnings. Operating earnings is defined as earnings before interest and taxes (after bonus accruals and stock awards) and before non-operating gains or losses. The number of eligible shares to be awarded to the executives is based upon the following weightings: 30% by the total number of connections; 30% by total revenues; 10% by operating expenses; and 30% by operating earnings. No awards would be made under the 2012 Plan if either (i) none of the minimum, threshold performance target goals have been achieved, or (ii) if operating earnings for the 2012 fiscal year are not equal or better than those during the 2011 fiscal year. In addition, the Herbert Agreement provides for the payment to Mr. Herbert of a cash bonus of $30,000 if the Company would achieve all of the minimum threshold performance target goals under the 2012 Plan, of $50,000 if the Company would achieve all of the target performance goals under the 2012 Plan, and of $75,000 if the Company would achieve all of the maximum distinguished performance target goals under the 2012 Plan.

If all of the target performance goals are achieved, the executive officers would be awarded the following number of shares: Mr. Herbert – 120,000 shares; and Mr. DeMedio – 50,000 shares. If all of the minimum, threshold performance target goals are achieved, the executive officers would be awarded 20% of the number of shares which would have been awarded to them if all of the target performance goals had been achieved. If all of the maximum, distinguished performance target goals are achieved, the executive officers would be awarded 150% of the number of shares which would have been awarded to them if all of the target performance goals had been achieved. 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* portion of the number of eligible shares. In the event of the occurrence of a USA Transaction during the fiscal year, and provided that the executive is an employee of USA on the date of such USA Transaction, the Plan shall be terminated and each executive shall be awarded shares as of the date of such USA Transaction as if all of the target performance goals had been met. In the event that the executive’s employment with the Company is terminated by the Company for cause during the fiscal year, or if the executive resigns his employment for any reason other than for good reason during the fiscal year, then the executive shall not be entitled to earn any award under the 2012 Plan. In the event that the executive’s employment with the Company shall be terminated by the Company during the fiscal year for any reason whatsoever other than for cause, or if the executive’s employment is terminated by the executive for good reason during the fiscal year, then the executive shall be awarded shares as if all of the target performance goals had been meet. If the executive’s employment is terminated during the fiscal year as a result of death or disability, the executive shall nevertheless be eligible to earn shares under the 2012 Plan as if he had remained employed with the Company through the end of the fiscal year.

Notwithstanding the above description of the 2012 Plan, the executives would receive shares from the Company pursuant to the 2012 Plan only if and to the extent that shares would be available to be issued to the executives under the existing 2011 stock incentive plan or another stock plan that has been approved by the shareholders of the Company in accordance with NASDAQ Listing Rule 5635(c). If there would not be a sufficient number of shares available to be issued to the executives, the Company would pay to the executives an amount of cash equal to the value of those shares not available to be issued to the executives. In such event, the executives would be required to utilize the cash payment, net of any withholding, payroll or other taxes attributable to the cash payment, to purchase shares of common stock of the Company on the open market.

As of September 15, 2011, there were not sufficient shares available under the existing 2011 stock incentive plan or another stock plan that had been approved by the shareholders of the Company; consequently, the Company may be required to deliver to the executives an amount of cash equal to the value of shares earned but not available to be issued to the executives. Therefore, in accordance with ASC Topic 718, “Stock Compensation”, this award is accounted for as a liability of the Company. As of December 31, 2011 and for the three and six months then ended the Company recorded a liability as if the award will be settled in cash of $66,568 and recorded expense of $18,986 and $66,568, respectively as its estimate of the award earned by Messrs. Herbert and DeMedio.

Pursuant to the Separation Agreement entered into by the Company and Mr. Jensen, Mr. Jensen is not entitled to earn shares under the 2012 Plan, and therefore no award was estimated for Mr. Jensen for the three or six months ended December 31, 2011.

6. Common Stock and Preferred Stock (Continued)

In October 2011, executive officers exercised their right to cancel shares of common stock awarded to them under prior employment agreements for the payment of payroll taxes. 10,034 shares of the Company's Common Stock were cancelled to satisfy $12,041 of related payroll tax obligations.

During the December 31, 2011 quarter, the Company announced that Steven D. Barnhart had been elected Lead Independent Director by the Company's independent directors. The Compensation Committee of the Board of Directors recommended, and the Board approved, that Mr. Barnhart receive compensation of $40,000 per year for acting as the lead independent director to be effective from and after the date of his appointment. Such compensation may be paid in shares of the Company rather than cash if such shares are available and subject to an appropriate agreement between Mr. Barnhart and the Company. The Company issued to Mr. Barnhart 4,465 shares of common stock attributable to his service as Lead Independent Director during the quarter ended December 31, 2011.

7. Common Stock Warrants

As of December 31, 2011, there were 8,048,386 Common Stock warrants outstanding, all of which were currently exercisable at exercise prices ranging from $1.13 to $7.70 per share. In accordance with ASC Topic 815, *Derivatives and Hedging*, 4,803,955 of the warrants are subject to liability accounting. Therefore, the fair value of the warrants is included on the Company's consolidated balance sheets and changes in the fair value are included in the Company's consolidated statements of operations (see Note 5). The foregoing does not reflect warrants exercisable for up to 6,904,887 shares at $2.20 per share or 609,376 shares at $6.40 per share which expired on December 31, 2011.

8. Commitments

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

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 with the option to extend the lease thereafter for an additional 24 month period. 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 will be approximately $15,600 per month for the duration of the amended lease period.

9. Subsequent Events

In January 2012 the Board of Directors of the Company appointed Deborah G. Arnold, Steve G. Illes, and Frank A. Petito, III, to serve as directors of the Company effective February 3, 2012. Each of these individuals was appointed to fill existing vacancies on the Board of Directors.

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

Forward Looking Statements

This Form 10-Q contains certain forward-looking statements regarding, among other things, the anticipated financial and operating results of the Company. For this purpose, forward-looking statements are any statements contained herein that are not statements of historical fact and include, but are not limited to, those preceded by or that include the words, "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 conduct operations at a profit;
- the ability of the Company to raise funds in the future through sales of securities;
- the ability of the Company to compete with its competitors to obtain market share;
- whether the Company's customers purchase or rent ePort devices or our other products in the future at levels currently anticipated by our Company, including our Jump Start Program;
- whether the Company's customers continue to operate or commence operating ePorts received under the Jump Start Program or otherwise 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 on October 1, 2011would adversely affect our business, including our revenues, gross profits, and anticipated future connections to our network;
- whether not accepting any MasterCard debit cards effective mid-November 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 liabilities;
- 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;
- whether the actions of the former CEO of the Company which resulted in his separation from the Company in October 2011 or the Securities and Exchange Commission's recently commenced investigation would have a material adverse effect on the future financial results or condition of the Company; and
- as a result of the slowdown in the economy and/or the tightening of the capital and credit markets, our customers may modify, delay or cancel plans to purchase our products or services, and suppliers may 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 December 31, 2011 compared to the three months ended December 31, 2010

Revenues for the quarter ended December 31, 2011 were $6,881,598, consisting of $5,583,464 of license and transactions fees and $1,298,134 of equipment sales, compared to $6,016,516, consisting of $3,755,690 of license and transaction fees and $2,260,826 of equipment sales for the quarter ended December 31, 2010. The increase in total revenue of $865,082, or 14%, was primarily due to an increase in license and transaction fees of $1,827,774, or 49%, from the prior period, and a decrease in equipment sales of $962,692 or 43%, from the prior period. The increase in license and transaction fees was primarily due to the increase in the number of ePort® units connected to our ePort® Connect Service, and the associated fees generated by these connected units. License and transaction fee revenues consist of monthly service fees and transaction processing fees. 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.

As of December 31, 2011, the Company had approximately 136,000 connections to the USALive® network (including approximately 15,000 non-USAT, third party devices) as compared to approximately 109,000 connections to the USALive® network (including approximately 11,000 non-USAT, third party devices) as of December 31, 2010. During the quarter ended December 31, 2011, the Company added approximately 7,000 connections to our network as compared to approximately 21,000 connections during the quarter ended December 31, 2010. The Jump Start Program units represented approximately 70% and 85% of connections added during the December 2011 and December 2010 fiscal quarters, respectively.

The Company counts its ePort connections upon shipment of an active terminal to a customer under contract, at which time activation on its network is performed by the Company, and the terminal is capable of conducting business via the Company's network and related services. An ePort connection does not necessarily mean that the unit is actually installed by the customer on a vending machine, or that the unit has begun processing transactions, or that the Company has begun receiving monthly service fees in connection with the unit. 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.

During the quarter ended December 31, 2011, the Company processed approximately 24 million transactions totaling approximately $40 million compared to approximately 16 million transactions totaling approximately $26 million during the quarter ended December 31, 2010, an increase of approximately 50% in the number of transactions and approximately 54% in dollars processed. During the quarter ended September 30, 2011, the Company processed approximately 25 million transactions totaling approximately $42 million. Pursuant to its agreements with customers, the Company 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. The Company's transaction processing volume is not indicative of the gross profit from license and transaction fees which is based upon the monthly service fees and transaction processing fees paid to us by our customers.

In addition, our customer base increased with approximately 250 new ePort customers added to its ePort® Connect Service during the quarter ended December 31, 2011 bringing the total number of such customers to approximately 2,475 as of December 31, 2011. The Company added approximately 200 new ePort customers in the quarter ended December 31 2010. By comparison, the Company had approximately 1,400 ePort customers as of December 31, 2010, representing a 77% increase during the past twelve months. We count a customer as a new ePort customer upon shipment of the first ePort unit to the customer. When a reseller sells our ePort, we count a customer as a new ePort customer upon the signing of the applicable services agreement with the customer.

The $962,692 decrease in equipment sales was a result of decreases of approximately $882,000 related to ePort® products and activation fees and a decrease of approximately $89,000 in Energy Miser products. The decrease of $882,000 related to ePort products and activation fees is attributable to a decrease of approximately $617,000 in activation fee revenue, of which approximately $295,000 is related to fewer ePort® units shipped in the quarter ended December 31, 2011 versus the quarter ended December 31, 2010, and approximately $322,000 is related to activation fees on non-USAT, third party devices and other activation services performed during the December 31, 2010 quarter. Also contributing to the decrease of $882,000 in ePort products were revenues recorded in the December 31, 2010 quarter of $192,000 of Visa support funding and approximately $73,000 of revenue recognized under our May 2008 agreement with a customer. The decrease in Miser product equipment sale revenue is due directly to fewer units sold during the quarter ended December 31, 2011 than during the quarter ended December 31, 2010.

Cost of sales consisted of network and transaction services related costs of $3,983,251 and $2,684,812 and equipment costs of $959,891 and $843,683, for the quarters ended December 31, 2011 and 2010, respectively. The increase in total cost of sales of $1,414,647 was due to an increase in services of $1,298,439 and an increase in equipment costs of $116,208. The increase in cost of services was predominantly related to increases in units connected to the network and increases in transaction processing volume. In addition, approximately $316,000 of the $1,298,439 increase in cost of services was attributable to increased debit processing costs incurred during the quarter as a result of the significant increase of interchange fees charged by Visa and MasterCard which became effective on October 1, 2011, and which are more fully described below. The impact on margins caused by these increases should not impact future quarters as the Visa Agreement that went into effect on October 14, 2011 essentially restored Visa debit interchange rates to pre-October 1, 2011 levels during the one-year term of the agreement, and the Company ceased the acceptance of MasterCard debit cards in mid-November 2011. Also contributing to the increase in cost of services was approximately $141,000 of costs for electronic communication of software updates to connected ePorts®. The increase in equipment costs related to the increased freight-in costs of approximately $66,000 associated with our Verizon enabled ePort® as well as slightly higher costs to manufacture the Verizon enabled ePorts.

Gross profit (“GP”) for the quarter ended December 31, 2011 was $1,938,456 compared to GP of $2,488,021 for the previous corresponding quarter, a decrease of $549,565, of which $1,078,900 represents decreased equipment sales GP, offset by an increase of $529,335 attributable to license and transaction fees. Overall percentage based GP decreased from 41% to 28% due to license and transaction fees GP having remained the same between quarters, offset by equipment sales GP having decreased from 63% to 26% due mainly to reduced activation fees being recognized during the current quarter, additional freight-in costs charged during the current quarter, and the prior fiscal quarter having Visa support funding for deployment costs and other revenue specified above.

Selling, general and administrative expenses (“SG&A”) of $3,531,081 for the quarter ended December 31, 2011, increased by $1,268,113 or 56%, from the prior corresponding quarter, primarily due to approximately $886,000 of expenses related to the Audit Committee’s investigation of postings concerning the Company made on an internet message board and the resignation of the Company’s former Chief Executive Officer. Of the $886,000, approximately $522,000 was severance related costs incurred in connection with the Separation Agreement entered into with our former CEO, of which $111,000 was stock compensation expense. Legal, investigation and public relation expenses incurred in connection with the investigation were approximately $164,000, $162,000, and $38,000, respectively, for the three months ended December 31, 2011. The Audit Committee’s investigation concluded in January 2012, and the Company does not anticipate incurring further significant charges related to the Audit Committee’s investigation subsequent to December 31, 2011.

On October 18, 2011, we announced that we had voluntarily reported the results of the Audit Committee’s investigation into our former CEO’s actions to the Securities and Exchange Commission (the “SEC”), and would fully cooperate with any SEC investigation. We have recently been informed by the SEC staff that the SEC has opened an investigation, and on February 3, 2012, we received a subpoena issued by the SEC as part of the investigation.

The remaining increase in SG&A expenses is due to increases of approximately $145,000 related to bonus accruals for the 2012 fiscal year, professional services of approximately $80,000, and other aggregate increases of approximately $157,000. Approximately $26,000 of the $145,000 increase in bonus accruals relates to the Fiscal Year 2012 Performance Share Plan (the “2012 Plan”) covering the Company’s executive officers as described in Notes 1 and 6 to the Company’s Consolidated Financial Statements, and the remaining $119,000 increase relates to bonus accruals for other Company employees.

The quarter ended December 31, 2011 resulted in a net loss of $1,821,061 compared to a net loss of $133,131 for the quarter ended December 31, 2010. As described above, the net loss for the quarter ended December 31, 2011 included approximately $1,202,000 of charges that consisted of $886,000 of expenses related to the Audit Committee’s investigation and severance arrangement with the Company’s former CEO and $316,000 of additional debit processing costs incurred. The net loss for the quarter ended December 31, 2011 also reflected other income in the amount of $151,759 attributable to the reduction during the quarter of the fair value of the Company’s warrant based liabilities, all as described in Note 5 to the Consolidated Financial Statements. For the quarter ended December 31, 2011, the loss per common share was $0.06 as compared to a loss per common share of $0.01 for the prior corresponding fiscal quarter.

Effective October 1, 2011, Visa and MasterCard significantly raised their interchange fees for small ticket category transactions paid for through debit cards issued by regulated banks as defined under the “Durbin Amendment” to the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010. The interchange rates increased from 1.55% of a transaction plus 4 cents, to 0.05% of a transaction plus 22 cents.

Effective October 14, 2011, the Company and Visa entered into a one-year agreement (the “Visa Agreement”) pursuant to which Visa has agreed to make available to the Company reduced interchange fees for debit card transactions. The interchange reimbursement fees made available to the Company allow the Company to continue to accept Visa’s debit products over the one-year term without adversely impacting the Company’s historical gross profit from license and transaction fees. During its fiscal year 2011, approximately 82% of the total dollar volume of transactions handled by the Company’s network consisted of small ticket debit card transactions, of which approximately 75% were attributable to Visa debit cards.

During the term of the Visa Agreement, the Company does not anticipate accepting any debit cards with interchange fees that are higher than the rates provided under the Visa Agreement, and the Company ceased accepting MasterCard debit products in mid-November 2011. The Company will continue to accept Visa-branded debit and pre-paid cards in addition to all major credit cards, including Visa, MasterCard, Discover, and American Express at its current processing rates.

During the quarter ended September 30, 2011, approximately 18% of the total dollar amount of transactions handled by the Company consisted of MasterCard debit cards. It is possible that this transaction volume could be replaced by either credit card or Visa debit card use. However, if the amount of cashless volume handled by the Company decreases as a result of not accepting MasterCard debit cards, our license and transaction revenue would decline by an amount equal to the transaction processing rate the Company charges our customers multiplied by the decrease in cashless transactions. We cannot estimate at this time, if or to what extent any such reduction in transaction volume would be replaced by credit cards or Visa debit cards, or if the rate of anticipated future connections and/or the number of our current connections to our network would be materially adversely affected.

For the quarter ended December 31, 2011, the Company had an adjusted EBITDA loss of $938,400. Reconciliation of net loss to Adjusted EBITDA loss for the quarters ended December 31, 2011 and 2010 is as follows:

	Three months ended December 31,	
	2011	**2010**
Net loss	$ (1,821,061)	$ (133,131)
Less interest income	(13,286)	(17,469)
Plus interest expense	49,072	9,977
Plus income tax expense	-	-
Plus depreciation expense	552,990	338,358
Plus amortization expense	258,600	258,600
Less change in fair value of warrant liabilities	(151,759)	-
Plus stock-based compensation	187,044	(6,209)
Adjusted EBITDA	$ (938,400)	$ 450,126

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

RESULTS OF OPERATIONS

Six months ended December 31, 2011 compared to the six months ended December 31, 2010

Revenues for the six month period ended December 31, 2011 were $13,587,346, consisting of $11,003,127 of license and transactions fees and $2,584,219 of equipment sales, compared to $10,457,183, consisting of $7,100,163 of license and transaction fees and $3,357,020 of equipment sales for the six month period ended December 31, 2010. The increase in total revenue of $3,130,163, or 30%, was primarily due to an increase in license and transaction fees of $3,902,964, or 55%, from the prior period, and a decrease in equipment sales of $772,801, or 23%, from the prior corresponding period. The increase in license and transaction fees was primarily due to the increase in the number of ePort® units connected to our ePort® Connect Service, and the associated fees generated by these connected units. License and transaction fee revenues consist of monthly service fees and transaction processing fees. 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.

As of December 31, 2011, the Company had approximately 136,000 connections to the USALive® network (including approximately 15,000 non-USAT, third party devices) as compared to approximately 109,000 connections to the USALive® network (including approximately 11,000 non-USAT, third party devices) as of December 31, 2010. During the six month period ended December 31, 2011, the Company added approximately 17,000 connections to our network as compared to approximately 27,000 connections during the six month period ended December 31, 2010. The Jump Start Program units represented approximately 65% and 75% of connections added during the December 2011 and December 2010 six month periods, respectively.

The Company counts its ePort connections upon shipment of an active terminal to a customer under contract, at which time activation on its network is performed by the Company, and the terminal is capable of conducting business via the Company's network and related services. An ePort connection does not necessarily mean that the unit is actually installed by the customer on a vending machine, or that the unit has begun processing transactions, or that the Company has begun receiving monthly service fees in connection with the unit. 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.

During the six month period ended December 31, 2011, the Company processed approximately 50 million transactions totaling approximately $82 million compared to approximately 30 million transactions totaling approximately $51 million during the six month period ended December 31, 2010, an increase of approximately 67% in the number of transactions and approximately 61% in dollars processed. Pursuant to its agreements with customers, the Company 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. The Company's transaction processing volume is not indicative of the gross profit from license and transaction fees which is based upon the monthly service fees and transaction processing fees paid to us by our customers.

In addition, our customer base increased with approximately 550 new ePort customers added to its ePort® Connect Service during the six month period ended December 31, 2011 bringing the total number of such customers to approximately 2,475 as of December 31, 2011. The Company added approximately 350 new ePort customers in the six month period ended December 31 2010. By comparison, the Company had approximately 1,400 ePort customers as of December 31, 2010, representing a 77% increase during the past twelve months. We count a customer as a new ePort customer upon shipment of the first ePort unit to the customer. When a reseller sells our ePort, we count a customer as a new ePort customer upon the signing of the applicable services agreement with the customer.

The $772,801 decrease in equipment sales was due to a decrease of approximately $722,000 related to ePort® products and activation fees. The decrease is attributable to a decrease of approximately $457,000 in activation fee revenue, of which approximately $135,000 is related to fewer ePort® units shipped in the six months ended December 31, 2011 versus the six months ended December 31, 2010, and approximately $322,000 is related to activation fees earned on non-USAT, third party devices and other activation services performed during the six months ended December 31, 2010. Also contributing to the decrease of $722,000 in ePort products were revenues recorded in the period ended December 31, 2010 of $192,000 of Visa support funding and approximately $73,000 of revenue recognized under our May 2008 agreement with a customer. The decrease in Miser product equipment sale revenue is due to fewer units sold during the six months ended December 31, 2011 when compared to the six months ended December 31, 2010.

Cost of sales consisted of network and transaction services related costs of $7,744,828 and $5,121,011 and equipment costs of $1,855,027 and $1,492,581, for the six month period ended December 31, 2011 and 2010, respectively. The increase in total cost of sales of $2,986,263 over the prior corresponding six month period was due to an increase in cost of services of $2,623,817 and an increase in equipment costs of $362,446. The increase in cost of services was predominantly related to increases in units connected to the network and increases in transaction processing volume. In addition, approximately $316,000 of the $2,623,817 increase in cost of services was attributable to increased debit card processing costs incurred as a result of the significant increase of interchange fees charged by Visa and MasterCard which became effective on October 1, 2011 and which are more fully described above. The impact on margins caused by these increases should not impact future quarters as the Visa Agreement that went into effect on October 14, 2011 essentially restored Visa debit interchange rates to pre-October 1, 2011 levels during the one-year term of the agreement, and the Company ceased the acceptance of MasterCard debit cards in mid-November 2011. Also contributing to the increase in cost of services was approximately $141,000 of costs for electronic communication of software updates to connected ePorts®. The increase in equipment costs related to the increased freight-in costs of approximately $140,000 associated with our Verizon enabled ePort® as well as slightly higher costs to manufacture the Verizon enabled ePorts.

GP for the six month period ended December 31, 2011 was $3,987,491 compared to GP of $3,843,591for the previous corresponding six month period, an increase of $143,900, of which $1,279,147 is attributable to license and transaction fees GP, offset by a decrease of $1,135,247 of equipment sales GP. The increase in GP dollars from license and transaction fees was generated by additional devices connected to our network. The decrease in GP from equipment sales is predominately due to the reduction in activation fees recognized during the current six month period, additional costs incurred during the current six month period for freight-in of the Verizon enabled ePort® as well as the prior fiscal six month period’s revenue items specified above. Overall percentage based GP decreased from 37% to 29% between fiscal six month periods. In this regard, license and transaction fees GP increased from 28% to 30% due mainly to lowering the average network communication costs per connection from improved service management recognized in the first fiscal quarter offset by additional costs incurred during the second fiscal quarter for interchange fees described above, and electronic communication of device software updates. Equipment sales GP decreased from 56% to 28%.

SG&A expenses of $6,999,150 for the six months ended December 31, 2011, increased by $1,822,884 or 35%, from the prior comparative period, primarily due to approximately $975,000 of expenses related to the Audit Committee’s investigation of postings concerning the Company on an internet message board and the resignation of the Company’s former Chief Executive Officer, of the $975,000, approximately $522,000 was severance related costs incurred under the Separation Agreement entered into with our former CEO, of which $111,000 was recorded as stock compensation expense. Legal, investigation and public relation expenses were approximately $202,000, $213,000, and $38,000, respectively, for the six months ended December 31, 2011. The Audit Committee’s investigation concluded in January 2012, and the Company does not anticipate incurring further significant charges related to the Audit Committee’s investigation subsequent to December 31, 2011.

As discussed above, the SEC has opened an investigation, and we have received a subpoena issued by the SEC as part of the investigation.

The remaining increase in SG&A expenses of approximately $848,000 is due to increases of approximately $262,000 for non-cash charges for vesting of employee and director stock awards (excluding severance portion described above), $218,000 related to estimated bonuses for the 2012 fiscal year, $182,000 in additional sales tax expense estimated as a result of a state revenue audit recognized during the first fiscal quarter, and other aggregate increases of approximately $186,000. Approximately $12,000 of the $218,000 increase in estimated bonuses relates to the Fiscal Year 2012 Performance Share Plan (the “2012 Plan”) covering the Company’s executive officers as described in Notes 1 and 6 to the Company’s Consolidated Financial Statements, and the remaining $206,000 increase relates to estimated bonuses for other Company employees.

The six month period ended December 31, 2011 resulted in a net loss of $1,900,014 compared to a net loss of $2,019,743 for the six month period ended December 31, 2010. As described above, the net loss for the six month period ended December 31, 2011 included approximately $1,291,000 of charges that consisted of $975,000 of expenses related to the Audit Committee’s investigation and severance arrangement with the Company’s former CEO and $316,000 of additional debit processing costs incurred. The net loss for the six month period ended December 31, 2011 also reflected other income in the amount of $1,888,368 attributable to the reduction during the six month period of the fair value of the Company’s warrant based liabilities, all as described in Note 5 to the Consolidated Financial Statements. For the six month period ended December 31, 2011, the loss per common share was $0.07 as compared to a loss per common share of $0.09 for the prior fiscal six month period.

For the six months ended December 31, 2011, the Company had an adjusted EBITDA loss of $1,698,488. Reconciliation of net loss to Adjusted EBITDA loss for the six months ended December 31, 2011 and 2010 is as follows:

	Six months ended December 31,	
	2011	2010
Net loss	$ (1,900,014)	$ (2,019,743)
Less interest income	(31,154)	(42,779)
Plus interest expense	60,236	22,629
Plus income tax expense	-	-
Plus depreciation expense	1,116,115	604,664
Plus amortization expense	517,200	517,200
Less change in fair value of warrant liabilities	(1,888,368)	-
Plus stock-based compensation	427,497	63,197
Adjusted EBITDA	$ (1,698,488)	$ (854,832)

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

Liquidity and Capital Resources

For the six months ended December 31, 2011, net cash of $5,079,880 was used by operating activities, primarily due to cash used for operating assets and liabilities of $3,298,739 and the net loss of $1,900,014, offset by the depreciation and amortization of assets, and by the reduction in the fair value of common stock warrants of $1,888,368.

The $3,298,739 of cash used related to changes in the Company's operating assets and liabilities was primarily the result of $2,055,994 of inventory acquired for use in the Jump Start Program and a decrease in accounts payable, offset by an increase in accrued expenses.

During the six months ended December 31, 2011, the Company used $373,945 in investing activities related to purchases of property and equipment, and used net cash of $207,305 in financing activities mainly due to repayment of long-term debt.

The Company has incurred losses since inception. Our accumulated deficit through December 31, 2011 is composed of cumulative losses amounting to $195,847,828, preferred dividends converted to common stock of approximately $2,688,000 and charges incurred for the open-market purchases of preferred stock of approximately $149,000. The Company has historically raised capital through equity offerings in order to fund operations.

During the remainder of the 2012 fiscal year, the Company anticipates incurring capital expenditures of approximately $3,500,000 in connection with ePort units expected to be used in the Jump Start Program and additional capital expenditures of approximately $800,000 for property and equipment. The Company may increase or reduce the ePort units purchased for use by the JumpStart Program during the remainder of the fiscal year based on business conditions.

As a result of the connections added during the most recent fiscal quarters, recurring revenue from license and transaction fees increased from approximately $7,100,000 for the six months ended December 31, 2010 to approximately $11,000,000 for the six months ended December 31, 2011, an increase of 55%. In addition, total GP has increased from approximately $3,844,000 for the six months ended December 31, 2010 to approximately $3,987,000 for the six months ended December 31, 2011, an increase of 4%. Our average monthly cash GP during the first six months of the fiscal year, excluding average monthly non-cash depreciation expense included in cost of sales of approximately $148,000, approximates $812,000 and is expected to increase in the next fiscal quarter due to recognizing recurring revenue on JumpStart units shipped during the quarter ended December 31, 2011.

Our average monthly SG&A expenses during the six months ended December 31, 2011 were approximately $1,167,000. This includes charges of approximately $975,000 (of which $111,000 is non-cash) related to the Audit Committee's investigation, including the separation of our former CEO, and other non-cash net charges of approximately $255,000. Excluding these charges, our average monthly cash-based SG&A expenses during the six months ended December 31, 2011 were approximately $962,000.

Assuming our average monthly cash-based SG&A expenses incurred during the first six months of the fiscal year would continue through the remainder of the fiscal year, the Company believes its existing cash and cash equivalents as of December 31, 2011, would provide sufficient funds to meet its cash requirements, including capital for the Jump Start Program, capital expenditures, and repayment of long-term debt through at least July 1, 2012.

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 investment in cash equivalents is not significant. 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 December 31, 2011. 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 controls.

There have been no changes during the quarter ended December 31, 2011 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 6. Exhibits

10.1	Third Amendment to Agreement of Lease dated October 10, 2011 between the Company and BMR-Spring Mill Drive, LP
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of the Chief Executive Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Signatures

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

	USA TECHNOLOGIES, INC.
Date: February 8, 2012	/s/ Stephen P. Herbert Stephen P. Herbert Chief Executive Officer and President
Date: February 8, 2012	/s/ David M. DeMedio David M. DeMedio Chief Financial Officer

Exhibit 10.1

THIRD AMENDMENT TO AGREEMENT OF LEASE

THIS THIRD AMENDMENT TO AGREEMENT OF LEASE (this "Third Amendment") is entered into as of this 10th day of October, 2011, by and between BMR-SPRING MILL DRIVE, LP, a Delaware limited partnership ("Landlord," as successor-in-interest to Pennswood Spring Mill Associates ("Original Landlord")), and USA TECHNOLOGIES, INC., a Pennsylvania corporation ("Tenant").

RECITALS

A. WHEREAS, Original Landlord and Tenant entered into that certain Agreement of Lease dated as of February 2, 2004 (the "Original Lease"), as amended by that certain First Amendment to Agreement of Lease dated as of December 22, 2006, and that certain Second Amendment to Agreement of Lease dated as of December 28, 2010 (collectively, and as the same may have been otherwise amended, supplemented or modified from time to time, the "Lease"), whereby Tenant leases certain premises (the "Premises") from Landlord at 20 Spring Mill Drive in Malvern, Pennsylvania (the "Building");

B. WHEREAS, Landlord and Tenant desire to extend the term of the Lease;

C. WHEREAS, Landlord desires to grant Tenant the option to further extend the term of the Lease; and

D. WHEREAS, Landlord and Tenant desire to modify and amend the Lease only in the respects and on the conditions hereinafter stated.

AGREEMENT

NOW, THEREFORE, Landlord and Tenant, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, agree as follows:

1. Definitions. For purposes of this Third Amendment, capitalized terms shall have the meanings ascribed to them in the Lease unless otherwise defined herein. The Lease, as amended by this Third Amendment, is referred to herein as the "Amended Lease."

2. Extension of Lease. The "Lease Termination Date" is hereby amended to mean December 31, 2012. The period from January 1, 2012 ("Third Extension Term Commencement Date"), through the Lease Termination Date is referred to herein as the "Third Extension Term."

3. Net Component of Base Rent. Notwithstanding anything to the contrary, Tenant shall pay to Landlord, as the Net Component of Base Rent, Thirteen and 50/100 Dollars ($13.50) per rentable square foot of the Premises annually, commencing on the Third Extension Term Commencement Date.

4. Costs Component of Base Rent. Notwithstanding anything in the Amended Lease to the contrary, the Costs Component of Base Rent shall be Sixty Thousand One Hundred Ninety-Six and 50/100 Dollars ($60,196.50) annually, commencing on the Third Extension Term Commencement Date.

Additional Rent Factor. Notwithstanding anything in the Amended Lease to the contrary, the Original Additional Rent Factor shall be Four and 50/100 Dollars ($4.50), commencing on the Third Extension Term Commencement Date.

5. Condition of Premises. Tenant acknowledges that (a) it is in possession of and is fully familiar with the condition of the Premises and, notwithstanding anything contained in the Amended Lease to the contrary, agrees to take the same in its condition "as is" as of the Third Extension Term Commencement Date, and (b) Landlord shall have no obligation to alter, repair or otherwise prepare the Premises for Tenant's continued occupancy for the Third Extension Term or to pay for any improvements to the Premises, except as may be expressly provided in the Amended Lease.

6. Option to Extend Term. Tenant shall have the option ("Option") to extend the Third Extension Term by twenty-four (24) months ("Option Term") as to the entire Premises (and no less than the entire Premises) upon the following terms and conditions. Any extension of the Third Extension Term pursuant to the Option shall be on all the same terms and conditions as the Lease, except as follows:

(a) Rent. The Net Component of Base Rent during the Option Term shall be as follows:

Months	Per SF
1-12	$14.00
13-24	$14.50

The Costs Component of Base Rent and the Original Additional Rent Factor during the Option Term shall be determined upon mutual agreement of the parties; provided, however, that in no event shall the Costs Component of Base Rent and the Original Additional Rent Factor during the Option Term be less than those amounts set forth in above Sections 4 and 5, respectively.

(b) The Option is not assignable separate and apart from the Amended Lease.

(c) The Option is conditional upon Tenant giving Landlord written notice of its election to exercise the Option at least six (6) months prior to the end of the expiration of the Third Extension Term. Time shall be of the essence as to Tenant's exercise of the Option. Tenant assumes full responsibility for maintaining a record of the deadlines to exercise the Option. Tenant acknowledges that it would be inequitable to require Landlord to accept any exercise of the Option after the date provided for in this Subsection.

(d) Notwithstanding anything contained in this Section 7 to the contrary, Tenant shall not have the right to exercise the Option:

(i) During the time commencing from the date Landlord delivers to Tenant a written notice that Tenant is in default under any provisions of the Amended Lease and continuing until Tenant has cured the specified default to Landlord's reasonable satisfaction; or

(ii) At any time after any Event of Default as described in Section 9 of Exhibit A (as amended) to the Original Lease (provided, however, that, for purposes of this Subsection 7(d)(ii), Landlord shall not be required to provide Tenant with notice of such Event of Default) and continuing until Tenant cures any such Event of Default, if such Event of Default is susceptible to being cured; or

(iii) In the event that Tenant has defaulted in the performance of its obligations under the Amended Lease two (2) or more times and a service or late charge has become payable under Section 4(c)(iii) of Exhibit A (as amended) to the Original Lease for each of such defaults during the twelve (12) month period immediately prior to the date that Tenant intends to exercise the Option, whether or not Tenant has cured such defaults.

(e) The period of time within which Tenant may exercise the Option shall not be extended or enlarged by reason of Tenant's inability to exercise such Option because of the provisions of Section 7(d).

(f) All of Tenant's rights under the provisions of the Option shall terminate and be of no further force or effect even after Tenant's due and timely exercise of the Option if, after such exercise, but prior to the commencement date of the new term, (a) Tenant fails to pay to Landlord a monetary obligation of Tenant for a period of twenty (20) days after written notice from Landlord to Tenant, (b) Tenant fails to commence to cure a default (other than a monetary default) within thirty (30) days after the date Landlord gives notice to Tenant of such default or (c) Tenant has defaulted under the Amended Lease two (2) or more times and a service or late charge under Section 4(c)(iii) of Exhibit A (as amended) to the Original Lease has become payable for any such default, whether or not Tenant has cured such defaults.

7. Broker. Tenant represents and warrants that it has not dealt with any broker or agent in the negotiation for or the obtaining of this Third Amendment, other than Jones Lang LaSalle ("Broker"), and agrees to indemnify, defend and hold Landlord harmless from any and all cost or liability for compensation claimed by any such broker or agent, other than Broker, employed or engaged by it or claiming to have been employed or engaged by it. Broker is entitled to a leasing commission in connection with the making of this Third Amendment, and Landlord shall pay such commission to Broker pursuant to a separate agreement between Landlord and Broker.

8. No Default. Tenant represents, warrants and covenants that, to the best of Tenant's knowledge, Landlord and Tenant are not in default of any of their respective obligations under the Lease and no event has occurred that, with the passage of time or the giving of notice (or both) would constitute a default by either Landlord or Tenant thereunder.

9. Effect of Amendment. Except as modified by this Third Amendment, the Lease and all the covenants, agreements, terms, provisions and conditions thereof shall remain in full force and effect and are hereby ratified and affirmed. The covenants, agreements, terms, provisions and conditions contained in this Third Amendment shall bind and inure to the benefit of the parties hereto and their respective successors and, except as otherwise provided in the Amended Lease, their respective assigns. In the event of any conflict between the terms contained in this Third Amendment and the Lease, the terms herein contained shall supersede and control the obligations and liabilities of the parties. From and after the date hereof, the term "Lease" as used in the Lease shall mean the Lease, as modified by this Third Amendment.

10. Miscellaneous. This Third Amendment becomes effective only upon execution and delivery hereof by Landlord and Tenant. The captions of the paragraphs and subparagraphs in this Third Amendment are inserted and included solely for convenience and shall not be considered or given any effect in construing the provisions hereof. All exhibits hereto are incorporated herein by reference. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for a lease, and shall not be effective as a lease, lease amendment or otherwise until execution by and delivery to both Landlord and Tenant.

11. Counterparts. This Third Amendment may be executed in one or more counterparts, each of which, when taken together, shall constitute one and the same document.

IN WITNESS WHEREOF, Landlord and Tenant have hereunto set their hands as of the date and year first above written, and acknowledge that they possess the requisite authority to enter into this transaction and to execute this Third Amendment.

LANDLORD:

BMR-SPRING MILL DRIVE, LP,

a Delaware limited partnership

BY: BMR-Spring Mill Drive GP LLC,

a Delaware limited liability company

By: /s/ Kevin M. Simonsen

Name: Kevin M. Simonsen

Title: VP, Real Estate Counsel

TENANT:

USA TECHNOLOGIES, INC.,

a Pennsylvania corporation

By: /s/ David M. DeMedio

Name: David M. DeMedio
Title: CFO

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: February 8, 2012

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

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: February 8, 2012

/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 December 31, 2011 (the “Report”), I, Stephen P. Herbert., Chief Executive Officer of the Company, hereby certify that to my knowledge:

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

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

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

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 December 31, 2011 (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.

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