

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

FORM 10-Q

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

For the quarterly period ended December 31, 2010

OR

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

For the transition period from _____ to _____

Commission file number 001-33365

USA Technologies, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

23-2679963

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

100 Deerfield Lane, Suite 140, Malvern, Pennsylvania

(Address of principal executive offices)

19355

(Zip Code)

(610) 989-0340

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer
Smaller reporting company

Non-accelerated filer

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

As of January 19, 2011, there were 26,010,781 shares of Common Stock, no par value, outstanding.

USA TECHNOLOGIES, INC.

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USA Technologies, Inc.
Consolidated Balance Sheets

	December 31, 2010	June 30, 2010
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,995,996	\$ 7,604,324
Accounts receivable, less allowance for uncollectible accounts of \$47,000 and \$41,000, respectively	1,260,945	2,048,421
Finance receivables	256,781	242,452
Inventory, net	1,351,601	2,633,971
Prepaid expenses and other current assets	480,542	847,344
Total current assets	<u>8,345,865</u>	<u>13,376,512</u>
Finance receivables, less current portion	228,871	339,341
Property and equipment, net	7,934,562	4,511,889
Intangibles, net	3,293,453	3,810,653
Goodwill	7,663,208	7,663,208
Other assets	160,299	146,821
Total assets	<u>\$ 27,626,258</u>	<u>\$ 29,848,424</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 4,768,289	\$ 4,570,730
Accrued expenses	1,494,995	1,869,367
Current obligations under long-term debt	308,147	344,652
Total current liabilities	<u>6,571,431</u>	<u>6,784,749</u>
Long-term debt, less current portion	150,206	251,503
Total liabilities	<u>6,721,637</u>	<u>7,036,252</u>
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value: Authorized shares- 1,800,000 Series A convertible preferred- Authorized shares 900,000; Issued and outstanding shares- 442,968 and 444,468, respectively (liquidation preference of \$14,364,874 and \$14,079,523, respectively)	3,138,056	3,148,676
Common stock, no par value: Authorized shares- 640,000,000; Issued and outstanding shares- 26,009,281 and 25,497,155, respectively	210,114,364	209,958,552
Accumulated deficit	(192,347,799)	(190,295,056)
Total shareholders' equity	<u>20,904,621</u>	<u>22,812,172</u>
Total liabilities and shareholders' equity	<u>\$ 27,626,258</u>	<u>\$ 29,848,424</u>

See accompanying notes.

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

	Three months ended December 31,		Six months ended December 31,	
	2010	2009	2010	2009
Revenues:				
Equipment sales	\$ 2,260,826	\$ 1,697,053	\$ 3,357,020	\$ 3,634,460
License and transaction fees	3,755,690	2,073,786	7,100,163	3,964,015
Total revenues	6,016,516	3,770,839	10,457,183	7,598,475
Cost of sales:				
Cost of equipment	843,683	1,080,878	1,492,581	2,390,235
Cost of services	2,684,812	1,680,565	5,121,011	3,168,722
Cost of sales	3,528,495	2,761,443	6,613,592	5,558,957
Gross profit	2,488,021	1,009,396	3,843,591	2,039,518
Operating expenses:				
Selling, general and administrative	2,262,967	4,857,366	5,176,266	8,423,143
Depreciation and amortization	365,677	400,366	707,218	785,431
Total operating expenses	2,628,644	5,257,732	5,883,484	9,208,574
Operating loss	(140,623)	(4,248,336)	(2,039,893)	(7,169,056)
Other income (expense):				
Interest income	17,469	12,699	42,779	27,636
Interest expense	(9,977)	(9,719)	(22,629)	(30,135)
Total other income (expense), net	7,492	2,980	20,150	(2,499)
Net loss	(133,131)	(4,245,356)	(2,019,743)	(7,171,555)
Cumulative preferred dividends	-	-	(333,351)	(382,703)
Loss applicable to common shares	(133,131)	(4,245,356)	(2,353,094)	(7,554,258)
Loss per common share (basic and diluted)	\$ (0.01)	\$ (0.19)	\$ (0.09)	\$ (0.36)
Weighted average number of common shares outstanding (basic and diluted)	26,005,257	22,728,252	25,923,931	21,274,089

See accompanying notes.

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

	Series A Convertible Preferred Stock	Common Stock	Accumulated Deficit	Total
Balance, June 30, 2010	\$ 3,148,676	\$ 209,958,552	\$ (190,295,056)	\$ 22,812,172
Conversion of 1,500 shares of preferred stock into 15 shares of common stock	(10,620)	10,620		-
Conversion of \$33,000 of preferred dividends into 33 shares of common stock at \$1,000 per share		33,000	(33,000)	-
Issuance of 261,953 shares of common stock at \$0.90 per share less issuance costs of \$227,672		8,085		8,085
Retirement of 2,217 shares of common stock		(2,261)		(2,261)
Issuance of 16,000 fully-vested shares of common stock to employees and vesting of shares granted under the 2008 Stock Incentive Plan		8,802		8,802
Issuance of 86,342 shares of common stock for settlement of Long-Term Equity Incentive Program liability for Fiscal Year 2010		97,566		97,566
Issuance of 150,000 shares of common stock to Lincoln Park Capital		-		-
Net Loss			(2,019,743)	(2,019,743)
Balance, December 31, 2010	<u>\$ 3,138,056</u>	<u>\$ 210,114,364</u>	<u>\$ (192,347,799)</u>	<u>\$ 20,904,621</u>

See accompanying notes.

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

	Six months ended December 31,	
	2010	2009
Operating activities		
Net loss	\$ (2,019,743)	\$ (7,171,555)
Adjustments to reconcile net loss to net cash used in operating activities:		
Charges incurred in connection with the vesting and issuance of common stock for employee compensation	8,802	61,931
Charges incurred in connection with the Long-term Equity Incentive Program	54,395	104,730
Bad debt expense	25,728	67,432
Amortization	517,200	517,200
Depreciation, \$414,646 and \$56,742 of which is allocated to cost of services for the six months ended December 31, 2010 and 2009	604,664	324,973
Loss on disposal of property and equipment	10,380	-
Changes in operating assets and liabilities:		
Accounts receivable	761,748	(495,637)
Finance receivables	96,141	(964,732)
Inventory	(2,541,602)	(700,555)
Prepaid expenses and other assets	447,635	188,026
Accounts payable	197,559	(687,203)
Accrued expenses	(331,201)	1,443,841
Net cash used in operating activities	<u>(2,168,294)</u>	<u>(7,311,549)</u>
Investing activities		
Purchase of property and equipment, net	(213,745)	(281,391)
Net cash used in investing activities	<u>(213,745)</u>	<u>(281,391)</u>
Financing activities		
Net proceeds from the issuance (retirement) of common stock	5,824	12,948,491
Payments for the retirement of preferred stock	-	(200,911)
Repayment of long-term debt	(232,113)	(330,024)
Net cash provided by (used in) financing activities	<u>(226,289)</u>	<u>12,417,556</u>
Net increase (decrease) in cash and cash equivalents	(2,608,328)	4,824,616
Cash and cash equivalents at beginning of period	7,604,324	6,748,262
Cash and cash equivalents at end of period	<u>\$ 4,995,996</u>	<u>\$ 11,572,878</u>
Supplemental disclosures of cash flow information:		
Prepaid insurance financed with long-term debt	\$ 94,311	\$ 85,991
Cash paid for interest	\$ 23,269	\$ 11,976
Transfer of inventory to property and equipment for rental units	\$ 3,823,972	\$ 106,232
Conversion of convertible preferred stock to common stock	\$ 10,620	\$ -
Conversion of cumulative preferred dividends to common stock	\$ 33,000	\$ -
Disposal of property and equipment	\$ 140,931	\$ -
Equipment acquired under capital lease	\$ -	\$ 17,337

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 payment, remote management, reporting and energy management solutions serving the unattended point of sale 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 offer their customers cashless payment options, as well as remotely monitor, control and report on the results of these distributed assets. As part of our Intelligent Vending® solution, our Company also manufactures and sells energy management products which reduce the electrical power consumption of vending related equipment, such as refrigerated vending machines and glass front coolers, thus reducing the electrical energy costs associated with operating this equipment.

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, 2010. 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, 2010 are not necessarily indicative of the results that may be expected for the year ending June 30, 2011. The balance sheet at June 30, 2010 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, 2010 and losses have continued through December 31, 2010 and are expected to continue during fiscal year 2011. 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 issuance of Common Stock and the exercise of outstanding Common Stock warrants.

Consolidation

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

Use of Estimates

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

Reclassification

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

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 certificates of deposit and 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, 2010 and June 30, 2010 was approximately \$330,000 and \$1,020,000, 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 processors for which cash has not been received by the Company and included in accounts payable are amounts for transactions processed with our card processors 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.

USA Technologies, Inc.
Notes to Consolidated Financial Statements

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

The carrying value of cash and cash equivalents, accounts receivable, finance receivables-current portion, other current assets, accounts payable and accrued expenses reported in the consolidated balance sheets equal or approximate fair value due to their short maturities. Cash equivalents of approximately \$964,000 and \$2,972,000 at December 31, 2010 and June 30, 2010, respectively, are deemed for valuation purposes to meet level one criteria under the fair value hierarchy – having quoted market prices in active markets for identical assets or liabilities. The fair value of the Company's long-term finance receivables and long-term debt approximates book value as such instruments are at market rates currently available to the Company.

Income Taxes

No provision for income taxes has been made for the six months ended December 31, 2010 and 2009 given the Company's losses in 2010 and 2009 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.

Shared-Based Payment

The Company applies ASC Topic 718 "Stock Compensation" which requires the measurement of the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. Excluding the Long-Term Equity Incentive Program (the "LTIP"), the Company recorded stock compensation expense of \$699 and \$21,357 during the three months ended December 31, 2010 and 2009, respectively, and \$8,802 and \$61,931 during the six months ended December 31, 2010 and 2009, respectively, related to common stock grants and the vesting of shares previously granted to employees and officers. There were no common stock options granted, vested or recorded as expense during the six months ended December 31, 2010 and 2009.

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 \$27,472 during the three months ended December 31, 2010 and 2009, respectively. During the six months ended December 31, 2010 and 2009, the LTIP stock compensation expense was \$54,395 and \$104,730, 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.

USA Technologies, Inc.
Notes to Consolidated Financial Statements

2. Finance Receivables

Finance receivables include notes and 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 both types of receivables are collected by deduction from our customers' vending and equipment transaction funds. The Company recognizes a portion of the note or lease payments as interest income in the accompanying consolidated financial statements based on the effective interest rate method.

Finance receivables consist of the following:

	December 31 2010 (unaudited)	June 30 2010
Notes receivable	\$ 7,599	\$ 56,962
Lease receivables	478,053	524,831
Total finance receivables	485,652	581,793
Less current portion	256,781	242,452
Non-current portion of finance receivables	\$ 228,871	\$ 339,341

As of December 31, 2010 and June 30, 2010, the allowance for credit losses of finance receivables was \$0. 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, 2010

Credit risk profile based on payment activity:

	Notes	Leases	Total
Performing	\$ 7,599	\$ 475,329	\$ 482,928
Nonperforming	-	2,724	2,724
Total	\$ 7,599	\$ 478,053	\$ 485,652

Age Analysis of Past Due Finance Receivables
As of December 31, 2010

	31 – 60 Days Past Due	61 – 90 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Finance Receivables
Notes	\$ -	\$ -	\$ -	\$ -	\$ 7,599	\$ 7,599
Leases	71	71	675	817	477,236	478,053
Total	\$ 71	\$ 71	\$ 675	\$ 817	\$ 484,835	\$ 485,652

USA Technologies, Inc.
Notes to Consolidated Financial Statements

3. Accrued Expenses

Accrued expenses consist of the following:

	December 31 2010 <u>(unaudited)</u>	June 30 2010 <u></u>
Accrued compensation and sales commissions	\$ 764,382	\$ 922,741
Accrued professional fees	153,039	374,288
Accrued taxes and filing fees	226,671	222,249
Advanced customer billings	39,241	55,773
Accrued share-based payment liability	-	43,171
Accrued other	311,662	251,145
Accrued Expenses	<u>\$ 1,494,995</u>	<u>\$ 1,869,367</u>

4. Long-Term Debt

Long-term debt consists of the following:

	December 31 2010 <u>(unaudited)</u>	June 30 2010 <u></u>
Capital lease obligations	\$ 168,996	\$ 280,261
Loan agreements	289,357	315,894
Total long-term debt	<u>458,353</u>	<u>596,155</u>
Less current portion	308,147	344,652
Non-current portion of long-term debt	<u>\$ 150,206</u>	<u>\$ 251,503</u>

During July 2010, the Company financed a portion of the premiums for various insurance policies totaling \$94,331 due in nine monthly installments at an interest rate of 4.93%.

5. Common Stock and Preferred Stock

On July 7, 2010, we sold an aggregate of 261,953 shares and related warrants to purchase up to 261,953 shares pursuant to a subscription rights offering which concluded on July 6, 2010. In connection with the offering, Source Capital Group, Inc. acted as dealer manager. As compensation for its services, Source received warrants to purchase up to 15,717 shares at \$1.13 per share at any time through July 7, 2013. The warrants contain provisions for one demand registration of the sale of the underlying shares of common stock for a period of five years at our expense, and piggyback registration rights for a period of five years at our expense, and one demand registration right at the dealer manager's expense for a period of five years. The Company received \$235,757 of gross proceeds; after deductions for fees and expenses, net cash proceeds were \$8,085.

On July 27, 2010, we executed a purchase agreement and a registration rights agreement with Lincoln Park Capital, LLC ("LPC"). Under the purchase agreement, we have the right to sell to LPC up to 4,851,408 shares of our common stock at our option for an aggregate purchase price of up to \$5,000,000. Pursuant to the registration rights agreement, we filed a registration statement, which was declared effective on October 21, 2010, covering the common stock that has been issued or may be issued to LPC under the purchase agreement. Over approximately 25 months, generally we have the right to direct LPC to purchase up to 4,851,408 shares of our common stock in amounts up to 150,000 shares as often as every two business days under certain conditions. The purchase price of the shares will be based on the market price of our shares immediately prior to the time of sale as computed under the purchase agreement without any fixed discount. We may at any time in our sole discretion terminate the purchase agreement without fee, penalty or cost upon one business days notice. We issued 150,000 shares of our common stock to LPC as a commitment fee for entering into the purchase agreement, and we are obligated to issue up to 150,000 shares pro rata as LPC purchases up to \$5,000,000 of our common stock as directed by us.

USA Technologies, Inc.
Notes to Consolidated Financial Statements

5. Common Stock and Preferred Stock (Continued)

On October 7, 2010, 86,342 shares of common stock were issued to the Company's executive officers on account of the 2010 fiscal year under the LTIP. The specific allocation of the shares among the executive officers was as follows: Mr. Jensen- 60,716 shares; Mr. Herbert- 18,261 shares; and Mr. DeMedio- 7,365 shares. On December 30, 2010, an executive officer exercised his right to cancel shares for payroll tax obligations. As a result, 2,217 shares of common stock were cancelled to satisfy \$2,261 of related payroll tax obligations. The total compensation expense recognized for the LTIP on account of the 2010 fiscal year was \$97,566, based on the closing price of the Company's Common Stock on October 6, 2010 of \$1.13; \$43,171 of the total compensation expense was recorded in the fiscal year ended June 30, 2010, and \$54,395 in the six months ended December 31, 2010.

6. Common Stock Warrants

As of December 31, 2010, there were 12,304,418 Common Stock warrants outstanding, of which 9,289,011 warrants were currently exercisable at exercise prices ranging from \$1.13 to \$7.70 per share and 3,015,407 warrants, all with an exercise price of \$1.13, are not exercisable until January 1, 2011. On October 1, 2010, 1,500,000 warrants, which were outstanding as of June 30, 2010 and September 30, 2010, were forfeited and are not outstanding as of December 31, 2010, due to performance hurdles in the First Data Joint Marketing Agreement not being achieved.

The following table shows a summary of warrants outstanding as of December 31, 2010:

Expiration Date	NASDAQ Symbol	Exercise Price	Warrants Outstanding
5/12/2013	Not Listed	\$1.13	165,207
7/7/2013	Not Listed	\$1.13	15,717
12/31/2013	USATZ	\$1.13	3,015,407
12/31/2011	USATW	\$2.20	7,285,792
12/31/2011	Not Listed	\$2.20	291,432
9/14/2013	Not Listed	\$5.90	903,955
12/31/2011	Not Listed	\$6.40	609,376
10/17/2012	Not Listed	\$7.70	17,532
Total Warrants Outstanding			12,304,418

7. Commitments

In November 2010, the Company entered into an amended lease of its principal executive office in Malvern, Pennsylvania, which extended the lease term from December 31, 2010 to April 2016. The amendment includes rental payments of approximately \$29,000 to \$32,000 as well as a four month period of no rent payments. The straight-lined rent expense for this office is approximately \$29,000 per month for the duration of the lease.

In December 2010, the Company entered into an amended lease of its operations site, also in Malvern, Pennsylvania, to extend the lease term from December 31, 2010 to December 31, 2011. Monthly lease payments are approximately \$14,500.

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 to sell products at a profit;
- the ability of the Company to raise funds in the future through sales of securities;
- the ability of the Company to obtain commercial acceptance of its products and services;
- the ability of the Company to compete with its competitors to obtain market share;
- whether our Company's customers purchase ePort devices or our other products in the future at levels currently anticipated by our Company;
- 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;
- 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 and the lack of established revenues;
- the ability of the Company to maintain its reduced cash-based SG&A expenses during the remainder of the 2011 fiscal year;
- 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; 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, 2010 compared to the three months ended December 31, 2009

Revenues for the quarter ended December 31, 2010 were \$6,016,516 compared to \$3,770,839 for the quarter ended December 31, 2009. This \$2,245,677 or 60% increase was primarily due to an increase in license and transaction fees of \$1,681,904, or 81%, from the prior period as well as an increase in equipment sales of \$563,773, or 33%, 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 USALive® network, and the associated fees generated by these connected units. As of December 31, 2010, the Company had approximately 109,000 connections to our USALive® network (including approximately 11,000 third party devices that have been certified to be connected to our network, utilize the Company's network protocol and/or software and have a contractual, non-exclusive license to the Company's patents and other intellectual property) as compared to approximately 63,000 connections to our USALive network (including approximately 6,600 third party devices that have been certified to be connected to our network, utilize the Company's network protocol and/or software and have a contractual, non-exclusive license to the Company's patents and other intellectual property) as of December 31, 2009. During the December 31, 2010 quarter, the Company added approximately 21,000 connections to our network.

In regards to transaction fees, during the quarter ended December 31, 2010, the Company processed approximately 15.9 million transactions totaling approximately \$26.2 million compared to approximately 8.2 million transactions totaling approximately \$15.0 million during the quarter ended December 31, 2009, an increase of approximately 94% in transaction volume and approximately 75% in dollars processed. In addition, our customer base increased with approximately 200 new e-Port customers added to its USALive® network during the three months ended December 31, 2010 bringing the total number of such customers to over 1,400 as of December 31, 2010. Last year the Company added 175 new customers in the three months ended December 31, 2009. By comparison, the company had approximately 775 customers as of December 31, 2009, representing an 81% increase during the past twelve calendar months.

The \$563,773 increase in equipment sales was a result of increases of approximately \$416,000 related to ePort® products and fees and an increase of approximately \$178,000 in sales of Energy Miser products, offset by a decrease in other equipment sales of approximately \$30,000. The net increase in ePort® related sales revenue of \$416,000 versus a quarter a year ago is attributable to increases of (1) approximately \$686,000 in activation related fees, (2) approximately \$192,000 of Visa support funding for installation and making operational Visa accepting ePorts, and (3) approximately \$73,000 of revenue recognized under our May 2008 agreement with a customer; these increases were offset by a decrease in ePort® hardware sales of approximately \$535,000. The decrease in hardware sale revenue is due mainly to a significant portion of the ePort® units shipped during the quarter ended December 31, 2010 were part of the Jump Start Program, for which the Company records a one-time activation fee, but does not record an equipment (hardware) sale. The JumpStart program began at the end of the quarter ended December 31, 2009, therefore most ePort® units shipped during the quarter ended December 31, 2009 were sold to our customers and an equipment (hardware) sale was recorded. The Jump Start Program ended on December 31, 2010. Pursuant to the Jump Start Program, the Company is entitled to receive a one-time activation fee upon shipment of the device, a monthly service fee, generally commencing the month after shipment, and transactional processing fees due in connection with the cashless activity generated by the device.

Cost of sales consisted of equipment costs of \$843,683 and \$1,080,878 and network and transaction services related costs of \$2,684,812 and \$1,680,565 for the quarters ended December 31, 2010 and 2009, respectively. The increase in total cost of sales of \$767,052 over the prior fiscal quarter was due to a decrease in equipment costs of \$237,195, offset by an increase in network and transaction services related costs of \$1,004,247. The decrease in equipment costs was a direct result of shipping more units under the Jump Start Program. The costs associated with the Jump Start units were recorded to Property and Equipment on the Consolidated Balance Sheet. The increase in network and transaction services costs was directly related to increases in units connected to the network and increases in processing volume, offset by decreases in third party supplier costs due to an amendment to a contract which occurred in the quarter ended December 31, 2009.

Gross profit for the quarter ended December 31, 2010 was \$2,488,021 compared to gross profit of \$1,009,396 for the same quarter in the previous fiscal year, an increase of \$1,478,625, of which \$800,968 is attributable to equipment sales and \$677,657 is attributable to license and transaction fees. The increase in gross profit from equipment sales is predominately due to the increase in activation fees on Jump Start connections versus the quarter a year ago as well as the Visa support funding recorded during the quarter ended December 31, 2010. The increase in gross profit dollars from license and transaction fees was generated by additional devices connected to our network and a decrease in third party supplier costs related to the contract amendment referred to above. Percentage based total gross profit ("GP") increased overall from 27% to 41%, equipment sales GP increased from 36% to 63%, and license and transaction fees GP increased from 19% to 29%.

Selling, general and administrative expense (SG&A) of \$2,262,967, decreased by \$2,594,399 or 53%, from the same quarter a year ago, due to proxy contest, litigation and settlement expenses incurred during the quarter ended December 31, 2009 of approximately \$1,520,000, net of insurance reimbursements of approximately \$472,000 and \$1,074,000 as a result of the Company's recent expense reduction efforts. These reductions consisted of decreases in consulting and other professional services of approximately \$654,000, compensation expenses of approximately \$178,000, product development material costs of approximately \$62,000, advertising and marketing costs of approximately \$52,000 and other net decreases of approximately \$128,000.

The consulting and other professional services decrease of approximately \$654,000 was primarily due to reductions in research and development services (\$172,000) due to the completion of projects, as well as reductions in costs of information technology (\$166,000), accounting (\$86,000), legal (\$78,000) and other services (\$152,000). The compensation expense decrease of approximately \$178,000 was due to decreases of approximately \$69,000 in salaries and commissions, approximately \$47,000 in benefit costs, as well as a decrease of approximately \$62,000 in non-cash charges related to the LTIP and other stock compensation expenses.

The quarter ended December 31, 2010 resulted in a net loss of \$133,131 (including approximately \$608,000 of non-cash charges) compared to a net loss of \$4,245,356 (including approximately \$530,000 of non-cash charges) for the quarter ended December 31, 2009, an improvement of \$4,112,215, or 97%. Net loss for the December 31, 2010 fiscal quarter was the lowest quarterly net loss since our shares became listed on The NASDAQ Stock Market in March 2007. For the December 31, 2010 quarter, the loss per common share was \$.01 as compared to a loss per common share of \$.19 for the prior corresponding quarter.

For the quarters ended December 31, 2010 and 2009, the Company had positive earnings before interest, taxes, depreciation and amortization ("EBITDA") of \$456,335 and an EBITDA loss of \$3,818,295, respectively. The Company has achieved its stated goals of having at least 100,000 connections to its network by December 31, 2010 as well as positive EBITDA for the December 31, 2010 quarter. As stated above, at December 31, 2010 the Company had approximately 109,000 connections to its network.

Pursuant to the Settlement Agreement dated February 4, 2010 (the "Settlement Agreement") between the Company, Shareholder Advocates For Value Enhancement (the "Committee"), and certain other parties, only if the Company did not (i) achieve positive EBITDA during the quarter ended December 31, 2010, and (ii) have at least 100,000 connections to its network as of December 31, 2010, the Committee would have the right to name an additional nominee to serve as a director in addition to the two nominees presently named by them. As the Company has attained positive EBITDA for the quarter and had at least 100,000 connections to its network as of December 31, 2010, the Committee does not have the right to name an additional director.

Reconciliation of quarterly net loss to EBITDA for the quarters ended December 31, 2010 and 2009:

	3 Months Ended December 31, 2010	3 Months Ended December 31, 2009
Net loss	\$ (133,131)	\$ (4,245,356)
Less interest income	(17,469)	(12,699)
Plus interest expense	9,977	9,719
Plus income tax expense	--	--
Plus depreciation expense	338,358	171,441
Plus amortization expense	258,600	258,600
EBITDA	<u>\$ 456,335</u>	<u>\$ (3,818,295)</u>

EBITDA is defined as a non-GAAP financial measure by the Securities and Exchange Commission. This non-GAAP financial measure is not required by or defined under GAAP (Generally Accepted Accounting Principles), nor is the presentation of this financial measure 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. 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 is not a substitute for or measure of the Company's profitability or net earnings. EBITDA is presented because as stated above, the Company had a stated goal of achieving positive EBITDA for the quarter ended December 31, 2010, and EBITDA is utilized in the Settlement Agreement.

Important Relationship

In December 2010, the Company entered into a three year Strategic Partnership Agreement with a global, preeminent manufacturer of vending machines and payment systems (the “Manufacturer”). The Manufacturer also provides technology solutions for the vending and automatic merchandising industries. The Company has agreed to assist the Manufacturer to develop a cashless hardware solution that is integrated with the Company’s technology (the “Cashless Hardware Solution”) for the Manufacturer to sell to its customers. The Company also agreed to provide to the Manufacturer and its customers a non-exclusive, non-transferable license to certain Company patents and other intellectual property for use in the Cashless Hardware Solution solely for connecting to the Company’s network. Among other things, the Company will act as and be recommended as the Manufacturer’s lead provider of cashless services to the Manufacturer’s customers that purchase the Cashless Hardware Solution. The Agreement is a nonexclusive arrangement, and the Manufacturer is permitted during the term thereof to develop or utilize other cashless solutions other than the Cashless Hardware Solution that do not utilize the Company’s technology and/or connect to the Company’s network. The Agreement provides that the license to certain Company patents and other intellectual property shall not cover any Cashless Hardware Solution that is not connected to the Company’s network or to any other cashless solution that is not connected to the Company’s network.

Six months ended December 31, 2010 compared to the six months ended December 31, 2009

Revenues for the six month period ended December 31, 2010 were \$10,457,183 compared to \$7,598,475 for the same period in the prior fiscal year. This \$2,858,708 or 38% increase was primarily due to an increase in license and transaction fees of \$3,136,148, or 79%, from the prior period offset by a decrease in equipment sales of \$277,440, or 8%, 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 USALive® network, and the associated fees generated by these connected units. As of December 31, 2010, the Company had approximately 109,000 connections to our USALive® network (including approximately 11,000 third party devices that have been certified to be connected to our network, utilize the Company's network protocol and/or software and have a contractual, non-exclusive license to the Company's patents and other intellectual property) as compared to approximately 63,000 connections to our USALive network (including approximately 6,600 third party devices that have been certified to be connected to our network, utilize the Company's network protocol and/or software and have a contractual, non-exclusive license to the Company's patents and other intellectual property) as of December 31, 2009. During the six month period ended December 31, 2010, the Company added approximately 27,000 connections to our network. In regards to transaction fees, during the six months ended December 31, 2010, the Company processed approximately 29.8 million transactions totaling approximately \$50.7 million compared to approximately 15.5 million transactions totaling approximately \$29.6 million during the six months ended December 31, 2009, an increase of approximately 92% in transaction volume and approximately 72% in dollars processed.

In addition, our customer base increased with approximately 350 new e-Port customers added to its USALive® network during the six months ended December 31, 2010 bringing the total number of such customers to over 1,400 as of December 31, 2010. Last year, the Company added 250 new customers in the six months ended December 31, 2009. By comparison, the company had approximately 775 customers as of December 31, 2009, representing an 81% increase during the past twelve calendar months.

The \$277,440 decrease in equipment sales was a result of an increase of approximately of \$75,000 related to Energy Miser products, offset by a net decrease of approximately \$320,000 in sales of ePort® products and fees and a decrease of approximately of \$32,000 in other equipment sales. The net decrease in ePort® related sales revenue of \$320,000 is attributable to reduced hardware sales of approximately \$1,282,000. The decrease in hardware sale revenue is due mainly to a significant portion of the ePort® units shipped during the quarter ended December 31, 2010 were part of the Jump Start Program, for which the Company records a one-time activation fee, but does not record an equipment (hardware) sale. The JumpStart Program began in December 2009, therefore most ePort® units shipped during the six months ended December 31, 2009 were sold to our customers and an equipment (hardware) sale was recorded. The Jump Start Program ended on December 31, 2010. Pursuant to the Jump Start Program, the Company is entitled to receive a one-time activation fee upon shipment of the device, a monthly service fee, generally commencing the month after shipment, and transactional processing fees due in connection with the cashless activity generated by the device. The decrease in hardware sales was offset by increases of (1) approximately \$664,000 in activation related fees primarily related to Jump Start Program units, (2) \$225,000 of Visa support funding for installation and making operational Visa accepting ePorts, and (3) approximately \$73,000 of revenue recognized under our May 2008 agreement with a customer.

The Company entered into an Acceptance and Promotional Agreement with Visa USA, Inc. on August 16, 2010. Under the first program year of the agreement, the Company is entitled to receive up to \$225,000 to be used to support the installation and making operational of up to 9,000 terminals, which accept the Visa brand, by no later than December 31, 2010. During the six months ended December 31, 2010, the Company recorded \$225,000 of revenue related to the support funding for installation and making operational of Visa accepting terminals. As required by the Visa agreement, the Company supported the installation and made operational at least 9,000 terminals by December 31, 2010.

Cost of sales consisted of equipment costs of \$1,492,581 and \$2,390,235 and network and transaction services related costs of \$5,121,011 and \$3,168,722 for the six months ended December 31, 2010 and 2009, respectively. The increase in total cost of sales of \$1,054,635 over the same period in the prior fiscal year was due to a decrease in equipment costs of \$897,654, offset by an increase in network and transaction services of \$1,952,289. The decrease in equipment costs was a direct result of shipping more units under the Jump Start Program. The costs associated with the Jump Start units were recorded to Property and Equipment on the Consolidated Balance Sheet. The Jump Start Program started in December 2009. The increase in network and transaction services costs was directly related to increases in units connected to the network and in creases in processing volume, offset by decreases in third party supplier costs due to an amendment to a contract which occurred in the quarter ended December 31, 2009.

Gross profit for the six months ended December 31, 2010 was \$3,843,591 compared to gross profit of \$2,039,518 for the same period in the previous fiscal year, an increase of \$1,804,073, of which \$620,214 is attributable to equipment sales and \$1,183,859 is attributable to license and transaction fees. The increase in gross profit from equipment sales is predominately due to the increase in activation fees on Jump Start connections as compared to the same six month period a year ago as well as the Visa support funding recorded during the six months ended December 31, 2010. The increase in gross profit dollars from license and transaction fees was generated by additional devices connected to our network and a decrease in third party supplier costs related to the contract amendment referred to above. GP increased overall from 27% to 37%, equipment sales GP increased from 34% to 56%, and license and transaction fees GP increased from 20% to 28%.

SG&A of \$5,176,266, decreased by \$3,246,877 or 39%, from the six month period a year ago, due to an approximate \$1,727,000 decrease as a result of the Company's recent expense reduction efforts and an approximate \$1,520,000 decrease in proxy contest, litigation and settlement expenses incurred during the six months ended December 31, 2009. The Company's expense reduction efforts of \$1,727,000 consisted of decreases in consulting and other professional services of approximately \$1,055,000, compensation expenses of approximately \$289,000, product development material costs of approximately \$137,000, advertising and marketing costs of approximately \$73,000 and other net decreases of approximately \$173,000.

The consulting and other professional services decrease of approximately \$1,055,000 was primarily due to \$456,000 of reductions in research and development services due to the completion of projects, as well as reductions in costs of information technology (\$264,000), legal (\$93,000), accounting (\$87,000) and other services (\$155,000). The compensation expense net decrease of approximately \$289,000 was due to net decreases of approximately \$180,000 in salaries and commissions, approximately \$34,000 in benefit costs, as well as a decrease of approximately \$111,000 in charges related to the LTIP and other non-cash compensation expenses, offset by an increase of approximately \$36,000 in severance costs.

The six months ended December 31, 2010 resulted in a net loss of \$2,019,743 (including approximately \$1,221,000 of non-cash charges) compared to a net loss of \$7,171,555 (including approximately \$1,076,000 of non-cash charges) for the six months ended December 31, 2009, an improvement of \$5,151,812, or 72%. Net loss for the six month period ended December 31, 2010 was the lowest six month net loss since our shares became listed on The NASDAQ Stock Market in March 2007. For the six month period ended December 31, 2010, the loss per common share was \$.09 as compared to a loss per common share of \$.36 for the prior corresponding six month period.

Liquidity and Capital Resources

For the six months ended December 31, 2010, net cash of \$2,168,294 was used by operating activities, primarily due to cash used related to changes in the Company's operating assets and liabilities of \$1,369,720 and the net loss of \$2,019,743 offset by non-cash charges totaling \$1,221,169, representing the vesting and issuance of common stock for employee compensation, bad debt recovery, loss on disposal of equipment and the depreciation and amortization of assets.

The \$1,369,720 change in the Company's operating assets and liabilities, was primarily the result of \$3,823,972 of inventory used in the Jump Start Program during the six months ended December 31, 2010 and a decrease in accrued expenses, offset by a decrease in inventory unrelated to inventory used in the Jump Start program, decreases in accounts and finance receivable and prepaid expenses and other assets, and an increase in accounts payable.

During the six months ended December 31, 2010, the Company used \$213,745 in investing activities related to the purchase of network equipment and \$226,289 in financing activities mainly due to repayment of long-term debt.

The Company has incurred losses since inception. Our accumulated deficit through December 31, 2010 is composed of cumulative losses amounting to approximately \$189,500,000, preferred dividends converted to common stock of approximately \$2,700,000, and charges incurred for the open-market purchases of preferred stock of approximately \$150,000. The Company has historically raised capital through equity offerings in order to fund operations.

As of December 31, 2010 the Company had \$4,995,996 of cash and cash equivalents on hand, of which approximately \$330,000 was cash received by the Company for transaction processing services which is payable to customers.

During the remainder of the 2011 fiscal year, the Company anticipates incurring capital expenditures for property and equipment of approximately \$290,000.

Our average monthly cash-based SG&A expenses during the quarter ended December 31, 2010 were approximately \$751,000. Based on our financial forecasts and related assumptions, including continued increases in sales of our ePort® units, the Company believes its existing cash and cash equivalents as of December 31, 2010, should provide sufficient funds to meet the Company's cash requirements, including capital expenditures and repayment of long-term debt, through at least July 1, 2011.

During July 2010, the Company signed a purchase agreement with Lincoln Park Capital Fund, LLC ("LPC"). Pursuant to the purchase agreement, and subject to the conditions set forth therein, we have the right to sell to LPC, and LPC has the obligation to purchase from us, up to 4,851,408 shares of common stock over a 25 month period with an aggregate purchase price not to exceed \$5 million. We are not required to sell any shares to LPC, and we will control the timing and amount of any sales of shares to LPC. The sale of any shares to LPC is subject to our registering the shares under the Securities Act of 1933 (the "Act"). During October 2010, a registration statement covering the shares was declared effective by the Securities and Exchange Commission.

In the event that the Company would decide to increase its working capital or if actual operating results are not in accordance with our financial forecasts and related assumptions, the Company may sell shares to LPC under the purchase agreement.

As of the date of this report, we have not sold any shares to LPC and, subject to the qualifications described above, we do not anticipate selling any shares to LPC during the remainder of the 2011 fiscal year.

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, 2010. 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, 2010 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Sales of Unregistered Securities during the Quarter ended December 31, 2010

During the quarter ended December 31, 2010, the Company issued the following number of shares of common stock to its executive officers under the LTIP on account of the fiscal year ended June 30, 2010: George R. Jensen, Jr. – 60,716 shares; Stephen P. Herbert – 18,261 shares; and David M. DeMedio – 7,365 shares. The issuance of the shares was exempt from registration under Section 4(2) of the Act.

Item 6. Exhibits

10.1	Second Amendment to Agreement of Lease between BMR-Spring Mill Drive, L.P., as landlord, and the Company, as tenant, dated December 28, 2010.
10.2	Second Amendment to Office Space Lease dated as of November 17, 2010 by and between the Company and Liberty Malvern, 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.

Date: January 20, 2011

USA TECHNOLOGIES, INC.

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

Date: January 20, 2011

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

SECOND AMENDMENT TO AGREEMENT OF LEASE

THIS SECOND AMENDMENT TO AGREEMENT OF LEASE (this "Second Amendment") is entered into as of this 28th day of December, 2010, by and between BMR-SPRING MILL DRIVE, L.P., 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, as amended by that certain First Amendment to Agreement of Lease dated as of December 22, 2006 (collectively, as amended by this Second Amendment, 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; and
- C. 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 Second Amendment, capitalized terms shall have the meanings ascribed to them in the Lease unless otherwise defined herein.
2. Extension of Lease. The "Lease Termination Date" is hereby amended to mean December 31, 2011. The period from January 1, 2011 ("Second Extension Term Commencement Date"), through the Lease Termination Date is referred to herein as the "Second 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 00/100 Dollars (\$13.00) per rentable square foot per annum of Premises, commencing on the Second Extension Term Commencement Date.
4. Costs Component of Base Rent. Notwithstanding anything to the contrary, the Costs Component of Base Rent shall be Sixty Three Thousand Nine Hundred Forty Two and 06/100 Dollars (\$63,942.06) per annum, commencing on the Second Extension Term Commencement Date.
5. Additional Rent Factor. Notwithstanding anything to the contrary, the Original Additional Rent Factor shall be Four and 78/100 Dollars (\$4.78), commencing on the Second Extension Term Commencement Date.
6. 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 Lease to the contrary, agrees to take the same in its condition "as is" as of the Second 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 Second Extension Term or to pay for any improvements to the Premises, except as may be expressly provided in the Lease.
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 Second 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 Second 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 Second 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 Second Amendment shall bind and inure to the benefit of the parties hereto and their respective successors and, except as otherwise provided in the Lease, their respective assigns. In the event of any conflict between the terms contained in this Second 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 Second Amendment.

10. **Miscellaneous.** This Second Amendment becomes effective only upon execution and delivery hereof by Landlord and Tenant. The captions of the paragraphs and subparagraphs in this Second 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.

11. **Counterparts.** This Second 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 Second Amendment.

LANDLORD:

BMR-SPRING MILL DRIVE, L.P.,
a Delaware limited partnership

BY: BMR-Spring Mill Drive GP LLC,
a Delaware limited liability company

By: /s/ Karen A. Sztraicher
Name: Karen A. Sztraicher
Title: Sr. Vice President, Asset Management

TENANT:

USA TECHNOLOGIES, INC.,
a Pennsylvania corporation

By: /s/ George R. Jensen, Jr.
Name: George R. Jensen, Jr.
Title: Chief Executive Officer

SECOND AMENDMENT TO OFFICE SPACE LEASE

This Second Amendment to Office Space Lease ("Amendment") is made as of the _____ day of _____, 2010, by and between LIBERTY MALVERN, LP ("Landlord"), a Delaware limited partnership and USA TECHNOLOGIES, INC. a Pennsylvania corporation ("Tenant").

RECITALS

A. Pursuant to the Office Space Lease dated March 28, 2003, (the "Original Lease") between Landlord's predecessor-in-interest, Deerfield Corporate Center I Associates, L.P. ("Deerfield"), and Tenant, as amended by the Amendment to Office Space Lease, dated April 1, 2005 (the "First Amendment"), Tenant is leasing approximately 17,249 rentable square feet on the first floor of the building (the "Building") known as 100 Deerfield Drive, Chester County, Malvern, Pennsylvania (the "Premises");

B. Landlord succeeded to the interest of Deerfield under the Original Lease; and

C. Landlord and Tenant desire to amend the Original Lease, as amended, pursuant to the terms set forth herein to, among other things, extend the Term of the Original Lease. All capitalized terms used herein and not otherwise defined herein shall have the same meanings ascribed to them in the Original Lease or the First Amendment. The Original Lease as amended by the First Amendment and this Amendment is referred to herein as the "Lease."

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Landlord and Tenant covenant and agree as follows:

1. Recitals. The Recitals set forth above are hereby incorporated herein by reference, as if set forth in full in the body of this Amendment.

2. Term. The Term of the Lease is hereby extended, such that the Term of the Lease shall now expire on April 30, 2016, without further notice or demand. The word "Term" as used in the Lease shall mean the period of time from the Delivery Date and ending on April 30, 2016.

3. Fixed Basic Rent. Effective as of October 1, 2010, the Fixed Basic Rent for the Premises shall be paid in the amounts set forth below in this paragraph 3, in accordance with the terms in the Lease, in advance, without demand, notice, set-off or counterclaim, in twelve (12) equal monthly installments on the first day of each calendar month, in the following amounts:

Period of Term	Rate Per Rentable Square Foot	Annual Fixed Basic Rent	Monthly Installment of Fixed Basic Rent
10/1/10 – 9/30/11	\$20.00	\$344,980.00	\$28,748.33
10/1/11 – 9/30/12	\$20.50	\$353,604.50	\$29,467.04
10/1/12 – 9/30/13	\$21.00	\$362,229.00	\$30,185.75
10/1/13 – 9/30/14	\$21.50	\$370,853.50	\$30,904.46
10/1/14 – 9/30/15	\$22.00	\$379,478.00	\$31,623.17
10/1/15 – 4/30/16	\$22.50	\$388,102.50	\$32,341.88

Notwithstanding anything set forth herein, provided that no Event of Default has occurred or is continuing under the Lease, Fixed Basic Rent for the months of January 2011, February 2011, March 2011 and April 2011 shall be abated in full. However, Tenant shall be responsible for any and all Additional Rent or other amounts due under the Lease for the Premises during this time period including but not limited to charges for Operating Expenses, utilities, including but not limited to electricity.

4. Additional Rent.

(a) For all periods of time after October 1, 2010, the "Operating Expenses Stop" as defined in Paragraph K of the Preamble of the Original Lease shall no longer be used in determining Tenant's responsibility for Operating Expenses. As of the October 1, 2010, for all periods of time after October 1, 2010, paragraph K of the Preamble of the Original Lease is deleted in its entirety and a new Paragraph T. is added to the Preamble of the Original Lease and it shall provide: "T. **Base Year** shall mean the calendar year ending December 31, 2010." Additionally, Tenant's Proportionate Share as used in Paragraph R of the Preamble of the Original Lease shall continue to be 19.18%.

Additionally, for all periods of time after October 1, 2010, paragraph 7(b) of the Original Lease is deleted in its entirety and replaced with the following:

"7(b) **Tenant's Expense Payment.** Commencing on January 1, 2011, and for each year or partial year thereafter, Tenant shall pay to Landlord as Additional Rent, an amount equal to Tenant's Proportionate Share of the total dollar excess, if any, in Operating Expenses for such Operating Year over the Operating Expenses in the Base Year ("Tenant's Expense Payment"). For any portion of an Operating Year less than a full twelve (12) month period occurring within the Term, Tenant's Expense Payment shall be prorated on a per diem basis."

(b) Notwithstanding anything set forth herein, only for purposes of calculating the 105% limitation in paragraph 7(a)(ii)(3) of the Original Lease, for the months of October, November and December 2010, it will be assumed that that Tenant was charged for Operating Expenses in the same manner as it was before the date of this Amendment.

5. Improvements.

(a) Tenant's Plans. Tenant shall prepare and deliver to Landlord for its written approval, architectural plans and specifications and engineering plans and specifications for the construction and completion of improvements to the Premises, which improvements shall only be for painting, wall coverings, flooring, HVAC unit installation and additional electrical power for the Tenant's server room, improvements necessary to deaden the white noise in the Premises and refurbishing, provided that none of the foregoing shall affect the structure or any other utility systems of the Building and all of the foregoing shall be subject to Landlord's prior approval ("Tenant's Plans"). Tenant's Plans shall comply with all governmental requirements and Landlord's approval of Tenant's Plans shall not constitute an implication, representation or certification that such proposed Tenant's Plans and/or the Tenant Improvements (as defined below) are in compliance with governmental requirements. Tenant shall not commence any work in the Premises unless and until Landlord has approved Tenant's Plans.

(b) Tenant Allowance. Landlord shall, in accordance with Paragraph 5(c) below, provide Tenant an allowance of up to the maximum amount of Two Hundred and Six Thousand Nine Hundred Eighty Eight Dollars (\$206,988), calculated at \$12.00 per square foot (the "Allowance"), and in no event shall Landlord be obligated to provide more than the full amount of the Allowance. The Allowance shall be utilized by Tenant on or before May 1, 2011, time being of the essence, and shall be used for Landlord approved improvements or renovations to the Premises, first made after the date of this Amendment, which improvements (and renovating) shall be performed by Tenant in a good and workmanlike manner and in accordance with Tenant's Plans for the Premises, the terms of the Lease and all legal requirements (collectively, the "Improvements"). Tenant shall use a Landlord approved contractor for the Improvements. Tenant, at its sole cost and expense, shall be responsible for the payment of any costs of the Improvements in excess of the Allowance and the entire cost of other additions, alterations or improvements to the Premises. Prior to the commencement of any work in the Premises, Tenant shall obtain approval of Tenant's Plans and shall request Landlord's approval, such approval by Landlord not to be unreasonably withheld, delayed or conditioned, such request to be accompanied by: (i) any plans and specifications for the Improvements, (ii) names and addresses of each of the contractors and subcontractors to perform the Improvements, (iii) copies of applicable contracts, subcontracts and necessary permits for the Improvements, and (iv) certificates of insurance, in form acceptable to the Landlord evidencing that all contractors and subcontractors who will perform labor or furnish materials, have insurance coverage in form and amounts required by Landlord insuring Landlord, Landlord's Managing Agent, Landlord's lenders and Tenant against any and all liability for personal injury, including workers' compensation claims and for property damage that may arise out of or be in any manner connected with the Improvements. No Improvements or other alterations, additions or improvements to the Premises shall be made unless Landlord has given its prior written consent thereto. All work done in connection with the Improvements shall be done in accordance with this Paragraph 5 and the terms of the Lease, specifically, without limitation, the terms of Paragraph 15 of the Original Lease.

(c) Payment. Tenant hereby specifically agrees to indemnify and hold harmless Landlord, its Managing Agent and Landlord's lenders from and against any and all liabilities, costs and expenses (other than Landlord's obligation to provide Tenant the Allowance) of every kind and description, including reasonable attorneys' fees, that may arise out of or in any manner be connected with any Improvements or other alterations, additions or improvements made by or at the direction of Tenant or Tenant's agents, contractors and subcontractors. Landlord shall pay that portion of the Allowance that Tenant is entitled to receive, in periodic payments, but no more than one (1) time a month, upon receipt by Landlord from Tenant of a request for a portion of the Allowance to pay for work that has been done in the Premises pursuant to the Tenant's Plans and provided that for each payment amount requested, each of the following conditions have been satisfied: (i) Tenant shall furnish Landlord with invoices and a detailed breakdown covering all labor and materials used for the work done covering the particular payment request, together with such documentation as is reasonably necessary to confirm release of any and all mechanics' liens (or, if such invoice submitted is not the final invoice, confirm such release to the extent of the amount of such invoice or provide releases as Landlord may require); (ii) Tenant shall furnish Landlord with a true and correct copy of the Certificate of Occupancy, if one is issued, and copies of any other permits required to be obtained in connection with the Improvements; (iii) there being no default by Tenant hereunder at the time Landlord would be required to pay the Allowance; (iv) the Lease being in full force and effect; (v) Tenant being in compliance with all the other terms and conditions of the Lease; and (vi) if such payment relates to a final invoice, the delivery, on forms satisfactory to the Landlord of fully executed final releases of liens from all contractors, subcontractors and materialmen involved in the Improvements. If Landlord shall fail to pay Tenant within forty-five (45) days after written notice to the Landlord requesting payment of a portion of the Allowance, provided that Tenant has delivered to the Landlord all items requested by Landlord in connection with such payment request and provided that such sums requested are properly due for amounts that may be reimbursed to Tenant (i.e., such request and the work covered thereby are in compliance with the provisions of the Lease and Landlord does not reasonably dispute any work previously performed for any reason) and further provided that Tenant has complied with the terms of this Lease and such failure shall continue for an additional ten (10) days after Tenant delivers a second written notice of such failure to Landlord, then Tenant shall have the right to give a further third written notice to Landlord (a "Tenant's Offset Notice") (together with copies thereof to Landlord's Managing Agent and Landlord's counsel) to the effect that, unless Landlord pays such amount within ten (10) business days after Landlord's receipt of Tenant's Offset Notice, Tenant shall have the right to offset the amount of the Allowance it is entitled to receive for the particular payment request against the Monthly Rent for the period beginning on the date such payment was due and payable and ending on the date such amount is fully credited to Tenant. Notwithstanding anything to the contrary contained herein, if the final cost of making the Improvements is less than Two Hundred and Six Thousand Nine Hundred and Eighty Eight Dollars (\$206,988), Landlord shall only be obligated to pay that portion of the Allowance validly evidenced by invoices covering the labor and materials used in making the Improvements and with respect to which Tenant has complied with the terms of this Amendment. In such event Tenant shall not be entitled to receive the difference between the cost of the Improvements and the Allowance. Tenant shall promptly pay the cost of all Improvements in excess of the Allowance in accordance with the provisions set forth in Tenant's Plans. In the event that Tenant has not paid such bills, Landlord may, but shall not be obligated to, pay such bills directly to the contractors or other person or persons or entity remitting such bills for payment. Notice is hereby given that Landlord shall not be liable for any labor or materials furnished or to be furnished to Tenant, and that no mechanic's or other lien for such labor or material shall attach to or affect the reversion or other estate or interest of Landlord in and to the Premises or the Building.

(d) Compliance and Monitoring of Improvements. All Improvements shall be made in accordance with the provisions set forth in the Lease including but not limited to Paragraph 15 of the Original Lease. Additionally, all Improvements made by Tenant hereunder shall be installed in a good and workmanlike manner, using only materials of the same or higher quality as those installed in the Building. All Improvements shall comply with all reasonable requirements of Landlord's insurance carriers and with all applicable laws, rules, ordinances and regulations of any governmental or quasi-governmental lawful authority. Tenant shall permit Landlord to monitor construction operations in connection with any such Improvements, if Landlord requests the right to do so (but Landlord shall have no obligation to make such requests, or having done so, to monitor construction). Landlord's monitoring of construction shall be done solely for the benefit of Landlord and shall not alter Tenant's liability and responsibility under this Paragraph 5, nor shall Landlord's monitoring impose any cost or expense upon Tenant or reduce the amount of the Allowance.

(e) Uses of Allowance. Tenant acknowledges that except as expressly provided herein, no portion of the Allowance may be used for other than the Improvements to the Premises. The Allowance may be used to pay for professional fees, including architectural fees, design or decorator fees incurred in connection with the Improvements. No portion of the Allowance may be used for furniture or equipment for the Additional Space, and Landlord shall have no obligation to make any payments out of the Allowance for costs incurred by Tenant that are not permitted hereunder.

6. Condition of Premises. Landlord hereby leases and Tenant hereby accepts the Premises in its "AS-IS" and "WHERE-IS" condition as of the date of this Amendment, and Landlord is not making, nor shall Landlord be deemed to be making, any representation or warranty as to the condition of the Premises, the Building and the improvements thereon, either express or implied, with respect to the Lease, the Premises or the Building. Tenant acknowledges that, except as expressly set forth herein, Landlord shall have no responsibility to make any improvements to the Premises or the Building in connection with this Amendment.

7. Renewal Option. Article 49 of the Original Lease is hereby deleted in its entirety and the following inserted in its place and stead:

A. Tenant shall have the right to renew the Term of the Lease for one (1) additional term of five (5) years (the "Renewal Term"), by delivering its irrevocable written notice ("Tenant's Renewal Option Notice") of the exercise thereof to Landlord not earlier than fifteen (15) months, and not later than twelve (12) months, before the last day of the Term, time being of the essence. Tenant's right to renew the Lease is conditioned upon the following requirements: (i) Tenant is the originally-named Tenant hereunder at the time of such exercise and at the commencement of the Renewal Term, the term "Tenant" shall mean and refer only to the originally-named Tenant under the Lease; (ii) Tenant shall not be in default under the terms and provisions of the Lease either at the time of such exercise or at the commencement of the Renewal Term; and (iii) Tenant is occupying, and using for its own business, the entire Premises at the time of such exercise and upon the commencement of the Renewal Term. Tenant shall lease the Premises during the Renewal Term in its then-current condition, and Landlord shall have no obligation to perform any work to the Premises, or to provide Tenant with any allowances (e.g., moving allowance, construction allowance, and the like) or other tenant inducements.

B. The Fixed Basic Rent payable during the Renewal Term shall be one hundred (100%) percent of the prevailing fair market value rental rate (the "Prevailing Rental Rate") of the Premises in effect upon the commencement of the Renewal Term, as determined by Landlord. The Prevailing Rental Rate shall be determined in accordance with the criteria set forth in this paragraph 7, and shall take into account all relevant market conditions then existing in connection with the leasing of comparable space (including quality, size, age, fit-out, utility and location) to renewing tenants in buildings in a geographic area which is similar to the Building. Such factors shall include, but not be limited to, the creditworthiness of Tenant; any construction allowances or any rental concessions customarily given to tenants of similar creditworthiness as Tenant; and brokerage commissions. The procedure for establishing the Prevailing Rental Rate shall be as follows:

(i) Not later than thirty (30) days after its receipt of a Tenant's Renewal Option Notice, Landlord shall notify Tenant of Landlord's determination of the Prevailing Rental Rate ("Landlord's Determination").

(ii) Within thirty (30) days after delivery of the notice setting forth Landlord's Determination, *time being of the essence*, Tenant shall notify Landlord ("Tenant's Notice") whether Tenant accepts or disputes Landlord's Determination. If Tenant's Notice accepts Landlord's Determination then Landlord's Determination shall, for all purposes, constitute the Prevailing Rental Rate. If Tenant refuses or fails in a timely manner to give Tenant's Notice, then Tenant will be deemed to have accepted Landlord's Determination. If Tenant's Notice disputes Landlord's Determination, Tenant's Notice shall include Tenant's determination of the Prevailing Rental Rate ("Tenant's Determination") as determined by an independent real estate broker selected by Tenant who has at least ten (10) years' experience in leasing and valuation of buildings in the geographic area of and which are similar in character to the Building (a "Qualified Appraiser").

(iii) If Tenant's Notice disputes Landlord's Determination as aforesaid, then within thirty (30) days after delivery of Tenant's Notice, Landlord shall notify Tenant ("Landlord's Notice") whether Landlord accepts or disputes Tenant's Determination. If Landlord's Notice disputes Tenant's Determination, Landlord's Notice shall include a second determination of the Prevailing Rental Rate ("Landlord's Second Determination"), which shall be determined by a Qualified Appraiser selected by Landlord. If Landlord's Second Determination exceeds Tenant's Determination by three (3%) percent or less, the Fixed Basic Rent shall be the average of Landlord's Second Determination and Tenant's Determination. If Landlord's Second Determination exceeds Tenant's Determination by more than three percent (3%), Landlord or Tenant shall apply to the office of the American Arbitration Association (or any successor organization) closest to the Building to designate a third Qualified Appraiser (the "Third Appraiser") in accordance with the then prevailing rules, regulations and/or procedures of the American Arbitration Association, and if the American Arbitration Association (or any successor organization) is unable or unwilling to designate the Third Appraiser, then either party may commence a legal proceeding to have the Third Appraiser appointed. Any broker appointed pursuant to this subparagraph (iii) shall be a Qualified Appraiser.

(iv) The Third Appraiser, using the criteria set forth in paragraph 7 B(ii) shall conduct such hearings and investigations as (s)he may deem appropriate and shall, within thirty (30) days after the date of his or her designation as the Third Appraiser, choose either Landlord's Second Determination or Tenant's Determination, and such choice shall be conclusive and binding upon Landlord and Tenant. The Third Appraiser shall have no latitude to select other than the Landlord's Second Determination or Tenant's Determination.

(v) Each party shall pay its own counsel fees and expenses in connection with any arbitration hereunder, including the expenses and fees of any Qualified Appraiser selected by it in accordance with the terms hereof, and Landlord and Tenant shall share equally the costs and expenses of the Third Appraiser.

C. If the final determination of the Prevailing Rental Rate is not made on or before the first day of the Renewal Term, then pending such final determination Tenant shall pay, as the Fixed Basic Rent for the Renewal Term, an amount equal to Landlord's Determination (or, if Landlord shall have given Landlord's Second Determination, Landlord's Second Determination). If the payments made by Tenant during the Renewal Term prior to establishing the Prevailing Rental Rate were greater than the actual Fixed Basic Rent payable for the Renewal Term, then provided Tenant is not in default under any of the terms and provisions of the Lease, Landlord shall, at Landlord's option, either credit the overpayment toward Tenant's next monthly payment(s) of Fixed Basic Rent due hereunder, or refund such overpayment to Tenant. If the payments made by Tenant during the Renewal Term prior to the establishing of the Prevailing Rental Rate, were less than the actual Fixed Basic Rent payable during the Renewal Term, Tenant shall pay the difference between the amount paid and the amount owed within thirty (30) days notice from Landlord.

D. At Landlord's election, Landlord and Tenant shall promptly execute an amendment to the Lease in form reasonably acceptable to Landlord and Tenant evidencing any renewal of the Term and the determination of Fixed Basic Rent for the Renewal Term pursuant to this Section, but no such amendment shall be necessary in order to make the provisions of this Section effective.

E. Tenant's right to renew the Lease shall automatically terminate if: (i) the Lease or Tenant's right to possession of the Premises or any portion thereof is terminated; (ii) Tenant assigns its interest in the Lease (except for an assignment that is approved by the Landlord under the terms of the Lease) or Tenant sublets all or any portion of the Premises; or (iii) if Tenant is in default of any of the terms or conditions of the Lease; .

F. Tenant shall have no further right to extend the Term of the Lease following the expiration of the Renewal Term.

G. Except as set forth in this Section, the Lease and all the covenants, agreements, terms, provisions and conditions thereof shall remain in effect during the Renewal Term, including, without limitation, Tenant's obligation to pay Additional Rent and electricity charges as provided in the Lease.

8. Reaffirmation of Certain Remedies. Except as modified and amended by the terms of this Amendment, all of the terms, covenants, representations, warranties, waivers and agreements set forth in the Lease remain in full force and effect and are incorporated herein. Without limiting the generality of the forgoing, Landlord and Tenant hereby affirm, confirm, ratify, approve and remake the confession of judgment for possession provision of the Lease, as set forth at Section 29(b)(v) of the Original Lease, and specifically acknowledges that the same apply to this Lease, as amended, and are incorporated herein by this reference.

CONFESSION OF JUDGMENT FOR POSSESSION. UPON THE OCCURRENCE OF AN EVENT OF DEFAULT OR UPON THE EXPIRATION OR TERMINATION OF THE TERM OF THIS LEASE, FOR THE PURPOSE OF OBTAINING POSSESSION OF THE PREMISES, TENANT HEREBY AUTHORIZES AND EMPOWERS THE PROTHONOTARY OR ANY ATTORNEY OF ANY COURT OF RECORD IN THE COMMONWEALTH OF PENNSYLVANIA OR ELSEWHERE, AS ATTORNEY FOR TENANT AND ALL PERSONS CLAIMING UNDER OR THROUGH TENANT, TO APPEAR FOR AND CONFESS JUDGMENT AGAINST TENANT FOR POSSESSION OF THE PREMISES, AND AGAINST ALL PERSONS CLAIMING UNDER OR THROUGH TENANT, IN FAVOR OF LANDLORD, FOR RECOVERY BY LANDLORD OF POSSESSION THEREOF, FOR WHICH THIS AGREEMENT OR A COPY HEREOF VERIFIED BY AFFIDAVIT, SHALL BE A SUFFICIENT WARRANT; AND THEREUPON A WRIT OF POSSESSION MAY IMMEDIATELY ISSUE FOR POSSESSION OF THE PREMISES, WITHOUT ANY PRIOR WRIT OR PROCEEDING WHATSOEVER AND WITHOUT ANY STAY OF EXECUTION. IF FOR ANY REASON AFTER SUCH ACTION HAS BEEN COMMENCED THE SAME SHALL BE TERMINATED AND THE POSSESSION OF THE PREMISES REMAINS IN OR IS RESTORED TO TENANT, LANDLORD SHALL HAVE THE RIGHT UPON THE OCCURRENCE OF ANY SUBSEQUENT EVENT OF DEFAULT TO CONFESS JUDGMENT IN ONE OR MORE FURTHER ACTIONS IN THE MANNER AND FORM SET FORTH ABOVE TO RECOVER POSSESSION OF SAID PREMISES FOR SUCH SUBSEQUENT DEFAULT. TENANT WAIVES ALL ERRORS IN CONNECTION WITH ANY SUCH CONFESSION OF JUDGMENT. NO SUCH TERMINATION OF THIS LEASE, NOR TAKING, NOR RECOVERING POSSESSION OF THE PREMISES SHALL DEPRIVE LANDLORD OF ANY REMEDIES OR ACTION AGAINST TENANT FOR FIXED BASIC RENT, ADDITIONAL RENT OR FOR OTHER SUMS DUE HEREUNDER OR FOR DAMAGES DUE OR TO BECOME DUE FOR THE BREACH OF ANY CONDITION OR COVENANT HEREIN CONTAINED, NOR SHALL THE BRINGING OF ANY SUCH ACTION FOR RENT AND/OR OTHER SUMS DUE HEREUNDER, OR BREACH OF COVENANT OR CONDITION NOR THE RESORT TO ANY OTHER REMEDY HEREIN PROVIDED FOR THE RECOVERY OF RENT AND/OR OTHER SUMS DUE HEREUNDER OR DAMAGES FOR SUCH BREACH BE CONSTRUED AS A WAIVER OF THE RIGHT TO INSIST UPON THE FORFEITURE AND TO OBTAIN POSSESSION IN THE MANNER HEREIN PROVIDED.

9. Confirmation. Tenant hereby represents, warrants, agrees and confirms that all conditions and covenants under the Lease to be performed by Landlord prior hereto have been satisfied, and, to Tenant's knowledge, Landlord is not in default in the performance of any covenant, agreement or condition contained in the Lease. Tenant shall have no right to setoff, counterclaim, or defenses with respect to any obligations of Landlord under the Lease.

10. Prohibited Persons and Transactions. Tenant represents and warrants to Landlord that as of the date of this Amendment and at all times during the Term (including any extensions thereof): (i) neither Tenant nor any person or entity that directly or indirectly owns a 10% or greater equity interest in it nor any of its shareholders, officers, partners, members, directors or managing members is a person or entity (each, a "Prohibited Person") with whom United States persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the United States Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) or under Executive Order 13224 (the "Executive Order") signed on September 24, 2001, and entitled "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism", or other governmental laws, rules or regulations related thereto; (ii) Tenant's activities do not and will not violate the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 or the regulations or orders promulgated thereunder (as amended from time to time, the "Money Laundering Act"); and (iii) throughout the Term of this Lease, Tenant shall comply with the Executive Order and with the Money Laundering Act as the same may be modified or amended.

11. Brokers. Tenant and Landlord represent and warrant to each other that neither party has dealt with any broker or agent in the negotiation for or the obtaining of this Amendment, with the exception of Jackson Cross Partners and Jones Lang LaSalle (collectively, the "Brokers") and Tenant and Landlord hereby agree to indemnify, defend and hold the other harmless from and against any and all claims and any and all costs or liability for a commission or compensation claimed by any broker or agent who claims to have dealt with or have been employed by either Landlord or Tenant, as to the Lease or this Amendment, other than any claim made by the Brokers. Landlord shall be responsible to pay Jackson Cross Partners pursuant to a separate agreement between Landlord and Jackson Cross Partners, and the parties acknowledge that Jones Lang LaSalle shall be paid solely by Jackson Cross pursuant to a separate agreement between the Brokers.

12. Miscellaneous.

(a) The Original Lease as amended by the First Amendment and this Amendment represents the entire agreement between the parties hereto and there are no collateral or oral agreements or understandings between Landlord and Tenant with respect to the Lease.

(b) This Amendment shall not be modified in any manner except by an instrument in writing executed by the parties.

(c) Landlord and Landlord's agents have made no representations, agreements, conditions, warranties, understandings or promises, either oral or written, other than as expressly set forth in this Amendment, with respect to this Amendment, the Premises, the Lease or the Building.

(d) This Amendment may be executed in several counterparts, and by facsimile signatures, each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

(e) Tenant represents and warrants to Landlord that its execution and delivery of this Amendment has been duly authorized and that the person executing this Amendment on behalf of Tenant has been duly authorized to do so, and that no other action or approval is required with respect to this transaction.

(f) This Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and assigns.

(g) Except as modified hereby, the Lease remains in full force and effect in accordance with its terms, is hereby ratified and the Lease, as amended hereby, shall be binding upon, and shall inure to the benefit of the parties hereto and their respective successors and assigns.

(h) Submission of this Amendment for examination and negotiation does not constitute an offer. This Amendment shall become effective only upon execution and delivery by all of the parties to this Amendment.

IN WITNESS WHEREOF, each party hereto has caused this Amendment to be duly executed, under seal, on the date set forth next to such party's signature block.

Landlord:

Date Signed: November 17,
2010

LIBERTY MALVERN, LP,
a Delaware limited partnership by its sole general partner as follows:

By: Philly Portfolio GP, LLC, a Delaware limited liability company

By: /s/ Michael O'Brien
Name: Michael O'Brien
Title: Vice President

Tenant:

Date Signed: November 12,
2010

USA TECHNOLOGIES INC., a Pennsylvania corporation

By: /s/ George R. Jensen, Jr.
Name: George R. Jensen, Jr.
Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14 AND 15d-14 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, George R. Jensen, Jr., 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 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: January 20, 2011

/s/ George R. Jensen, Jr.

George R. Jensen, Jr.,
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14 AND 15d-14 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

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 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: January 20, 2011

/s/ David M. DeMedio

David M. DeMedio,
Chief Financial Officer

**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, 2010 (the "Report"), I, George R. Jensen, Jr., 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/ George R. Jensen, Jr.

George R. Jensen, Jr.
Chief Executive Officer

**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, 2010 (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
